**IMPORTANT NOTICE**

**IMPORTANT**: You must read the following before reading, accessing or making any other use of this prospectus (the "Prospectus"), which has been prepared by Heathrow Funding Limited and certain obligors (together, "Heathrow"). In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them, at any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY THE SECURITIES DESCRIBED IN THE PROSPECTUS IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE ISSUER HAS NOT REGISTERED AND DOES NOT INTEND TO REGISTER AS AN INVESTMENT COMPANY UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT"). IN ORDER TO BE ELIGIBLE TO READ THE PROSPECTUS OR MAKE AN INVESTMENT DECISION WITH RESPECT TO THE SECURITIES DESCRIBED THEREIN, YOU MUST EITHER (1) BE NEITHER A "U.S. PERSON" AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT (A "U.S. PERSON") NOR A "U.S. RESIDENT" AS DETERMINED FOR THE PURPOSES OF THE INVESTMENT COMPANY ACT (A "U.S. RESIDENT") OR (2) BE BOTH A "QUALIFIED INSTITUTIONAL BUYER" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT (A "QIB") AND A "QUALIFIED PURCHASER" WITHIN THE MEANING OF SECTION 2(A)(51) OF THE INVESTMENT COMPANY ACT AND THE RULES AND REGULATIONS THEREUNDER (A "QP") ACTING FOR YOUR OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QIB THAT IS A QP.

WITHIN THE UNITED KINGDOM, THE PROSPECTUS MAY NOT BE PASSED ON EXCEPT TO INVESTMENT PROFESSIONALS OR OTHER PERSONS IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (AS AMENDED) DOES NOT APPLY TO THE ISSUER (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). THE PROSPECTUS MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THE PROSPECTUS RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS.

THE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

**Confirmation of your representation**: The Prospectus is being sent at your request and by accepting the e-mail and accessing the Prospectus, you shall be deemed to have represented to us that you are either (1) neither a U.S. Person nor a U.S. Resident or (2) both a QIB and a QP acting for your own account or for the account of another QIB that is a QP; and that you consent to delivery of the Prospectus by electronic transmission.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Prospectus to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law.

The Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither Heathrow nor any of the dealers, nor any person who controls such person, nor any director, officer, employee or agent or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format herewith and the Prospectus as approved by the UK Listing Authority and available on the UK National Storage Mechanism.

**HEATHROW FUNDING LIMITED**

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

**Multicurrency programme for the issuance of bonds**

Heathrow Funding Limited (the "**Issuer**") has established a multicurrency programme for the issuance of bonds (the "**Programme**"). Application has been made to the Financial Conduct Authority in its capacity as competent authority under the Financial Services and Markets Act 2000 as amended ("**FSMA**") (the "**UK Listing Authority**" or "**UKLA**") for bonds issued under the Programme ("**Bonds**") during the period of twelve months after the date hereof to be admitted to the official list of the UK Listing Authority (the "**Official List**") and to trading on the Regulated Market (the "**Market**") of the London Stock Exchange plc (the "**London Stock Exchange**"). References in this prospectus (the "**Prospectus**") to Bonds being "listed" (and all related references) shall mean that such Bonds have been admitted to trading on the Market and have been admitted to the Official List. The Market is a regulated market for the purposes of the Markets in Financial Instruments Directive 2004/39/EC.

The Bonds may be issued, on a continuing basis, to one or more dealers appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Prospectus to the "relevant Dealer" shall, in the case of an issue of Bonds being (or intended to be) subscribed by more than one Dealer or in respect of which subscriptions will be procured by more than one Dealer, be to all Dealers agreeing to subscribe for such Bonds or to procure subscriptions for such Bonds, as the case may be.

**Bonds issued under the Programme have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or with any securities regulatory authority of any state or other jurisdiction of the United States. The Issuer has not registered and does not intend to register as an investment company under the United States Investment Company Act of 1940, as amended (the "Investment Company Act"), in reliance on the exemption provided in section 3(c)(7) thereof. The Bonds may be offered, sold or delivered (i) outside the United States to persons who are neither "U.S. persons" as defined in Regulation S under the Securities Act ("Regulation S") (each, a "U.S. person") nor "U.S. residents" as determined for the purposes of the Investment Company Act (each, a "U.S. resident") in offshore transactions in reliance on Regulation S (the "Regulation S Bonds") and/or (ii) within the United States in reliance on Rule 144A under the Securities Act ("Rule 144A") only to persons that are both "qualified institutional buyers" (each a "QIB") within the meaning of Rule 144A and "qualified purchasers" within the meaning of section 2(a)(51) of the Investment Company Act and the rules and regulations thereunder (each a "QP") acting for their own account or for the account of another QIB that is a QP (the "Rule 144A Bonds"). Each purchaser of the Bonds in making its purchase will be deemed to have made certain acknowledgements, representations and agreements. See "*Subscription and Sale*" in this Prospectus. The Bonds are subject to other restrictions on transferability and resale as set forth in "*Transfer Restrictions*" in this Prospectus.**

**Neither the United States Securities and Exchange Commission nor any state securities commission in the United States nor any other United States regulatory authority has approved or disapproved the Bonds or determined that this Prospectus is truthful or complete.**

**Please see "*Risk Factors*" to read about certain factors you should consider before buying any Bonds and "*Documents Incorporated by Reference*" for details of certain documents that are incorporated by reference in, and form an important part of, this Prospectus.**

Prospectus dated 22 January 2016

Ratings ascribed to all of the Bonds reflect only the views of Standard & Poor's Credit Market Services Europe Limited, a division of The McGraw-Hill Companies ("**Standard & Poor's**") and Fitch Ratings Ltd. ("**Fitch**" and, together with Standard & Poor's, the "**Rating Agencies**") and any further or replacement rating agency appointed by the Issuer with the approval of the Borrower Security Trustee (acting upon the instructions of the Qualifying Borrower Secured Creditors, as defined below). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by any one or all of the Rating Agencies. A suspension, reduction or withdrawal of the rating assigned to any of the Bonds may adversely affect the market price of such Bonds. The Class A Bonds issued to date have been rated A- (sf) by Standard & Poor's and A- by Fitch Ratings, and the Class B Bonds issued to date have been rated BBB (sf) by Standard & Poor's and BBB by Fitch Ratings.

Standard & Poor's and Fitch are established in the European Community and are registered under Regulation (EC) No 1060/2009, as amended by Regulation (EC) No 513/2011 (the "**CRA Regulation**"). Where an issue of Bonds is rated such rating will be (i) issued by a credit rating agency established in the European Community and registered in accordance with the CRA Regulation (or a credit rating agency that operated in the European Community before 7 June 2010 which has applied for registration and such application has not been refused) and (ii) specified in the relevant final terms of the issue of bonds (for each issue of Bonds, the "**Final Terms**").

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# OVERVIEW

*This overview highlights certain information contained in this Prospectus. This overview does not contain all of the information prospective investors should consider before investing in the Bonds. Prospective investors should read this entire Prospectus carefully, including the sections entitled "Risk Factors", "Forward-Looking Statements" and the financial information and the notes included or incorporated by reference elsewhere in this Prospectus.*

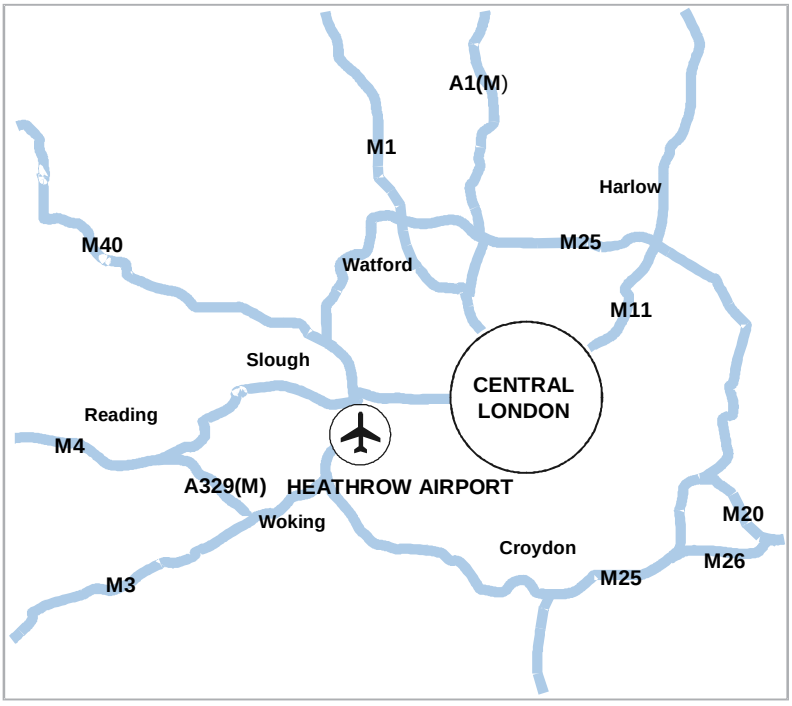
## HEATHROW AIRPORT

Heathrow Funding Limited (the "**Issuer**") is a member of the Group (as defined below). Heathrow Airport Limited ("**Heathrow**") is also a member of the Group and it owns and operates Heathrow airport ("**Heathrow Airport**"), the largest airport in the United Kingdom (the "**UK**"). Heathrow also owns the Heathrow Express rail service.

Heathrow Airport is Europe's busiest and the world's sixth busiest airport in terms of total passengers. In 2015, Heathrow Airport handled a record 75.0 million passengers. Heathrow Airport is the primary airport in London, which is the world's largest origin and destination aviation market with around 110 million passengers travelling to and from London annually (source: UK Airports Commission Final Report, July 2015). Heathrow Airport handles approximately 76 per cent. (in terms of passengers) of all the UK's scheduled long-haul air traffic and its critical role in the global aviation industry is underlined by the fact that five of the top ten long-haul intercontinental routes globally pass through Heathrow Airport (source: OAG).

The Group has maintained a strong focus over recent years on operational performance, improving the passenger experience and investing in new and upgraded facilities. As a result, Heathrow Airport has risen to become one of the top performing major European hub airports in terms of overall passenger satisfaction. In the nine months to 30 September 2015, 81 per cent. of passengers rated their Heathrow Airport experience as either "very good" or "excellent", recognising recently delivered improvements, including the opening of Terminal 2: The Queen's Terminal in June 2014.

Heathrow has invested approximately £11 billion transforming Heathrow Airport over the last decade, culminating in the opening of Terminal 2. In 2015 Terminal 2 handled 16.7 million passengers per year and complements the award winning Terminal 5 which opened in 2008 and in 2015 handled 33.1 million passengers per year. Terminal 5 has been awarded the World's Best Airport Terminal by Skytrax for four consecutive years up to and including 2015. Heathrow Airport was named "Best Airport in Western Europe" by Skytrax for the first time in 2015. Each of Heathrow Airport's four operational terminals is either new or recently refurbished.




**Heathrow Airport's location and major road networks**

Heathrow is subject to economic regulation by the Civil Aviation Authority (the "**CAA**"). The CAA sets caps on the amount that Heathrow Airport can charge airlines for using its facilities.

The price caps are set for a five-year period (a "**Quinquennium**"), which may be extended. This price setting mechanism provides significant cash flow predictability within each Quinquennium and provides substantial explicit protection against costs resulting from new security regulations.

The price caps take into account Heathrow's forecast revenues (both aeronautical and non-aeronautical) and costs as well as allowing recovery of capital costs and a return on capital. The return on capital is based on Heathrow's opening Regulatory Asset Base ("**RAB**") and its forecast capital expenditure for the Quinquennium. As for other regulated utilities in the UK, the RAB acts as a unit of regulatory value and does not correspond to statutory asset values. The RAB is adjusted on an ongoing basis principally for capital expenditure, RPI inflation, regulatory depreciation and proceeds of disposals.

The regulated price-setting mechanism provides significant income predictability and cash flow visibility within each regulatory period as well as protection against longer-term cost and revenue risks. The current Quinquennium for Heathrow, Q6, lasts from 1 April 2014 to 31 December 2018 in order to align Heathrow's financial and regulatory years.

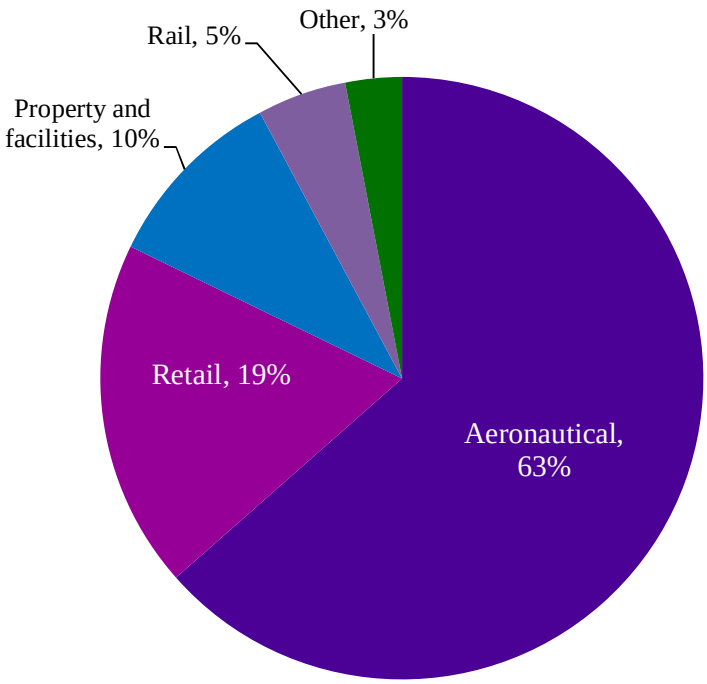
**FINANCIAL SUMMARY**

The Group generates two primary types of income:

- aeronautical income (£1,706 million or 63 per cent. of total income in 2014), which is generated from fees charged to airlines for use of its facilities for flight and passenger activities and is subject to the CAA's price caps; and

- non-aeronautical income (£986 million or 37 per cent. of total income in 2014), which is taken into account by the CAA in setting its price caps and is generated mainly from retail concession fees, car parking income, property rental income, rail income and other services supplied by Heathrow.

Set out below is a breakdown of the Group's revenue for the year ended 31 December 2014.



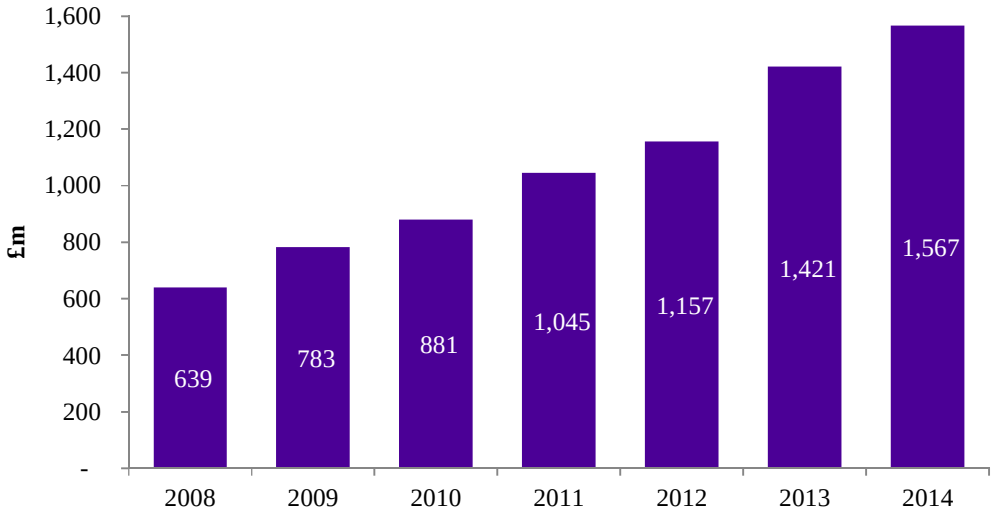
For the year ended 31 December 2014, the Group generated consolidated revenue of £2,692 million. The chart below demonstrates the consistent growth in the Group's revenue since 2008 (compound annual growth rate of 9.4 per cent.).

**Group revenue for the years ended 31 December 2008-2014**




The chart below sets out the consistent growth in the Group's Adjusted EBITDA since 2008 (compound annual growth rate of 16.2 per cent.).

**Group Adjusted EBITDA for the years ended 31 December 2008-2014**



**KEY STRENGTHS**

Heathrow has a number of key strengths, deriving from both the commercial strength of the airport and its status as regulated infrastructure:

- A strong position in the South East of England, one of the world's busiest air traffic markets and a market with growing demand for air travel.
- Heathrow Airport is Europe's busiest airport and the world's sixth busiest airport in terms of total passengers. It enjoys a unique market position in the UK, being the country's only hub airport and handling approximately 76 per cent. (in terms of passengers) of all the UK's scheduled long-haul air traffic.
- Price regulation by the CAA provides significant income predictability and cash flow visibility within each regulatory period as well as protection against longer term cost and revenue risks.
- High exposure to the fastest-growing long-haul segment of the global aviation industry and the fact that it has been operating close to its permitted capacity for a number of years.
- Proven resilience of the Group to market trends, shocks and economic downturns.
- Income generation from a variety of sources, including charges to airlines, concession fees from retail operators, income from car parks, advertising revenue, the rental of airport premises, the provision of facilities and services and the Heathrow Express rail service.
- Service of a range of market segments, including business and leisure travellers, origin and destination and transfer passengers, long- and short-haul routes, and a diversified range of major airlines.

**HEATHROW'S STRATEGY**

The Group's strategy is focused on developing Heathrow Airport's position from one of the best airports in Europe to one of the best airports in the world.

To support and develop Heathrow Airport's role as a hub, the Group will continue enabling the success of the major network airlines operating at Heathrow Airport by investing in further capacity, operational flexibility and resilience at sustainable charges for airline customers.

For both local and transfer passengers, Heathrow Airport is working continuously to make every journey better through improved service standards to ensure it remains passengers' preferred airport. Improving the passenger experience is supported by ongoing investment in modern airport facilities and operating processes.

The Group has four strategic priorities to help the Group achieve its strategy:

- **Beating the plan**: aiming to beat the Q6 business plan and deliver a competitive return by growing revenue, reducing costs and delivering investments efficiently.
- **Transforming customer service**: aiming to deliver the world's best passenger experience through working with the Heathrow community to transform the service it gives to passengers and airlines.
- **Winning support for expansion**: working to win support for expansion of Heathrow from our local community, airlines, shareholders, politicians and regulators.
- **Mojo:** making Heathrow a great place to work, helping our people fulfil their potential and working together to lead change across Heathrow.

**OWNERSHIP AND OPERATING STRUCTURE OF THE GROUP**

Heathrow is an indirect subsidiary of Heathrow (SP) Limited (Heathrow (SP) Limited, and together with the Issuer, Heathrow (AH) Limited and Heathrow Express Operating Company Limited ("**Heathrow Express**"), constitutes the "**Group**"). See "*Description of the Group Companies*".

The Group companies are indirect subsidiaries of Heathrow Airport Holdings Limited ("**Heathrow Airport Holdings**"). Heathrow Airport Holdings is indirectly owned by investment vehicles controlled or managed by Ferrovial S.A. (25.00%), Qatar Holding LLC (20.00%), Caisse de dépôt et placement du Québec (12.62%), the Government of Singapore Investment Corporation (11.20%), Alinda Capital Partners (11.18%), China Investment Corporation (10.00%) and Universities Superannuation Scheme (10.00%).

LHR Airports Limited ("**LHR Airports**") employs staff for Heathrow and provides services at Heathrow Airport and central support services for Heathrow. Heathrow, as a sub-contractor for LHR Airports, provides certain central support services for Heathrow Express. Heathrow Express employs most of its own staff directly (with some staff being provided by LHR Airports). For more information on the services provided by LHR Airports, see "*Business—Shared Services*".

**FINANCING OF THE GROUP**

The Group finances its activities through a mix of senior (Class A) and junior (Class B) loan and bond debt in a variety of tenors, formats and currencies. It hedges a significant proportion of its interest rate, inflation and currency exposures under an agreed hedging policy.

Bonds are issued by the Issuer, under its bond issuance programme, which was established in 2008.

The Group also has access to various loan facilities, including revolving credit and liquidity facilities which have significant undrawn balances.

Proceeds of bond issuances are on-lent to Heathrow. The terms, principal amount, interest rate and tenor of the inter-company loans (the "**Borrower Loans**") are designed to match economically the terms of the Bonds and any related hedging. As such, the Borrower Loans provide for payments to become due from Heathrow to the Issuer on dates and in amounts that match the obligations of the Issuer under the Bonds, ensuring that the Issuer has sufficient funds to meet its obligations to pay interest and principal thereunder. The assets and revenues of Heathrow (and the Group) secure the Borrower Loans, and have characteristics that demonstrate capacity to produce sufficient funds to allow Heathrow to service the Borrower Loans. The Group's assets and revenues therefore also support the Issuer's obligations under the Bonds.

The Group uses the proceeds of bond issuances and of loan drawings for its general corporate purposes, including to fund operating and capital expenditure, to pay interest and principal on its bonds and loans and, subject to the terms of its financing agreements, to make distributions to enable the servicing of other parts of the Heathrow Airport Holdings Group's capital structure, including payments of interest and principal related to Heathrow Finance plc's debt, and to enable the payment of dividends to the Heathrow Airport Holdings Group's ultimate shareholders.

In recent years, the Group has been actively refinancing its loan facilities and significantly extending its debt maturity profile, particularly through issuance in the debt capital markets. Since November 2009, it has raised approximately £10.4 billion across six currencies and in both Class A and Class B formats.

As at 31 December 2015, the Group had £11.8 billion outstanding in nominal debt under 34 separate bond issuances with scheduled maturities between 2016 and 2049. At the same date, the Group had in place:

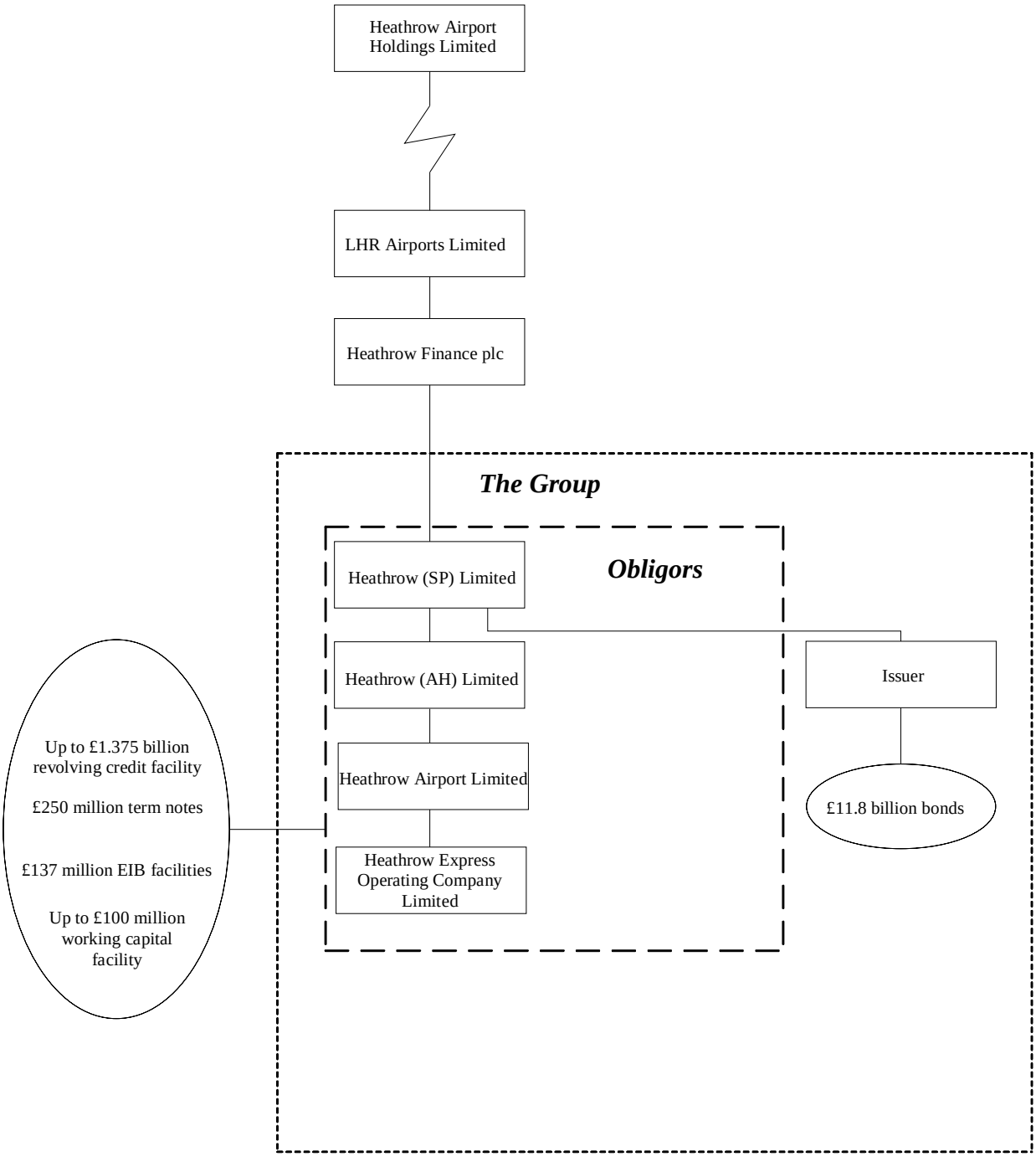
- a £75 million revolving credit facility with a final maturity of April 2018 (fully undrawn);
- £1,300 million revolving credit facilities with a final maturity of November 2020 (fully undrawn);
- £100 million working capital facilities with a final maturity of November 2020 (fully undrawn);
- £137 million in amortising loans from the European Investment Bank (final maturity 2022); and
- £250 million in term notes with maturities in 2026, 2030 and 2035.

In addition, the Group has access to standby liquidity facilities of £750 million available to service interest on bonds and loan facilities and to make payments under hedging transactions in the event of insolvency. The Issuer also has flexibility to issue Bonds to create a liquidity reserve.

The combined undrawn commitments under the Group's revolving credit and working capital facilities (but not taking into account headroom under the Group's liquidity facilities) were £1,475 million as at 31 December 2015. The Group expects this headroom to be sufficient, when combined with its cash resources and expected operating cash flows, to meet all its liquidity requirements, including repaying maturing bonds and loans, until May 2017. Each member of the Group (other than the Issuer) has given guarantees in respect of each other's obligations under the various finance agreements, including their inter-company loans from the Issuer. All members of the Group (including the Issuer) have granted security over all their assets in support of their secured liabilities.

For more details on the financing arrangements described above, see "*Summary of the Financing Agreements*" and the documents incorporated by reference in this Prospectus.

The following chart summarises the Group's corporate and financing structure as at 31 December 2015.



## SUMMARY OF THE BOND PROGRAMME

| | |
|---|---|
| The Issuer | Heathrow Funding Limited. |
| Borrower | Heathrow Airport Limited. |
| Obligors | Heathrow Airport Limited, Heathrow (AH) Limited, Heathrow (SP) Limited and Heathrow Express Operating Company Limited. |
| Bond Trustee | Deutsche Trustee Company Limited or any successor appointed pursuant to the Bond Trust Deed (as defined below). |
| Borrower Security Trustee | Deutsche Trustee Company Limited or any successor appointed pursuant to the Security Trust and Intercreditor Deed (the "**STID**"). |
| Programme Size | Up to £50,000,000,000 (or its equivalent in other currencies) aggregate nominal amount of Bonds outstanding at any time as increased from time to time by the Issuer. |
| Issuance in Classes | Bonds issued under the Programme will be issued in Series, with each Series comprising one or both of two Classes, Class A Bonds and Class B Bonds. Each Class may comprise one or more Sub-Classes of Bonds and each Sub-Class can be issued in one or more Tranches, the specific terms of each Tranche of a Sub-Class being identical in all respects, save for the issue dates, interest commencement dates and/or issue prices, to the terms of the other Tranches of such Sub-Class.<br><br>On each Issue Date, the Issuer will issue the Sub-Classes of Bonds set out in the Final Terms (each, a "**Series**") published on the relevant Issue Date. |
| Certain Restrictions | Each issue of Bonds denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time including the restrictions applicable at the date of this Prospectus. See "*Subscription and Sale*". |
| Currencies | Sterling, euro, U.S. dollars, Canadian dollars, Australian dollars, Swiss francs, Norwegian krone, Japanese yen and, subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer. |
| Final Terms or Drawdown Prospectus | Bonds issued under the Programme may be issued either (1) pursuant to this base Prospectus and associated Final Terms, or (2) pursuant to a Drawdown Prospectus. |
| Redenomination of GBP Bonds | The applicable Final Terms may provide that GBP-denominated Bonds may be redenominated in euro. The relevant provisions applicable to any such redenomination will be contained in Condition 19 (*European Economic and Monetary Union*). |
| Maturities | Such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer.<br><br>In certain circumstances, where Bonds have a maturity of less than one year, such Bonds will be subject to limitations to ensure the Issuer complies with section 19 of FSMA. For further details please see the UK selling restrictions as set out in the "*Subscription and Sale—United Kingdom*" section of this Prospectus. |
| Issue Price | Bonds will be issued on a fully-paid basis and at an issue price which is at par or at a discount to, or premium over, par, as set out in the relevant Final Terms. |
| Interest | Bonds will, unless otherwise specified in the relevant Final Terms, be interest-bearing and interest will be calculated (unless otherwise specified in the relevant Final Terms) on the Principal Amount Outstanding (as defined in the Conditions) of such Bond. Interest will accrue at a fixed or floating rate (plus, in the case of Indexed Bonds, amounts in respect of |

| | |
|---|---|
| | indexation) and will be payable in arrear, as specified in the relevant Final Terms, or on such other basis and at such rate as may be so specified. Interest will be calculated on the basis of such Day Count Fraction (as defined in the Conditions) as may be agreed between the Issuer and the relevant Dealer as specified in the relevant Final Terms. |
| Form of Bonds | The Bonds will be issued in bearer or registered form as specified in the relevant Final Terms. Registered Bonds will not be exchangeable for Bearer Bonds. |
| Interest Payment Dates | Interest in respect of Fixed Rate Bonds will be payable semi-annually in arrear, in respect of Floating Rate Bonds will be payable quarterly in arrear and in respect of Indexed Bonds will be payable semi-annually in arrear (or, in each case, as otherwise specified in the relevant Final Terms). |
| Early Redemption | The applicable Final Terms will indicate either that the relevant Bonds cannot be redeemed prior to their stated maturity (other than in specified instalments, for taxation reasons if applicable, following prepayment of a Borrower Loan or following an Index Event or a Bond Event of Default) or that such Bonds will be redeemable at the option of the Issuer and/or the holders of the Bonds (the "**Bondholders**") upon giving notice to the Bondholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer, in each case as set out in the applicable Final Terms. |
| Scheduled Redemption | Unless previously redeemed or cancelled, each Sub-Class of Class A Bonds is expected to be redeemed on the Scheduled Redemption Date. Neither the Issuer nor Heathrow has the right to extend the Scheduled Redemption Date, which is also the maturity date of the corresponding tranche of the Borrower Loan. The Maturity Date under the Class A Bonds falls two years later, to cater solely for the possibility that Heathrow might default on repayment of the Borrower Loan. In these circumstances (which constitute a Loan Event of Default), the Class A Bonds will accrue interest at a floating rate, which will be met from any available proceeds from the Borrower Loan or, if insufficient, from drawings under the Issuer Liquidity Facility to the extent available. If the Class A Bonds are not redeemed in full by their Maturity Date, there will be a Bond Event of Default. This provision does not apply to the Class B Bonds. |
| Final Redemption | If a Sub-Class of Bonds has not previously been redeemed in full, such Sub-Class shall be finally redeemed at its Principal Amount Outstanding (in the case of Indexed Bonds (as defined in the Conditions) as adjusted in accordance with Condition 7.1(a) (*U.K. Retail Price Index—Application of the Index Ratio*) or Condition 7.2(a) (*HICP—Application of the Index Ratio*), as applicable, plus accrued interest on the Maturity Date as specified in the applicable Final Terms. |
| Denomination of Bonds | Bonds will be issued in such denominations as are or may be agreed between the Issuer and the relevant Dealer, as specified in the relevant Final Terms, but the minimum denomination shall be at least €100,000 or not less than the equivalent of €100,000 in any other currency. |
| Taxation | Payments in respect of Bonds will be made without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature, unless and save to the extent that the withholding or deduction of such taxes, duties or charges is required by law. In that event and to that extent, the Issuer will make payments subject to the appropriate withholding or deduction. No additional amounts will be paid by the Issuer in respect of any withholdings or deductions, unless otherwise specified in the applicable Final Terms. |

| | |
|---|---|
| Status of the Bonds | The Bonds to be issued under the Programme will constitute secured obligations of the Issuer. Bonds of each Class rank *pari passu* without preference or priority in point of security among themselves.<br><br>The Bonds represent the right of the holders of such Bonds to receive interest (where applicable) and principal payments from the Issuer in accordance with the terms and conditions of the Bonds and the bond trust deed between the Issuer, LHR Airports and the Bond Trustee, as amended from time to time (the "**Bond Trust Deed**") entered into by the Issuer and the Bond Trustee in connection with the Programme.<br><br>All claims in respect of the Class A Bonds will rank in priority to payments of interest and principal due on the Class B Bonds. All claims in respect of the Class A Bonds and Class B Bonds will rank in priority to payments of interest and principal due on all Subordinated Bonds. |
| Covenants | The representations, warranties, covenants and events of default which will apply to, among other things, the Bonds are set out in the Bond Trust Deed. See "*Summary of the Financing Agreements—Bond Trust Deed*". |
| Listing and Trading | It is anticipated that Bonds issued under the Programme will be admitted to the Official List and admitted to trading on the Market. There are no assurances that the Bonds will be admitted to the Market. |
| Ratings | Where an issue of Bonds is rated, such rating will be (i) issued by a credit rating agency established in the European Community and registered in accordance with Regulation (EC) No 1060/2009, as amended by Regulation (EC) No 513/2011 (the "**CRA Regulation**") (or a credit rating agency that operated in the European Community before 7 June 2010 which has applied for registration and such application has not been refused) and (ii) specified in the relevant Final Terms.<br><br>The ratings assigned to the Class A Bonds and the Class B Bonds by the Rating Agencies reflect only the views of the Rating Agencies. A rating is not a recommendation to buy, sell or hold securities and will depend, among other things, on certain underlying characteristics of the business and financial condition of Heathrow. A rating may be subject to suspension, change or withdrawal at any time by the assigning Rating Agency. |
| Governing Law | The Bonds will be governed by, and construed in accordance with, English law. |
| Selling Restrictions | There are restrictions on the offer, sale and transfer of the Bonds in the United States, the UK and such other restrictions as may be required in connection with the offering and sale of a particular Sub-Class of Bonds. See "*Subscription and Sale*". |
| Investor Information | LHR Airports as Security Group Agent (on behalf of the Group) is required to produce an investor report (the "**Investor Report**") semi-annually. |

# RISK FACTORS

*The following sets out certain aspects of the Programme documentation and the activities of the Group about which prospective Bondholders should be aware. The occurrence of any of the events described below could have a material adverse effect on the business, financial condition or results of operations of the Issuer, Heathrow or the other Obligors and could lead to, among other things, Trigger Events, Bond Events of Default, Loan Events of Default and/or non-payment of amounts under the Bonds.*

*This section of the Prospectus describes all material risks that are known to the Group as at the date of this Prospectus. This section of the Prospectus is not intended to be exhaustive and prospective Bondholders should read the detailed information set out elsewhere in this document, including the documents incorporated by reference, prior to making any investment decision. Further, prospective Bondholders should seek their own legal, financial, accounting, tax and other relevant advice as to the structure and viability of an investment in the Bonds.*

*In addition, while the various structural elements described in this document are intended to lessen some of the risks discussed below for Bondholders, there can be no assurance that these measures will ensure that the holders of the Bonds of any Sub-Class or Tranche receive payment of interest or repayment of principal from the Issuer in respect of such Bonds on a timely basis or at all.*

## COMMERCIAL RISKS

***The Group's aeronautical income could decline as a result of a reduction in flights, passengers or other factors outside the Group's control which adversely impact the operational resilience of the Group.***

The Group generates aeronautical income from airport fees and traffic charges. These charges are regulated and principally levied on the basis of passenger numbers, maximum total aircraft weight, aircraft noise and emission characteristics and the length of time for which an aircraft is parked at the airport. The charges are also linked to the rate of inflation, which is liable to change. There are no specific operating contracts with the airlines operating at Heathrow Airport. There can therefore be no assurance as to the level of the Group's future aeronautical income from any one or more airline operators. Decisions by, legal disputes with, financial difficulties at, or the failure of, a significant airline customer, or the withdrawal of their landing rights, could lead to a reduction in flights and passenger numbers and/or failure or delay in recovering airport fees or landing charges. The effect of decisions by or events at airlines that have a major presence at Heathrow Airport (such as British Airways which in 2014 accounted for approximately 44 per cent. of the airport's aeronautical income) could have a material adverse effect on the Group.

The number of passengers using Heathrow Airport may be affected by a number of other factors, including:

- shocks to the macroeconomic environment (including changes in fuel prices and currency exchange rates) whether affecting the global economy, the UK economy or the Greater London economy in which Heathrow Airport is based;
- an increase or decrease in competition from UK and non-UK airports;
- wars, riots or political action;
- industrial action by key Group staff that affects critical services or aviation sector staff (for instance the strikes that affected British Airways in 2010);
- an increase in airfares due to increased airline costs;
- decisions by airlines regarding the number, type and capacity of aircraft (including the mix of premium and economy seats), as well as the routes on which particular aircraft are utilised;
- health scares, epidemics or pandemics across the globe;
- disruptions caused by natural disasters or events, for example the closure of airspace due to a volcanic eruption in Iceland in 2010;
- extreme weather at Heathrow Airport or other airports, such as the severe winter weather experienced in the northern hemisphere in December 2010, which caused over 4,000 flights to be cancelled at Heathrow Airport and caused significant impact to airline schedules globally;

- acts of terrorism or cybersecurity threats and attacks;

- changes in domestic or international regulation, for instance international trade liberalisation developments such as Open Skies;

- the quality of services and facilities, including the impact of construction projects; and

- the development of efficient and viable alternatives to air travel, including the improvement or expansion of existing surface transport systems, the introduction of new transport links or technology and the increased use of communications technology.

The Group, where possible, seeks to anticipate the effects of the events noted above in its operations and also maintains contingency plans to minimise disruption and passenger inconvenience. For example, in relation to the risk of industrial action by key Group staff, the Group has a range of formal national and local consultative bodies to discuss pay, employment conditions and business issues with trade unions. The Group pay agreement reached in early 2014 established a pay structure for 2014 and 2015. The Group is currently engaged in discussions relating to a new pay deal.

There can be no guarantee that the Group's contingency plans would be effective to anticipate the effects of the factors noted above. Any of these factors could negatively impact the Group's reputation, affect Heathrow Airport's day-to-day operations and result in a decrease in the number of passengers using Heathrow Airport which could in turn have a material adverse effect on the Group's business, financial condition and results of operations.

***A decrease in passenger numbers or other factors outside the Group's control could reduce non-aeronautical income.***

The Group's principal sources of non-aeronautical income include retail concession fees, car parking income, property rental income, rail income and income from the provision of operational facilities and utilities.

Retail concession fees are driven by passenger numbers and propensity of passengers to spend in the shops at Heathrow Airport. As noted above, there are a variety of factors which could adversely affect the number of passengers using Heathrow Airport. Levels of retail income at the airport may also be affected by changes in the mix of long- and short-haul and transfer and origin and destination passengers; economic factors, including exchange rates and changes in duty free regimes; retail tenant failures; lower retail yields on concession re-negotiations; redevelopments or reconfigurations of retail facilities at Heathrow Airport, which can lead to a temporary or permanent decline in retail concession fees; reduced competitiveness of the airport retail offering; stricter hand luggage and other carry-on restrictions; and reduced shopping time as a result of more rigorous and time consuming security procedures. Car parking income could be reduced as a result of increased competition from other modes of transport to Heathrow Airport, such as buses and trains, as well as increased competition from off-site car parks. Rail income could be reduced as a result of additional direct rail connections to Heathrow Airport following the expected commencement of Crossrail services in 2019. Other non-aeronautical income could be reduced as a result of a decrease in demand from airport users, such as car rental operators and airlines leasing check-in counters. Any of these factors could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group could be subject to terrorism and/or increased security requirements.***

The UK Government currently assesses the international terrorism threat to mainland Britain as "severe", the second-highest threat level on the government's risk assessment scale. Heathrow Airport operates within a stringent and complex security regime as required by the Government, which has imposed additional security measures from time to time, for example following the discovery of terrorist plots in August 2006 and December 2009. An incident in 2010 involving cargo aircraft led to additional measures for the cargo industry only. The consequences of any future terrorist action or threat may include cancellation or delay of flights, fewer airlines and passengers using Heathrow Airport, liability for damage or loss and the costs of repairing damage.

The implementation of additional security measures at Heathrow Airport in the future could lead to additional limitations on airport capacity or retail space, overcrowding, increases in operating costs and delays to passenger movement through the airport, any of which could have a material adverse effect on the Group's business, financial condition and results of operations.

***The successful implementation of the Group's capital investment programme could be affected by unanticipated construction and planning issues.***

The Group's capital investment programme includes major construction projects at Heathrow Airport and is subject to a number of risks. For example, if the Group is not able to achieve a consensus amongst its airline customers in support of capital investment projects, this could affect the willingness of the CAA to include the costs of such projects in the RAB. Difficulties in obtaining any requisite permits, consents, including environmental consents, licences, planning permissions, compulsory purchase orders or easements could adversely affect the design or increase the cost of the capital expenditure projects or delay or prevent the completion of a project or the commencement of its commercial operation. Although contractors typically share in cost and schedule risks, the Group may face higher-than-expected construction costs and delays, not all of which may be permitted by the CAA to be included in Heathrow Airport's RAB, and possible shortages of equipment, materials and labour due to the number of major construction projects in the London area.

The commencement of commercial operation of a newly constructed facility may also give rise to start-up problems, such as the breakdown or failure of equipment or processes, or lack of readiness of airline operators, closure of facilities and disruptions of operations. The Group's construction contracts may contain restricted remedies or limitations on liability such that any such sums claimed or amounts paid may be insufficient to cover the financial impact of breach of contract. The ability of contractors to meet their financial or other liabilities cannot be assured.

The failure of the Group to recognise, plan for and manage the extent of the impact of construction projects could result in projects overrunning budgets, operational disruptions, capital expenditure trigger rebates to airlines, unsatisfactory facilities at Heathrow Airport, safety and security performance deficiencies, and higher-than-expected operating costs. Any of these could affect Heathrow Airport's day-to-day operations and impact the Group's reputation and, consequently, have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group companies face potential secondary liabilities as members of the Heathrow Airport Holdings Group.***

The Group is part of the larger Heathrow Airport Holdings Group. The Group could, in certain circumstances, face secondary liabilities in respect of obligations of other Heathrow Airport Holdings Group entities, including tax obligations, which could have a material adverse effect on the Group's business, financial condition and results of operations.

***Incidents could occur at Heathrow Airport.***

Airports are exposed to the risk of incidents, including accidents, as a result of a number of factors, including extreme weather conditions, equipment failure, human error and terrorist activities. These incidents could result in injury or loss of human life, damage to airport infrastructure and short- or long-term closure of Heathrow Airport's facilities and may have an impact on passenger traffic levels, which in turn could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group's insurance coverage might not be adequate or available in all circumstances.***

The Group benefits from insurance cover to protect against key insurable risks including terrorism and business interruption. Cover may not be adequate to cover lost income, reinstatement costs, increased expenses or other liabilities. Moreover, there can be no assurance that if insurance cover is cancelled or not renewed, replacement cover will be available at commercially reasonable rates or at all.

The Group may not have, or may cease to have, insurance cover if the loss is not covered under, or is excluded from, an insurance policy including by virtue of a deductible applying, exhaustion of applicable cover limits or a policy operating as an excess policy or if the relevant insurer successfully avails itself of defences available to it, such as breach of disclosure duties, breach of policy condition or misrepresentation.

Insurance cover for the Group is currently, and may in the future be, provided by a combination of insurance market entities and captive insurance companies owned by, or affiliated with, Heathrow Airport Holdings or its ultimate shareholders. Any of these insurers could cease to offer current insurance cover, become insolvent or lose their licences or authorisations. Any failure to obtain insurance or to collect under relevant insurance policies could have a material adverse effect on the Group's business, financial condition and results of operations.

***Heathrow and Heathrow Express (together, the "Operating Companies" and each, an "Operating Company") could be subject to periodic increase in pension cash contributions in the future.***

Under the Shared Services Agreement, LHR Airports is entitled to pass a proportional amount of its pension costs on to the Operating Companies. The costs of the pension schemes, primarily in relation to the defined benefit pension scheme (the "**Pension Scheme**"), may vary from time to time (for instance as a result of fluctuation in investment values or as a result of changes to actuarial assumptions). The Group expects pension costs, including the costs of reducing any deficit, to be treated by the CAA as operating costs in setting price caps, but there is no guarantee that the CAA will do so.

As at 30 September 2015, the Pension Scheme showed a surplus of £165 million, as measured under IAS19. However, the most recent triennial valuation of the Pension Scheme, undertaken by its trustee as at 30 September 2013, indicated a scheme deficit of £300 million calculated using the trustees' actuarial assumptions. As part of the triennial valuation process, LHR Airports and the Pension Scheme's trustees agreed that the annual deficit recovery payment into the Pension Scheme would increase from £24 million to £27 million and apply until 2023.

The Pension Trustee is a Borrower Secured Creditor pursuant to the STID and ranks equally in an amount up to £284 million with senior (Class A) debt. For further details, see the STID, which is incorporated by reference in this Prospectus. The extent of any deficit or surplus to the Pension Scheme, which may vary significantly from one accounting period to another, results from factors outside the control of the Group.

Increases in the Group's pension cash contributions could, either because they take effect mid-Quinquennium or because they are not fully taken into account by the CAA in setting price caps, have a material adverse effect on the Group's business, financial condition and results of operations. See "*Business – Pensions*".

***The Group faces a number of operational risks outside its control.***

The operation of an airport is a complex undertaking that is subject to a number of factors outside the control of the Group. These factors include weather conditions, variable aircraft movements and traffic congestion. In addition, the Secretary of State for Transport has powers under the Airports Act 2006 to give directions to airport operators in the interests of national security, including closure of airports. Given the nature of these factors, it is not possible to accurately predict their future impact on airport operations from past performance, and any impact from such factors could have a material adverse effect on the Group's business, financial condition and results of operations.

***Operations and passenger experience at Heathrow Airport depends upon third parties, whose performance the Group is unable to control.***

The Group depends on the co-operation of a large number of third parties, including government agencies and business partners, to provide essential functions, such as air traffic control, border control, baggage system operation and maintenance, passenger check-in, re-fuelling, rescue and firefighting services, utilities provision and catering. The Group works to manage its relationship with such third parties, for example the Group's management of contracts with third party suppliers is underpinned by robust and responsible procurement practices which involve the consideration of the resilience and sustainability of third party suppliers before contracts are entered into with such third parties, and the frequent monitoring of the operational performance of such third parties once contracts are commenced. There can be no guarantee that the Group's management of third parties will be effective, and the Group's business operations and the experience of passengers at Heathrow Airport may be affected if these third parties do not adequately perform the services they are required to provide. In particular, a failure by these third parties to appropriately respond to passenger volumes, accidents, fire, technical defects or failures in IT or data processing may cause flight delays, damage to facilities, and the cancellation of airport services. Any of these events or a combination of events related to the performance of third parties could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group companies enter into contracts with third parties which require them to give representations, covenants and indemnities, which could expose the Group to litigation.***

The Group companies enter into contracts with third parties under which they have given or will give representations, covenants and indemnities as part of the transactions to which the contracts relate. In connection with sales of assets or shares, Heathrow (AH) Limited as seller has been required to provide various warranties. Entry into such contracts gives rise to a risk of litigation relating to the representations, covenants and indemnities which, if significant, could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group is dependent on LHR Airports as the Shared Services Provider to operate its businesses.***

LHR Airports employs the staff assigned to Heathrow. Pursuant to the Shared Services Agreement, LHR Airports also provides various central support services (including senior management and strategic direction), administration, cash management and operational services, including the provision of IT services and staff, to the Operating Companies as described in more detail in "*Business—Shared Services*". From 1 January 2013, following the divestment of Gatwick Airport and in light of the (at that time) expected divestment of Stansted Airport and to reflect more accurately the current organisation and economic reality, LHR Airports sub-contracted the majority of these services to Heathrow. Heathrow, as a subcontractor for LHR Airports, provides certain central support services to Heathrow Express. Whilst the Shared Services Agreement contains provisions that are designed to assist with the transfer of employees and services to the Operating Companies or a replacement services provider if the Shared Services Agreement were terminated, there can be no assurance that transfers will be effected in a manner that does not have a material adverse effect on the Group's business, financial condition or results of operations.

A significant number of contracts for third-party IT systems and IT support important to the Group's operations are in the name of LHR Airports and would be terminable by the contract counterparties if LHR Airports were to become insolvent. While steps may be taken to seek to minimise the impact of such termination provisions, and there may be commercial reasons why the contract counterparties would not elect to terminate if they are being paid for the continued use of the relevant IT system or IT support, there is a risk that the Group's access to IT systems and IT support may be negatively affected by an insolvency of LHR Airports, which in turn could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group could face operational disruption, inconvenience to passengers and long-term reputational damage as a result of compromises to the safety and security of those affected by the activities of the Group.***

The Group has a statutory and moral responsibility to ensure aviation security and safeguard the welfare and safety of staff, business partners and the public who may be affected by the activities of the Group.

The Group's safety management system includes risk assessment processes for all activities entailing significant risk and proportionate control measures employed to safeguard everyone impacted by the Group's business. The Group also operates robust asset management processes to ensure property and equipment remains safe. Governance, led by the airport's senior management teams, and assurance processes are used to ensure the aforementioned remain effective and to encourage continuous improvement.

Security risks are mitigated by adopting and enforcing rigorous policies and procedures supported by professional training and by investment in leading edge security technology. The Group works closely with airlines and government agencies including the police building a framework to establish joint accountabilities for airport security and shared ownership of risk, thus ensuring security measures remain both flexible and proportionate to the prevailing threat environment.

While the Group is taking steps to discharge its responsibilities effectively and to avoid compromises to the safety and security of those affected by the activities of the Group, there can be no guarantee that steps taken by the Group will be effective. A failure to exercise this responsibility effectively could result in operational disruption, inconvenience to passengers and long-term damage to the Group's reputation, which could in turn have a material adverse effect on the Group's business, financial condition and results of operations.

**REGULATORY RISKS**

***Heathrow is subject to economic regulation by the Civil Aviation Authority, which is subject to adverse change.***

Heathrow is subject to economic regulation that results in, among other things, the setting of the price caps on certain of its charges by the CAA. The CAA published its final decision in relation to economic regulation at Heathrow Airport for the period from 1 April 2014 to 31 December 2018, Q6, on 10 January 2014, which details CAA price controls for the period and pursuant to which the maximum allowable annual change to the yield per passenger will be RPI minus 1.5 per cent. See "*Airport Regulation—Heathrow Price Regulation—Key Elements of the CAA's Q6 Decision*". The CAA has established performance-linked requirements which can negatively impact aeronautical income. For instance, the CAA can reduce the permitted yield in respect of airport charges at Heathrow Airport if prescribed milestones are not met on certain capital investment projects. Under the service quality rebate scheme at Heathrow Airport for the current regulatory period, failure to meet specified targets relating to, among other things, airport cleanliness, security queuing times, flight information displays and stand and jetty availability can result in rebates to airline customers of up to 7 per cent. of airport charges. See "*Airport Regulation—Heathrow Price Regulation—SQR Scheme*".

The Group works to mitigate the risk of an adverse change to the economic regulation of Heathrow as a result of the CAA's reviews by having in place a dedicated project team to ensure full compliance with regulatory requirements and to establish and maintain a sound relationship with the CAA and advise the Group on regulatory matters. The regulatory framework also requires formal engagement with airline customers, and the Group invites airlines to send representatives on engagement fora such as joint steering groups to mitigate the risk of adverse airline relations. Key stakeholders are engaged on a joint planning basis which provides airlines with the opportunity to articulate their views and on-going requirements.

There can be no assurance that the Group's strategy for mitigating the risks associated with the economic regulation of Heathrow set out above will be successful, nor that the current or future price caps set by the CAA will be sufficient to allow Heathrow to operate at a profit; nor that the present price caps will be increased or at least maintained at current levels; nor that the methodology of the review process at subsequent reviews would not have a material adverse effect on the Group's business, financial condition and results of operations.

***Heathrow is subject to an economic licensing regime.***

Under the legislative framework, Heathrow operates under a licence granted by the CAA. Heathrow's licence will remain in force in perpetuity, however, in certain limited circumstances, such as a continued failure by Heathrow to comply with the conditions of the licence, the licence may be revoked by the CAA. For more information on the economic licensing regime, see "*Airport Regulation – Principles of Economic Regulation*" and "*Airport Regulation – Heathrow Price Regulation*". Any revocation of the licence could have a material adverse effect on the Group's business, financial condition and results of operations.

Additionally, the licence may be amended by the CAA in the future through a prescribed licence modification process. Although this will be subject to a right of appeal by Heathrow, the licence could be amended in a way that adversely affected the ability of the Group to finance its business at reasonable rates, which could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group could face other strategic, regulatory and public policy constraints.***

Income and/or operations at Heathrow Airport could be adversely affected by changes in policies regarding route licensing, the "use it or lose it" rule under which airlines are required to fly 80 per cent. of their slots or sacrifice them to other airlines, changes to the conditions for the maintenance of the Heathrow Airport aerodrome licence, security and safety, immigration and border controls, airport development, environmental policy, tax, air passenger duty or the provision of airport capacity. In the event that unforeseen policy and/or regulatory constraints are imposed, this could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group's revenue could decline as a result of change management.***

Changes in the Group's operating environment, such as long-term changes in passenger demand for air travel, could lead to a misaligned operational capacity within the Group. While the Group carries out evaluations through a series of scenario planning exercises, there can be no assurance that the Group can identify the timing or period of any such changes or that once identified, the Group will be able to realign the operational capacity of the Group and implement change management successfully which could lead to a shortfall in the Group's revenue.

***The Group could face costs related to environmental, health and safety and planning considerations.***

The Group's business is affected by a wide variety of EU and UK environmental, health and safety and planning laws and requirements. The Group's existing operations may be impacted by a number of environmental and planning factors, including those involving aircraft movements; air quality (including emissions standards); noise; energy use and efficiency; soil and water pollution arising from airport operations; discharges and surface water drainage; land and groundwater contamination; flooding; drought; asbestos in premises and exposure to asbestos; and waste handling, management and disposal.

The Group consults and engages with the community in which it operates to ensure the concerns of the community are taken into account. The Group also has in place proactive environmental management systems and employee training programmes are embedded within the Group's operations through clear environmental strategies and resource conservation initiatives.

Compliance with present or future environmental, health and safety and planning requirements may be costly and time-consuming and interfere with the Group's existing activities and operations. Non-compliance, in particular with environmental laws and requirements, could have a negative impact on the Group's reputation and jeopardise the Group's licence to operate. The CAA has to date taken environmental costs incurred by the Group into account when determining the RAB and in setting price caps. The CAA has not indicated that it intends to change its policy in this

regard in the future, but, if it were to do so, this could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group could face fines for non-compliance with competition laws and regulations.***

Competition authorities exercise considerable discretion in setting levels of fines for non-compliance with competition laws and regulations. Given the position of Heathrow Airport in certain markets, any failure to comply with applicable competition laws and regulations may result in the Group incurring substantial fines or settlement costs, as well as suffering significant reputational damage, which could in turn have a material adverse effect on the Group's business, financial condition and results of operations.

***Non-compliance with the Group's internal corporate governance requirements could have a significant impact on the Group's reputation and brand.***

The Group has in place internal corporate governance requirements based on applicable laws, rules and requirements such as the Bribery Act 2010. To ensure that the Group's operations are executed in accordance with these requirements, the Group's management processes include a Code of Professional Conduct, Group policies as well as a Group approvals procedure which governs the Group's processes and operations. The Group regularly performs communication and training in these areas, and monitors and audits internal compliance with these requirements. There is however no guarantee that violations of the Group's internal corporate governance requirements will not occur, which could have material adverse effects on the Group's reputation and brand, and result in fines which could in turn have a material adverse effect on the Group's business, financial condition and results of operations.

***Future regulatory settlements may not allow for increased operating costs.***

Operating costs may differ from projections. There can be no assurance that future price caps set by the CAA will be sufficient to allow Heathrow to cover its operating costs, which could have a material adverse effect on the Group's business, financial condition and results of operations.

**FINANCING RISKS**

***The Group is subject to exposure on its hedging arrangements.***

Whilst the Group operates a hedging programme in accordance with the hedging policy under the terms of the Common Terms Agreement ("**CTA**"), it is not required to fully or perfectly hedge its present or future interest rate, foreign currency or inflation exposure and may not in practice do so. The hedging policy appears as Schedule 5 to the CTA, which is incorporated by reference in this Prospectus. The Group is subject to the creditworthiness of, and in certain circumstances early termination of the hedging arrangements by, hedge counterparties.

Changes in interest, foreign currency and inflation rates, and exposure to hedge counterparty risk, could have a material adverse effect on the Group's business, financial condition and results of operations.

***Unavailability of liquidity facilities in the future could restrict the Group's ability to incur further indebtedness.***

Heathrow and the Issuer have liquidity facilities available to cover certain shortfalls in interest and other payments in respect of certain of their financial indebtedness. If the Group were unable to extend or replace its liquidity facilities when they expire, the Issuer would not be permitted to issue further Bonds and the Group may not be able to incur any further senior net indebtedness or junior indebtedness, which could have a material adverse effect on the Group's business, financial condition and results of operations.

***A significant portion of the Group's cash flow from operations is dedicated to debt payments.***

Because of the secured nature of its borrowings and the structure that applies to them, the Group has been able to raise more debt than would typically be the case for an unsecured borrower. As a result, a greater portion of the Group's cash flow from operations is dedicated to payments on its debt obligations, thus reducing its flexibility to deal with significant financial underperformance. This may increase the Group's vulnerability to any economic downturn in its business or to adverse industry conditions, which in turn could have a material adverse effect on the Group's business, financial condition and results of operations.

***Given its leverage position, the Group will need to raise further debt from time to time.***

The Group will need to raise further debt from time to time in order, among other things, to:

(a) finance future capital expenditure; and

(b) enable it/the Issuer to refinance and/or repay indebtedness, including the Bonds, as such indebtedness becomes due.

There can be no assurance that the Group will be able to raise future finance on terms that are economically viable or at all. For instance, events in the credit markets in 2007 and 2008, and regulatory uncertainty in 2009, significantly restricted the Group's ability to raise finance. In addition, if the Group is unable to replace a liquidity facility, under certain circumstances it will not be permitted to incur any further indebtedness, including issuing further Bonds. An inability to refinance and/or repay its indebtedness or incur any further indebtedness could have a material adverse effect on the Group's business, financial condition and results of operations.

***Monitoring of compliance with warranties and covenants and the occurrence of Trigger Events, Loan Events of Default or Potential Loan Events of Default falls primarily to the Obligors, whose determinations could be subjective.***

The STID provides that the Borrower Security Trustee will be entitled to assume, unless it is otherwise disclosed in any Investor Report or Compliance Certificate or the Borrower Security Trustee is expressly informed otherwise, that no Trigger Event, Loan Event of Default or Potential Loan Event of Default has occurred which is continuing. The Borrower Security Trustee will not itself monitor whether any such event has occurred. As the Issuer is a special purpose company, it will fall to the Group companies themselves to make these determinations as well as the determinations of the financial and operational positions underlying them, which may be subjective.

***Enforcement of security granted to Subordinated Creditors could indirectly lead to a termination of the Shared Services Agreement.***

Heathrow Finance plc, the immediate parent company of Heathrow (SP) Limited, has granted a first ranking charge of all the issued share capital of Heathrow (SP) Limited to secure its obligations under its loan facilities (the "**Heathrow Finance Facilities**") and notes (the "**Heathrow Finance Notes**").

Following the occurrence of an acceleration event under the Heathrow Finance Facilities and/or the Heathrow Finance Notes, the security agent appointed in connection therewith may be instructed to enforce the security granted over the shares in Heathrow (SP) Limited which may lead to a change of control of the Group. Any such change of control may lead to a termination event under the Shared Services Agreement, which in turn could have a material adverse effect on the Group's business, financial condition and results of operations. See "*Commercial Risks—The Group is dependent on LHR Airports as Shared Services Provider to operate its businesses*".

***Modifications, waivers and consents in respect of Common Documents and Issuer Transaction Documents could be made on terms detrimental to the interests of Bondholders.***

The STID provides that the Borrower Security Trustee shall seek the approval of Bondholders on certain matters, along with all other holders of Qualifying Borrower Debt, as a condition to concurring in making modifications to the Common Terms Agreement, the Security Documents, the Shared Services Agreement, the STID, the Master Definitions Agreement and the Tax Deed of Covenant (the "**Common Documents**") or granting consents or waivers. The quorums and the majority required to approve the making of modifications or granting of consents or waivers vary depending on the particular matter, as set out in the STID. There can be no assurance that any modification, consent or waiver will be favourable to all Bondholders. Such modifications, waivers and consents may be detrimental to the interests of some or all Bondholders, despite the ratings of such Bonds being affirmed. The votes of the Bondholders of the relevant Class may not constitute a majority in respect of any such matter and Bondholders alone may not be able to control the outcome of any particular approval process. In addition, under the Bond Trust Deed, the principal, maturity and interest rate of a Bond issue can be modified with the approval of Bondholders holding 75 per cent. of the outstanding principal amount of such Bonds at a meeting the quorum for which is 75 per cent. (or 25 per cent. if the initial meeting is inquorate) of the Principal Amount Outstanding of such Bonds.

**OTHER LEGAL RISKS**

***The Borrower Security Trustee could incur liabilities as mortgagee in possession for which it would require indemnification from the Borrower Secured Creditors, including Bondholders.***

Should the Borrower Security Trustee take enforcement proceedings under the Security Documents and if there is a physical entry into possession of Heathrow Airport or an act of control or influence that may amount to possession, such as receiving rental income directly from a relevant tenant, the Borrower Security Trustee may be deemed to be a mortgagee in possession. A mortgagee in possession may incur liabilities to third parties in nuisance and negligence and, under certain statutes (including environmental legislation), can incur the liabilities of a property owner. The

Borrower Security Trustee has the absolute discretion at any time to refrain from taking any action under the Transaction Documents, including becoming a mortgagee in possession in respect of Heathrow Airport, unless it is satisfied at the time that it is adequately indemnified by the Borrower Secured Creditors (including the Bondholders on behalf of the Issuer).

***General risk of change of law.***

It is possible that, whether as a result of case law or through statute, changes in law, rules or regulations (including changes in any applicable tax regimes), or their interpretation or application, may result in the Group's debt financing arrangements as originally structured no longer having the effect anticipated or could have a material adverse effect on the Group's business, financial condition and results of operations and/or could adversely affect the rights, priorities of payments and/or treatment of holdings in Bonds for Bondholders.

***Service of process, enforcement of judgments and bringing of actions in the United States may be difficult.***

The Issuer is a public company incorporated with limited liability in Jersey. Its assets are located outside the United States. In addition, all of its officers and directors reside outside the United States and most of the assets of these persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer or such persons not residing in the United States with respect to matters arising under the federal or state securities laws of the United States, or to enforce against any of them judgments of the courts of the United States predicated upon the civil liability provisions of such securities laws. There is a doubt as to the enforceability in Jersey, in original actions or in actions for the enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon such securities laws.

**Insolvency Considerations**

***Appointment of an administrative receiver might not be possible in the event of an insolvency of Heathrow or the Issuer.***

The Insolvency Act 1986 allows for the appointment of an administrative receiver in relation to certain transactions in the capital markets. Although there is as yet no case law on how these provisions will be interpreted, it should be applicable to the floating charges created by the Obligors and assigned by way of security to the Bond Trustee. However, as this issue is partly a question of fact, were it not to be possible to appoint an administrative receiver in respect of one or more Obligors, they would be subject to administration if they were to become insolvent.

Since the Issuer is incorporated in Jersey, it is unlikely that it will be possible to appoint an administrative receiver in respect of the Issuer in England (so as to prevent the appointment of an English administrator) using the capital market provisions referred to above. Accordingly, in the event that the Issuer were to become insolvent and it was not possible to appoint an administrative receiver, the Issuer could be placed into administration.

***A recharacterisation of fixed security interests as floating security interests could result in certain claims having priority over the Bond Trustee.***

There is a possibility that a Court could find that certain fixed security interests instead take effect as floating charges. Whether the fixed security interests will be upheld will depend, among other things, on whether the Borrower Security Trustee or, as the case may be, the Bond Trustee has the requisite degree of control over the relevant assets and exercises that control in practice. If the fixed security interests are recharacterised as floating security interests, certain claims, including certain employee claims in respect of contributions to pension schemes and wages and the costs and expenses of an administration and/or a liquidation, may have priority over the rights of the Borrower Security Trustee or the Bond Trustee, as the case may be, to the proceeds of enforcement.

**TAX RISKS**

***The Issuer's UK tax position operates on the basis that it is a "securitisation company" for tax purposes.***

On establishment of the Programme, the Issuer was advised that it should be a "securitisation company" for the purposes of the UK Taxation of Securitisation Companies Regulations 2006, made in December 2006 under section 84 of the Finance Act 2005, which has subsequently been rewritten to section 624 of the Corporation Tax Act 2010 (the "**Securitisation Regulations**"). The Issuer is operated on the basis that it is a securitisation company for these purposes and is therefore subject to corporation tax in the UK on its retained profit only, in accordance with the special regime for securitisation companies as provided for by these regulations.

If the Issuer were to cease to qualify as a securitisation company, this may have a material adverse effect on the Issuer's UK tax position which could adversely affect the Issuer's ability to make timely payment of interest and principal under the Bonds.

***The Group faces potential secondary tax liabilities.***

Where a company fails to discharge certain tax liabilities within a specified time period, UK tax law imposes, in certain circumstances, secondary liability for those overdue taxes on other companies that are or have been members of the same group of companies, or are or have been under common control, for tax purposes with the company that has not discharged its tax liabilities.

If any secondary tax liabilities arise in the Issuer or other members of the Group, which are not discharged by the other members of the wider Heathrow Airport Holdings Group, and are of significant amounts, the Issuer or other members of the Group could be adversely affected.

The Issuer is not a member of a value added tax ("**VAT**") group and is therefore not exposed to secondary VAT liabilities.

From 1 December 2012, the other members of the Group (excluding the Issuer) have only been VAT grouped with each other and no other entities. There is an historic secondary liability for the period December 2011 to November 2012, relating to the inclusion within the Group's VAT group of Stansted Airport Limited during that period. This liability ceases on 30 November 2016. Any other historic secondary VAT liabilities from the Group members' prior inclusion within the wider Heathrow Airport Holdings VAT group have timed out under the VAT statute of limitations.

***The Issuer is not obliged to pay any additional amounts to Bondholders as a result of withholding tax in respect of the Bonds.***

If any withholding or deduction for or on account of tax is required to be made from payments due under the Bonds, neither the Issuer nor any Paying Agent nor any other person will be obliged to pay any additional amounts to Bondholders or, if Definitive Bonds are issued, to Couponholders, or otherwise to compensate Bondholders or Couponholders for the reduction in the amounts they will receive as a result of such withholding or deduction. See "*Tax Considerations*" for a discussion of the risk of withholding taxes applying in respect of payments under the Bonds.

***Withholding tax in respect of Borrower Loan Agreements could lead to early redemption of the Bonds.***

The Issuer believes that all payments made under a Borrower Loan Agreement can be made without deduction or withholding for or on account of any UK or Jersey tax. If any withholding or deduction for or on account of tax is required to be made, the relevant Group company will be obliged to gross up the payment so that the Issuer will receive the same cash amount that it would have received had no such withholding or deduction been made. If a gross-up is required by a change in tax law, the relevant Group company will have the option (but not the obligation) to prepay all relevant outstanding advances made under the relevant Borrower Loan Agreement in full. If the Group company chooses to prepay the advances, the Issuer will then be required to redeem the Bonds. Such redemption would be for the Principal Amount Outstanding (as adjusted, in the case of the index-linked bonds, in accordance with the terms of the Bonds), together with accrued interest. If the Group companies do not have sufficient funds to enable them to either repay the relevant Borrower Loan Agreement or gross up payments to the Issuer, the Issuer's ability to make timely payments of interest and principal under the Bonds could be adversely affected.

## ISSUER AND BOND CONSIDERATIONS

***The Bonds constitute obligations of the Issuer only.***

None of the Bonds will be obligations of, nor will they be guaranteed by, any of the Other Parties or any company in the Group. Furthermore, the Bonds are limited recourse obligations of the Issuer and no person other than the Issuer will accept any liability whatsoever to Bondholders in respect of any failure by the Issuer to pay any amount due under the Bonds.

***The Issuer is a special purpose vehicle.***

The Issuer is a special purpose financing entity established for the purpose of issuing bonds. Bond proceeds are on-lent to Heathrow under Borrower Loan Agreements which are secured by security granted over the Group companies' business and assets. The Issuer relies on interest and principal payments under the Borrower Loan Agreements to make payments on the Bonds. Therefore, the Issuer is subject to all the risks relating to income and expenses to which the other Group companies are subject. Such risks could limit funds available to the Group companies to enable the Group

companies to satisfy in full and on a timely basis their obligations under the Borrower Loan Agreements and their guarantees under the Security Agreement.

***Certain of the Issuer's obligations to third parties rank ahead of the Bondholders.***

Although the Bond Trustee will hold the benefit of the Issuer Security on trust for the Bondholders and the Borrower Security Trustee will hold the benefit of the Borrower Security on trust for the Borrower Secured Creditors, such security interests will also be held on trust for certain third parties. Certain of the Issuer's obligations to such third parties rank ahead of the Bondholders. Such persons include, among others, the Bond Trustee (in its individual capacity), the Issuer Hedge Counterparties (in respect of certain payments payable to them), the Issuer Liquidity Facility Providers, the Registrar, the Transfer Agents, the Paying Agents and the Issuer Account Bank in respect of certain amounts owed to them (see "*Summary of the Financing Agreements – Documents Not Incorporated by Reference – Cash Management – Issuer Cash Management Agreement and Issuer Account Bank Agreement*"). To the extent that significant amounts are owing to any such persons, the amounts available to Bondholders will be reduced. Likewise, certain of Heathrow's obligations to certain third parties will rank ahead of its obligations to the Issuer. In addition, it should be noted that unsecured creditors of the Group, such as trade creditors and suppliers, while subordinate to Borrower Secured Creditors, are not bound into the financing structure as they are not parties to the STID and the Common Terms Agreement and so will be able to petition for a winding up or administration of a Group company which fails to pay its unsecured debts as they fall due.

***Timing of payment on Bonds will not necessarily coincide with payment of other indebtedness.***

Payment Dates for the various different types of Senior Debt, Junior Debt and Subordinated Debt will not necessarily coincide, and there is no obligation to ensure that a payment made in respect of any Junior Debt or Subordinated Debt will not lead to a deficiency of funds to make payments in respect of Senior Debt that falls due on a later date.

***Payments under the Class B Bonds will rank subordinate to payments under the Class A Bonds.***

Payments under the Class B Bonds will rank subordinate to payments under the Class A Bonds. If on any Interest Payment Date the Issuer has insufficient funds to make payments under the Class B Bonds and unless amounts are available to be drawn under the Issuer Liquidity Facility, the Issuer's liability to make such payments will be deferred and no non payment Bond Event of Default will arise as a result of such non payment. Prior to repayment in full of the Senior Debt, rights of holders of Class B Bonds are (other than with respect to a Basic Terms Modification or other matters which affect their Entrenched Rights) generally restricted with respect to certain actions and participating in voting on STID Proposals, with the result that such holders will only be entitled to vote on certain matters and take action following repayment of the Senior Debt.

***The Bond Trustee shall have regard to certain Classes or Sub-Classes of Bondholders in the event of a conflict of interest among such Classes or Sub-Classes of Bondholders.***

The Bond Trust Deed requires the Bond Trustee to have regard to the interests of all the Bondholders (so long as any of the Bonds remain outstanding) equally as regards all powers, trusts, authorities, duties and discretions of the Bond Trustee as if they formed a single class (except where expressly required otherwise). However, the Bond Trust Deed also requires that, in the event of a conflict between the interests of the holders of any Class of Bonds, the Bond Trustee shall have regard to the interests of the holders of the Most Senior Class of Bonds then outstanding provided that, if, in the Bond Trustee's opinion, there is a conflict of interest between the holders of two or more Tranches or Sub-Classes of Bonds of the same Class, it shall have regard to the interests of the holders of the Tranche or Sub-Class of such Class then outstanding with the greatest Principal Amount Outstanding.

***Liquidity of the Bonds could be limited, and there could be an absence of a secondary market for the Bonds.***

There can be no assurance that a secondary market for the Bonds will develop, or, if a secondary market does develop for any of the Bonds issued after the date of this Prospectus, that it will provide any holder of Bonds with liquidity or that any such liquidity will continue for the life of the Bonds. Consequently, any purchaser of the Bonds must be prepared to hold such Bonds for an indefinite period of time or until final redemption or maturity of the Bonds.

The liquidity and market value at any time of the Bonds are affected by, among other things, the market view of the credit risk of such Bonds and will generally fluctuate with general interest rate fluctuations, general economic conditions, the condition of certain financial markets, international political events and the performance and financial condition of the Group.

***Rating of the Bonds; Change to covenants subject to Ratings Confirmation.***

Changes can be made to certain covenants provided that Heathrow obtains a Ratings Confirmation in respect of the particular change. The Rating Agencies may not provide their confirmation in the time available or at all, and they will not be responsible for the consequences thereof. A Ratings Confirmation, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time. A Ratings Confirmation cannot be construed as advice for the benefit of any parties involved in the Programme. No assurance can be given that, although a Ratings Confirmation in respect of any particular change has been provided, such change will not have an adverse impact upon the business of the Group.

The ratings assigned by the Rating Agencies to the Class A Bonds and the Class B Bonds reflect only the views of the Rating Agencies and in assigning the ratings the Rating Agencies take into consideration the credit quality of the Group and structural features and other aspects of the transaction, including counterparty risk. There is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by the Rating Agencies as a result of changes in, or unavailability of, information or if, in the Rating Agencies' judgment, circumstances so warrant. If any rating assigned to the Bonds is lowered or withdrawn, the market value of the Bonds may be reduced. Future events, including events affecting the Group and/or circumstances relating to the airport industry generally, could have an adverse impact on the ratings of the Bonds.

***The interests of ultimate shareholders may be inconsistent with interests of Bondholders.***

Ferrovial S.A., Qatar Holding LLC, Caisse de dépôt et placement du Québec, the Government of Singapore Investment Corporation, Alinda Capital Partners, China Investment Corporation and Universities Superannuation Scheme, or investment vehicles controlled or managed on their behalf, indirectly own all of the shares of the Issuer. As a result, these shareholders have, directly or indirectly, the power, among other things, to affect the Group's legal and capital structure and its day-to-day operations, as well as the ability to elect and change management and to approve other changes to the Group's operations. The interests of the Group's ultimate shareholders could conflict with interests of investors in the Bonds, particularly if the Group encounters financial difficulties or is unable to pay its debts when due. In addition, the Group's ultimate shareholders may, in the future, own businesses that directly compete with the Group in certain respects or do business with the Group.

**Certain risks related to index-linked Bonds**

Under the Programme, the Issuer may from time to time issue Bonds with principal or interest determined by reference to an index or formula. Potential investors should be aware that they may lose all or a substantial portion of their principal of any index linked Bonds issued under the Programme. The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any index-linked Bonds.

***Changes to the risk weighted asset framework***

Bondholders should consult their own advisers as to the consequences to, and effect on, them of the application of Directive 2013/36/EU and Regulation (EU) No. 575/2013 (together, the "**CRD**")), as implemented by their own regulator, to their holding of any Class of Bonds. The Issuer is not responsible for informing Bondholders of the effects of the changes to risk-weighting which will result for investors from the adoption of CRD by their own regulator.

***Denominations and trading***

The Bonds of each Class, Sub-Class or Tranche will be issued in the Specified Denominations as set out in the Final Terms. For so long as the Bonds of any relevant Class, Sub-class or Tranche are represented by a Global Bond, and the rules of Euroclear and Clearstream, Luxembourg so permit, Bonds will be tradeable in minimum authorised denominations of at least €100,000 or not less than the equivalent of €100,000 in any other currency (the "**Minimum Denomination**") and higher integral multiples of a smaller amount (the "**Integral Amount**") up to and including the amount that is twice the Minimum Denomination less the Integral Amount (the "**Maximum Denomination**"). However, if Definitive Bonds for that Class, Sub-class or Tranche of Bonds are required to be issued and printed, any Bondholders holding Bonds having a denomination which cannot be represented by a Definitive Bond in the Minimum Denomination or higher integral multiples of the Integral Amount up to and including the Maximum Denomination will not be entitled to receive a Definitive Bond and would need to purchase a principal amount of Bonds such that its holding amounts to a Specified Denomination.

***Book-entry form of Bonds***

The Regulation S Bonds will initially only be issued in global form and deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Interests in the Global Bonds and Global Bond Certificates will trade in book-entry form only. The Rule 144A Bonds will initially only be issued in global certificated form and will be deposited

with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC. The common depositary, or its nominee, for Euroclear, Clearstream, Luxembourg or DTC will be the sole holder of the Global Bonds and Global Bond Certificates representing the Bonds. Accordingly, owners of book-entry interests must rely on the procedures of Euroclear, Clearstream, Luxembourg or DTC and non-participants in Euroclear, Clearstream, Luxembourg or DTC must rely on the procedures of the participant through which they own their interests, to exercise any rights and obligations of a holder of Bonds.

Unlike the holders of the Bonds themselves, owners of book-entry interests will not have the direct right to act upon the Issuer's solicitations for consents, requests for waivers or other actions from holders of the Bonds. The procedures to be implemented through Euroclear, Clearstream, Luxembourg and DTC may not be adequate to ensure the timely exercise of rights under the Bonds.

# GLOSSARY OF KEY DEFINED TERMS

Certain key terms which are used in this Prospectus are defined below. Other terms are defined in the Master Definitions Agreement, which is incorporated by reference in this Prospectus.

For a description of how certain industry terminology is used in this Prospectus, please see "*Industry Sources and Terminology*".

***Adjusted EBITDA*** means earnings before interest, tax depreciation and amortisation and exceptional items;

***Airports Act*** means the Airports Act 1986;

***ATMs*** means air transport movements;

***Bond Trust Deed*** means the bond trust deed entered into by the Issuer and the Bond Trustee in connection with the Programme, dated 18 August 2008 and as amended from time to time. The Bond Trust Deed is incorporated by reference in this Prospectus;

***Borrower Loans*** means the inter-company loans between the Issuer and Heathrow which are designed to match economically the terms of the Bonds and any related hedging. For a description of the Borrower Loans, see "*Summary of the Financing Agreements—Documents Not Incorporated by Reference—Borrower Loan Arrangements*";

***CAA*** means the Civil Aviation Authority;

***Civil Aviation Act*** means the Civil Aviation Act 2012;

**£** means the lawful currency of the United Kingdom of Great Britain and Northern Ireland;

***Group*** means Heathrow (SP) Limited, Heathrow (AH) Limited, Heathrow, Heathrow Express and the Issuer;

***Heathrow*** means Heathrow Airport Limited, the owner and operator of Heathrow Airport;

***Heathrow Express*** means Heathrow Express Operating Company Limited;

***Heathrow Airport Holdings*** means Heathrow Airport Holdings Limited;

***Heathrow Airport Holdings Group*** means Heathrow Airport Holdings and its subsidiaries from time to time;

***Investor Report*** means the investor report required semi-annually and produced by LHR Airports as Security Group Agent on behalf of the Group;

***Issuer*** means Heathrow Funding Limited;

***LHR Airports*** means LHR Airports Limited;

***MPT*** means the market power test;

***Operating Companies*** means Heathrow and Heathrow Express and ***Operating Company*** means either one of them, as applicable;

***Programme*** means the Group's bond issuance programme established in 2008;

***Q5*** means Quinquennium 5, the five-year regulatory period for Heathrow Airport from 1 April 2008 as extended by the CAA by one year (Q5+1) to 31 March 2014;

***Q6*** means Quinquennium 6, the current five-year regulatory period for Heathrow Airport which started on 1 April 2014 and is expected to end 31 December 2018 (unless extended by the CAA by one year);

***Quinquennium*** means a five year period for which the CAA sets the maximum level of airport charges at Heathrow Airport;

***RAB*** means Regulatory Asset Base. For a description of the RAB, see "*Airport Regulation—Principles of Economic Regulation—Regulatory Asset Base (RAB)*";

***RAR*** means regulatory asset ratio;

***RPI*** means the UK retail price index;

***Shared Services Agreement*** means the shared services agreement entered into by Heathrow and LHR Airports under which LHR Airports provides services to Heathrow and Heathrow Express;

***Shared Services Provider*** means LHR Airports; and

***STID*** means the Security Trust and Intercreditor Deed, which is incorporated by reference in this Prospectus and which is described at "*Summary of the Financing Agreements—Documents Incorporated by Reference—Security Trust and Intercreditor Deed*".

# INDUSTRY SOURCES AND TERMINOLOGY

This Prospectus contains certain statistical and other information regarding Heathrow Airport and the markets it serves.

Unless otherwise indicated, the information contained in this Prospectus relating to Heathrow Airport's market share and the size of the relevant market sector is based on Heathrow's own internal estimates based on regulatory and analyst reports, special surveys and information published or provided by airlines and other companies, as well as Heathrow's own knowledge of the market.

References in this Prospectus to Heathrow Airport's number of "**passengers**" refer to the sum of all arriving and departing passengers, other than in-transit passengers.

Information in this Prospectus relating to Heathrow Airport's percentage of "**international**" passengers is based on the number of its passengers arriving from and departing to destinations that are not in the UK relative to the total number of passengers served by Heathrow Airport. Information in this Prospectus relating to Heathrow Airport's percentage of "**domestic**" passengers is based on the number of its passengers arriving from and departing to destinations that are in the UK relative to the total number of passengers served by Heathrow Airport. Accordingly, the information reflects the place of origin or destination of passengers as opposed to their residence.

All information in this Prospectus relating to Heathrow Airport's percentage of "**business**" passengers is based on the number of the airport's passengers who are travelling for reasons related to such passengers' employment, based on surveyed information, relative to the total number of passengers served by Heathrow Airport. All information relating to Heathrow Airport's percentage of "**leisure**" passengers is based on the number of the airport's passengers who are not business passengers, relative to the total number of passengers served by Heathrow Airport.

"**European**" flights are flights arriving from or departing to other destinations in Europe (other than domestic flights). International "**long haul**" flights are all flights other than European flights and domestic flights.

"**Hub airport**" refers to an airport where a significant proportion of passengers transfer between flights in being transported to their final destination.

"**Transfer Traffic**" relates to passengers who use an airport for the sole purpose of connecting from one aircraft to another. They are counted as both arriving and departing passengers.

"**Transit**" or "**In-transit**" traffic refers to passengers who arrive and depart on the same aircraft within 24 hours.

"**Origin and destination**" traffic refers to any traffic that is not transfer or transit traffic and originates from or terminates at a particular airport.

"**Pier**" refers to an airport passenger building which is connected to a terminal and which houses gate rooms where passengers board and disembark from their aircraft. "**Satellite**" refers to an airport passenger building which is connected to a terminal and which houses not only gate rooms but also other passenger handling facilities (for example, retail facilities) and serves as an extension to the departure lounge.

"**Gate room**" refers to the area where passengers board and disembark from their aircraft.

"**Stand**" means an aircraft parking stand; these can be "**pier-served**", which means they are adjacent to the terminal, enabling passengers to walk directly on and off aircraft parked on the stand via an airbridge, or they can be "**remote**," which requires passengers to either be transported by coach or walk between the stand and the terminal.

"**Air transport movement**" means a flight carried out for commercial purposes and includes scheduled flights operating according to a published timetable, charter flights and all-cargo flights. Air transport movement does not include empty positioning flights and private non-commercial flights.

"**Maximum allowable yield**" refers to the maximum amount of aeronautical income per passenger that Heathrow may charge in each regulatory year for services subject to price regulation by the CAA.

References to the "**Heathrow Express rail service**" refer to both the express (non-stop) service and the stopping service, Heathrow Connect, unless specifically stated otherwise.

***OAG*** means OAG, a provider of global aviation information, data and insight.

Where reference is made to CAA publications or data, efforts have been made to ensure data is reproduced and presented in a similar style to aid comparison and cross-reference but may not be identical as a result of modifications made for presentational purposes.

# BUSINESS

## OVERVIEW OF HEATHROW AIRPORT

### Heathrow Airport

London is the world's leading global financial centre and a leading worldwide centre of commerce. As London's largest airport, and its only international hub, Heathrow Airport is a critical infrastructure asset not only for the UK but for global finance and commerce.

Heathrow Airport is Europe's busiest and the world's sixth busiest airport in terms of total passengers. In 2015, Heathrow Airport handled a record 75.0 million passengers. Heathrow Airport is the primary airport in London, which is the world's largest origin and destination market, with around 110 million passengers travelling to and from London annually (source: UK Airports Commission Final Report, July 2015). Heathrow Airport handles approximately 76 per cent. (in terms of passengers) of all the UK's scheduled long-haul air traffic and its critical role in the global aviation industry is underlined by the fact that five of the top ten long-haul intercontinental routes globally pass through Heathrow Airport (Source: OAG).

Heathrow Airport hosts most of the world's major international airlines and is the worldwide hub of British Airways and the main European hub of the **one**world airline alliance. It also hosts the other two principal airline alliances of SkyTeam and Star Alliance. In 2015, British Airways accounted for approximately 52 per cent. of Heathrow Airport's ATMs, **one**world 59 per cent. and Star Alliance 18 per cent. (source: Heathrow).

Heathrow Airport is served by two parallel runways which together have maximum permitted air transport movements of 480,000 per year. In 2015, Heathrow Airport operated at 98.3 per cent. of this limit.

Heathrow Airport provides a wide range of passenger services, including passenger-handling facilities, car parking, shops, bars and restaurants. Heathrow Airport is served by extensive bus services, London Underground services and the dedicated Heathrow Express rail service to and from London Paddington Station.

Heathrow has maintained a strong focus in recent years on operational performance, improving the passenger experience and investing in new and upgraded facilities. As a result, Heathrow Airport has risen to become one of the top performing major European hub airports in terms of overall passenger satisfaction. In the first nine months of 2015, 81 per cent. of passengers rated their Heathrow Airport experience as either "very good" or "excellent", recognising the improvements delivered including the opening of Terminal 2: The Queen's Terminal in June 2014 and Terminal 5 in 2008.

Heathrow has invested approximately £11 billion transforming Heathrow Airport over the last decade, culminating in the opening of Terminal 2. Heathrow invested close to £730 million in 2014. In 2015 Terminal 2 handled 16.7 million passengers per year and complements the award winning Terminal 5 which opened in 2008 and in 2015 handled 33.1 million passengers per year. Terminal 5 has been awarded the World's Best Airport Terminal by Skytrax for four consecutive years up to and including 2015. Heathrow Airport was named "Best Airport in Western Europe" by Skytrax for the first time in 2015. Each of Heathrow Airport's four operational terminals is either new or recently refurbished.

The Group generated revenues of £2,692 million and Adjusted EBITDA of £1,567 million for the year ended 31 December 2014.

***General Description of Heathrow Airport***[1]

| | |
|---|---|
| Opened in | 1946 |
| Location | 15 miles west of Central London |
| Number of runways | 2 (currently operated generally under segregated mode) |
| Runway length (metres) | Northern: 3,902; Southern: 3,658 |
| Number of terminals[2] | 4 |
| Total land area | 1,227 hectares |
| Closing RAB as at 30 September 2015[3] | £14,891 million |

**Passenger and air transport movement statistics as at 31 December 2015**

| | |
|---|---|
| International/domestic passengers | 93% (long haul: 52%,; European: 41%)/,7% |
| Business/leisure passengers[4] | 30%/70% |
| Full-cost carriers/low-cost carriers | 94%/6% |
| Airlines | 80 (main airlines: British Airways and Virgin Atlantic Airways) |
| Destinations | 183 |
| Air transport movement allowed annual capacity | 480,000 |
| Air transport movements | 472,067 |
| Passengers | 75.0 million |

Source: Heathrow.

(1) Except as otherwise indicated, data as at 31 December 2015

(2) The new Heathrow Terminal 2 opened in June 2014 and the use of Terminal 1 was discontinued in June 2015.

(3) Source: The unaudited consolidated financial statements of Heathrow (SP) Limited for the nine months ended 30 September 2015.

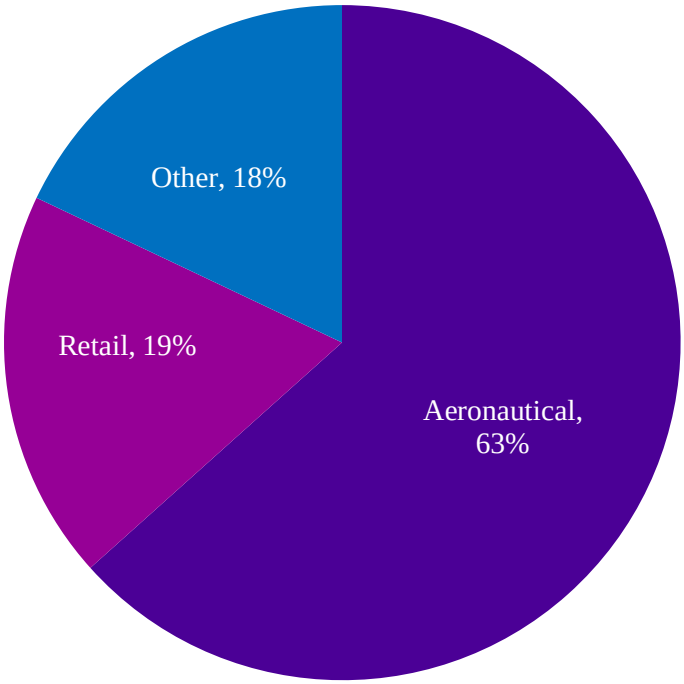
(4) CAA 2014 data.

## REVENUE GENERATION AND ECONOMIC REGULATION

### Overview

Heathrow Airport is subject to economic regulation by the CAA. The regulatory system is designed to allow airports to generate revenues which are sufficient to finance their operating and capital expenditure requirements and provide a regulated rate of return on their RAB. The CAA sets price caps on the charges Heathrow can levy on airlines for using the airport's facilities. The caps take into account Heathrow's forecast revenues (both aeronautical and non-aeronautical) and costs as well as allowing recovery of capital costs and a return on capital. Details of the regulatory regime and how the CAA determines price caps are set out in "*Airport Regulation*".

Heathrow generates two primary types of income: aeronautical income, which is generated from fees charged to airlines for use of the airport's facilities, and non-aeronautical income from a variety of sources. The chart below represents the total revenue of Heathrow by source for 2014.




Source: Heathrow.

### Aeronautical income

Aeronautical income reflects the charges levied by Heathrow on the airport's airline customers. These charges (tariffs) cannot exceed the regulated maximum allowable yield per passenger.

The tariff structure through which the aeronautical income is recovered from airlines includes three key elements:

***Passenger fees***

- Fees per passenger are based on the number of passengers on board an aircraft, and are levied in respect of all departing passengers. There is no charge in respect of crew members working on flights.

- Two levels of charge based on route area: European (including domestic) and rest of world. Transfer and transit passengers benefit from a discount. From 1 January 2017, Heathrow is expected to introduce a £10 passenger discount to UK routes and a £5 passenger discount to European routes.

***Landing charges***

- Landing charges are levied for substantially all aircraft (with certain diplomatic and other flights being exempted). These are calculated in accordance with the certified maximum take-off weight of the aircraft and are banded into categories for aircraft weighing less than and those weighing more than sixteen tonnes, which includes nearly all commercial aircraft. These charges are adjusted, where applicable, in accordance with each aircraft's noise-rating, its emissions and the time of day, with landing charges at Heathrow Airport being higher during peak traffic times than off-peak traffic times.

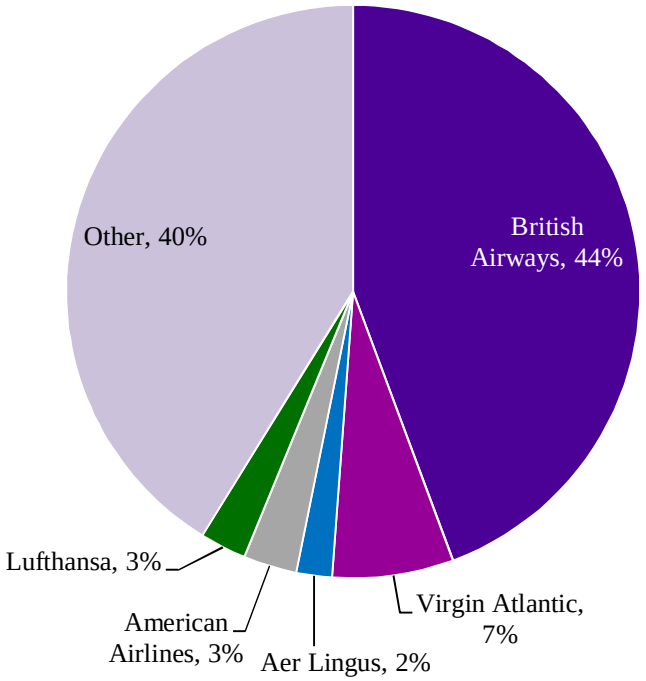
***Parking charges***

- Aircraft parking charges are levied for each 15 minute slot after 30 minutes (for narrow-bodied aircraft) and 90 minutes (for wide-bodied aircraft).

The CAA stipulates that the airport must charge non-passenger flights at the same rates as passenger flights. These flights incur the minimum departure charge which applies when the departing passenger charge falls below this minimum level.

Heathrow Airport hosts most of the world's major international airlines and is the worldwide hub of British Airways and the main European hub of the **one**world airline alliance. It also hosts the other two principal airline alliances of SkyTeam and Star Alliance. In 2015, British Airways accounted for approximately 52 per cent. of Heathrow Airport's ATMs, **one**world 59 per cent. and Star Alliance 18 per cent. (Source: Heathrow).

The chart below represents the total aeronautical income(1) for Heathrow Airport by airline for 2014:




Source: Heathrow.

(1) Excludes other charges, related primarily to the provision of fixed electrical ground power and pre-conditioned air to aircraft.

**Non-aeronautical income**

Heathrow generates non-aeronautical income from a variety of sources. These include:

- concession fees from retail operators;
- direct income from car parks and advertising revenue;

- the rental of airport premises such as aircraft hangars, cargo storage facilities, maintenance facilities and offices;

- the provision of facilities such as baggage handling and passenger check-in; and

- fare revenue from the operation of the Heathrow Express rail service.

**THE GROUP AND ITS OWNERSHIP**

The Group is indirectly owned by investment vehicles controlled or managed by Ferrovial S.A. (25.00 per cent.), Qatar Holding LLC (20.00 per cent.), Caisse de dépôt et placement du Québec (12.62 per cent.), the Government of Singapore Investment Corporation (11.20 per cent.), Alinda Capital Partners (11.18 per cent.), China Investment Corporation (10.00 per cent.) and Universities Superannuation Scheme (10.00 per cent.). The Group companies are indirect subsidiaries of LHR Airports. LHR Airports is itself a subsidiary of Heathrow Airport Holdings.

**KEY STRENGTHS**

**Heathrow Airport has a strong position in the South East of England, one of the world's busiest air traffic markets and a market with growing demand for air travel.**

- Airports are critical to domestic and international travel, trade and communication. London, as the world's leading financial and commercial centre, drives significant global business travel into and out of the region.

- Demand to fly to and from London is 15% higher than any other city in the world (source: Airports Commission Final Report, July 2015).

- In 2014, the UK was ranked eighth globally in the international tourist arrivals league and seventh for international tourism earnings (Source: World Tourism Organisation).

- As London's largest airport, and its only international hub, Heathrow Airport is a critical infrastructure asset not only for the UK but for global finance and commerce.

- Aviation has demonstrated resilience as a long-term growth industry. Over a period of 2005 to 2015, passenger traffic through Heathrow Airport increased at a compound annual rate of 1.1 per cent. despite the effects of the major economic downturn in 2008 and 2009 (Source: Heathrow). Growth in air travel in the South East of England is expected to continue. Heathrow Airport accounts for approximately half of total passenger traffic in Greater London, with passenger traffic through the five major airports in the Greater London area at approximately 146 million passengers in 2014 (Source: CAA).

- The scale of infrastructure and geographical requirements necessary to develop a competing airport provide for very high barriers to entry. These barriers to entry are even more marked for hub airports such as Heathrow Airport.

**Heathrow Airport has a unique scale, market position and resilience in passenger traffic.**

- Heathrow Airport is Europe's busiest airport and the world's sixth busiest in terms of total passengers.

- Heathrow Airport enjoys a unique market position in the United Kingdom, being the country's only hub airport and acting as the gateway to approximately 76 per cent. (in terms of passengers) of all the UK's scheduled long-haul air traffic (Source: OAG).

- Over half of Heathrow Airport's passengers are non-UK resident and it has an even split between business, visiting friends and family and leisure traffic. Further, it has a balanced mix of European, North American and other long haul traffic. As a result, there is a greater diversity of economic and demographic factors affecting the airport's passenger demand compared to other UK and international airports.

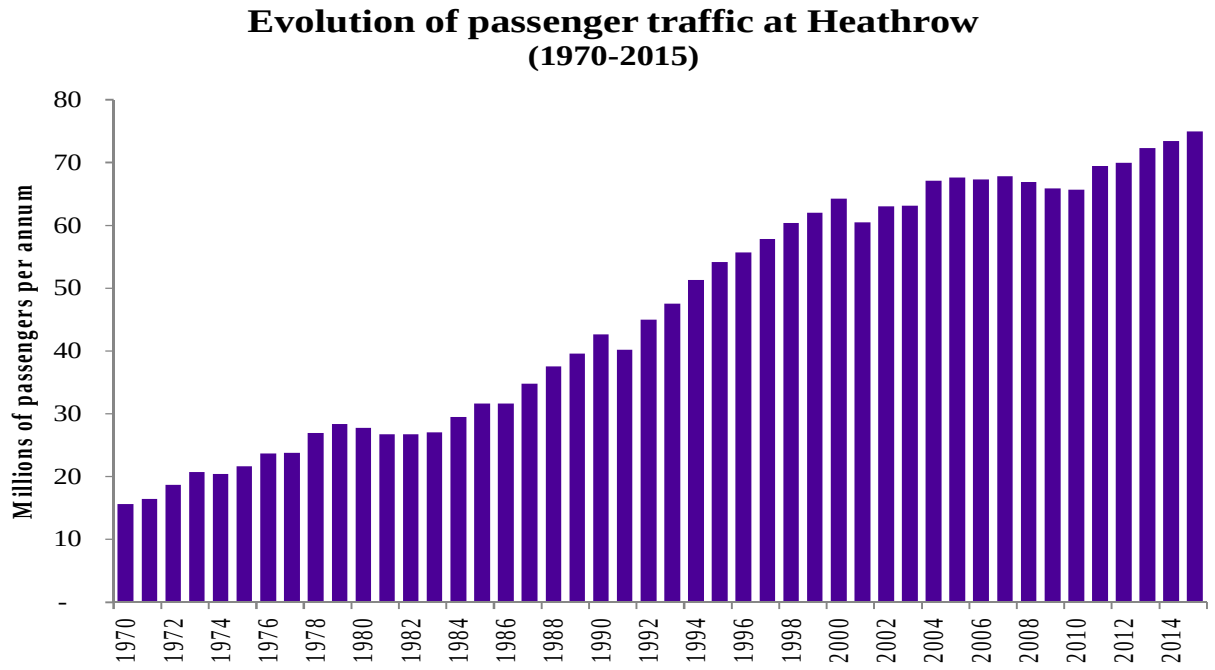
- A substantial proportion of Heathrow Airport's passenger traffic is long haul, with over 90 long haul destinations currently served from Heathrow Airport (Source: Heathrow). Heathrow Airport has also been operating close to its permitted capacity for a number of years reflecting airline demand to use the airport.

**Regulation provides cash flow visibility and mitigates market risk.**

- Heathrow is subject to price regulation by the CAA. This involves the CAA setting caps every five years on the amount that Heathrow can charge airlines for using its facilities. The price caps are set taking into account forecast passenger traffic, operating costs and other revenues for Heathrow as well as allowing recovery of capital costs and a return on capital. In making its determination, the CAA takes into account the actual historic experience of Heathrow which materially mitigates the market risk faced by Heathrow. This price setting mechanism provides significant income predictability and cash flow visibility within each regulatory period as well as protection against longer term cost and revenue risks.

**Proven resilience to market trends, shocks and economic downturns.**

- Heathrow Airport has been resilient to economic downturns and other changes in the air travel market, such as wars, acts of terrorism and the threat of pandemic illnesses. In recent years, demand for air travel in the UK has tended to return relatively quickly to historic levels following external shocks. The graph below shows that demand shocks in the UK, such as the closure of UK airspace in 2010, the terrorist attacks of 11 September 2001, oil crises in 1973 and 1979, the first Gulf war in 1990 and the global financial crisis at its height in 2008 and 2009, have been followed by periods of renewed growth bringing passenger numbers back to the pre-shock trend.




Source: Heathrow.

**Heathrow benefits from diversified income sources and serves a variety of market segments.**

Heathrow earns income from a variety of sources, including charges to airlines, concession fees from retail operators, income from car parks, advertising revenue, the rental of airport premises such as aircraft hangars, cargo storage facilities, maintenance facilities and offices, the provision of facilities and services such as baggage handling and passenger check-in and the Heathrow Express rail service.

Heathrow Airport serves a diversified range of major airlines. It is home to British Airways and Virgin Atlantic Airways and also sizeable operations for many non-UK airlines, particularly from Europe, North America, the Middle East and Asia. Heathrow Airport's main customer and airline alliance represent a smaller proportion of operations than other European hub airports.

Heathrow Airport serves a range of market segments, including business and leisure travellers, origin and destination and transfer passengers and long and short haul routes.

## HEATHROW'S STRATEGY

The Group's strategy is focused on developing Heathrow Airport's position from one of the best airports in Europe to one of the best airports in the world.

To support and develop Heathrow Airport's role as a hub, the Group will continue enabling the success of the major network airlines operating at Heathrow Airport by investing in further capacity, operational flexibility and resilience at sustainable charges for airline customers.

For both local and transfer passengers, Heathrow Airport is working continuously to make every journey better through improved service standards to ensure it remains passengers' preferred airport. Improving the passenger experience is supported by ongoing investment in modern airport facilities and operating processes.

The Group has four strategic priorities to help the Group achieve its strategy:

- **Beating the plan**: aiming to beat the Q6 business plan and deliver a competitive return by growing revenue, reducing costs and delivering investments efficiently.

- **Transforming customer service**: aiming to deliver the world's best passenger experience through working with the Heathrow community to transform the service it gives to passengers and airlines.

- **Winning support for expansion**: working to win support for expansion of Heathrow from our local community, airlines, shareholders, politicians and regulators.

- **Mojo:** making Heathrow a great place to work, helping our people fulfil their potential and working together to lead change across Heathrow.

## THE ROLE OF HEATHROW

Heathrow co-ordinates the activities of the numerous organisations involved in the provision of airport services to passengers, airlines and other airport users which include:

- providing passengers, airlines and other service providers with the infrastructure and facilities (such as check-in desks, concourses, gate rooms, baggage handling facilities and office facilities) needed to optimise operations and maximise passenger and flight traffic within existing capacity constraints;

- implementing, under government supervision, air transport security measures, including passenger and baggage inspections. The UK Government has the power to give any airport operator "such directions of a general character as appear to the Secretary of State to be necessary or expedient in the interests of national security or of relations with a country or territory outside the UK";

- developing commercial areas (such as shops, restaurants and car parks) and determining the optimal mix and location of retail services;

- maintaining and developing airport infrastructure to meet evolving airline and passenger demands;

- ensuring that Heathrow Airport is served by appropriate and adequate ground transport services;

- maximising capacity at Heathrow Airport and setting airport capacity constraints in consultation with National Air Traffic Services Limited ("**NATS**"), the airlines and Airport Co-ordination Limited ("**ACL**"), an organisation owned and managed by several major UK airlines, which allocates take-off and landing slots; and

- assigning airlines to terminals in consultation with the airlines, ACL and NATS.

## HEATHROW AIRPORT'S INFRASTRUCTURE, FACILITIES AND ACCESS

### Overview

Heathrow Airport commenced operations as London's principal commercial airport in 1946. The airport's first permanent terminal opened in 1955 and the substantial growth in demand for air transport throughout the 1960s and 1970s saw much of the core infrastructure at Heathrow Airport's Central Terminal Area developed, including the

opening of what is now Terminal 3 in 1961 and Terminal 1 in 1968 and the construction of car parks, public transport and other operational and administration facilities. Terminal 4 was added in 1986.

In 2008, Terminal 5 opened on the western side of the airport. The terminal provides passenger capacity for up to 30 million passengers per year. The terminal has transformed passenger experience and also operational performance. The main building and its satellites are positioned perpendicular to the runways, to maximise the efficient use of land on the airport, delivering operationally efficient taxiway and runway hold processes for the benefit of the whole campus. As well as delivering passenger, airline and airport benefit in its own right, the additional terminal capacity created by Terminal 5 provided the space to allow Heathrow to begin renovating and rebuilding its other terminals. Terminal 5 has been named the World's Best Airport Terminal by Skytrax for four successive years up to and including 2015.

The first key phase in transforming Heathrow's existing terminals was the construction of a new Terminal 2. The original Terminal 2 was closed in late 2009 with demolition of the old terminal infrastructure enabling construction of the new terminal to commence in mid-2010. In June 2014, the £2.5 billion investment was opened on time and on budget and attained a high safety record during the construction phase.

The original Terminal 2, opened by Her Majesty the Queen in 1955, was Heathrow's first permanent terminal and was designed to deal with 1.2 million passengers a year. The new terminal has the capacity to cater for up to 20 million passengers a year. Airlines and passengers benefit from a £2.5 billion investment in state of the art facilities that include main terminal and satellite buildings, a multi-storey short-stay car park and an energy centre supporting the Terminal 2 campus and the wider airport. The terminal and satellite buildings include 24 aircraft stands of which 7 stands are capable of handling the increasing number of A380 aircraft operating at Heathrow Airport.

The terminal is home to all 23 Star Alliance member airlines operating at Heathrow Airport, together with Aer Lingus, germanwings and Icelandair. For the Star Alliance airlines, it provides the opportunity to enhance efficiencies through use of common facilities, processes and personnel. It also enhances the scope for closer commercial co-operation between alliance members by, for example, capitalising on competitive minimum connection times to attract greater volumes of transfer passengers. Both these features will further strengthen Heathrow Airport's competitive position.

Heathrow Airport's terminal capacity is currently estimated to be 85 million passengers per year.

In parallel with the work on Heathrow's terminals, significant investment continues in Heathrow's baggage infrastructure. The underground automated baggage system between Terminal 3 and Terminal 5 is now fully operational, and the Terminal 3 integrated baggage system started operating in March 2015 and is expected to be fully operational in May 2016.

**Runways**

Heathrow Airport's two parallel runways generally operate in "segregated mode", with arriving aircraft allocated to one runway and departing aircraft to the other. To mitigate noise impact to residents living below the approach and departure routes, the allocation of runways to arriving and departing aircraft is normally swapped at around 3:00 p.m. each day or as weather conditions necessitate.

The airport is permitted to schedule up to 480,000 air transport movements per year and in 2015, Heathrow Airport operated at 98.3 per cent. of this limit.

**Retail Facilities**

Heathrow Airport has a total of approximately 58,600 square metres of retail space served by over 83 retail clients operating almost 480 retail outlets. Terminal 5, with over 16,900 square metres of retail space, has significantly increased the airport's overall retail portfolio. Heathrow Airport owns over 22,000 public car park spaces that are available to travellers and the general public. All terminals at Heathrow Airport are served by car rental operators. The terminals and their approaches provide advertising space, which yields further income.

**Access to Heathrow Airport**

Heathrow Airport's extensive ground transport links facilitate access to the airport for passengers, cargo transporters and airport personnel:

- Heathrow Airport is located just off the M4 motorway linking London and the west of England and London's orbital motorway, the M25.

- Heathrow Express offers a frequent non-stop rail service to and from London Paddington Station. This service is supplemented by the Heathrow Connect "stopping service", which provides local access to the airport as well as connections with train services on the main rail line between London and the west of England.

- Additional direct rail connections to Heathrow Airport are expected in the future following the commencement of the cross London rail service Crossrail currently expected in 2019. In addition, the UK Government has confirmed its support for a rail link between Heathrow Airport and the west of England on the Great Western Main Line forecast for completion in 2021 and the proposed high-speed rail link between London and Birmingham (with a connection to Heathrow Airport) that is currently scheduled to be operational by 2026.

- The London Underground Piccadilly Line has stations serving each of the terminals at Heathrow Airport.

- Long distance coach services operated by National Express provide fast services from Heathrow Airport to various parts of the UK, including Victoria Coach Station in Central London. Many of the local bus services in the nearby London suburbs also run to the airport.

**Future investment at Heathrow Airport**

The capital investment programme at Heathrow Airport of approximately £11 billion over the last decade has transformed Heathrow Airport's infrastructure, positioning it strongly to continue its role as one of the leading global hub airports for the benefit of the whole of the UK in the coming decades.

Capital expenditure for the Q6 regulatory period from 1 April 2014 to 31 December 2018 is currently forecast to be £2.9 billion. In line with the regulatory settlement, the capital programme may increase to up to £3.3 billion. This is subject to further scoping of the remaining individual projects and approval of the corresponding business cases. The capital programme is primarily focused on maintenance and compliance related projects, together with sustaining and improving the passenger experience. The capital plan for the period includes a £1 billion programme of asset management projects and a multi million project to implement latest generation hold baggage screening equipment to comply with EU directives. Capital spend in 2016 is forecast to be in the region of £730 million.

**TRAFFIC**

**Historic Trends in Heathrow Airport's Passenger Traffic**

Heathrow Airport has seen passenger traffic grow over the last 10 years. Historic trends in passenger traffic and air transport movements between 2005 and 2015 are set out below.

**Number of Passengers and Air Transport Movements, Heathrow**

| | *Year ended 31 December* | | | |
|---|---|---|---|---|
| | ***Number of Passengers*** | ***Percentage Growth on Previous Year*** [(1)] | ***Number of Air Transport Movements*** | ***Percentage Growth on Previous Year*** [(1)] |
| | ***(millions)*** | ***(%)*** | ***(thousands)*** | ***(%)*** |
| 2005 | 67.7 | 0.9 | 472.0 | 0.5 |
| 2006 | 67.3 | (0.5) | 470.8 | (0.3) |
| 2007 | 67.9 | 0.8 | 475.7 | 1.0 |
| 2008 | 66.9 | (1.4) | 473.1 | (0.5) |
| 2009 | 65.9 | (1.5) | 460.0 | (2.8) |
| 2010 | 65.7 | (0.2) | 449.2 | (2.3) |
| 2011 | 69.4 | 5.5 | 476.2 | 6.0 |
| 2012 | 70.0 | 0.9 | 471.3 | (1.0) |
| 2013 | 72.3 | 3.4 | 469.6 | (0.4) |
| 2014 | 73.4 | 1.4 | 470.7 | 0.2 |
| 2015 | 75.0 | 2.2 | 472.1 | 0.3 |
| **Compound Annual Growth Rate, 2004-2015** | | **1.0** | | **0.0** |

Source: Heathrow.

(1) Percentage growth on previous year is based on unrounded passenger and air transport movement numbers.

Over the period from 2005 to 2015, traffic at Heathrow Airport increased by approximately 11 per cent. to 75.0 million passengers in 2015, an annual compound rate of 1.0 per cent. Heathrow Airport has generally been operating close to its limit of 480,000 air transport movements per annum for the last 15 years, operating at 98.3 per cent. of this limit in 2015. As a result, overall passenger growth at the airport is generally dependent on factors such as larger aircraft, increases in the number of seats available per types of aircraft and higher load factors.

In recent years, these factors have all contributed to deliver growth in passenger traffic. For example, the average seats per passenger aircraft have increased from 195.4 in 2011 to 208.7 in 2015. As a result, passenger traffic growth averaged 1.6 per cent. per annum between 2011 and 2015, a period during which Heathrow has achieved five consecutive years of record traffic. Specific drivers of the increase in seats per aircraft have included:

- the introduction by British Airways of larger aircraft to operate the slots it acquired through the purchase of bmi in 2012, which particularly underpinned Heathrow's traffic growth in 2013;

- the increase in utilisation of the A380 aircraft from around 351 air transport movements per month in early 2011 to around 1,234 currently; and

- a programme by British Airways to introduce new generation seating on its short haul fleet that has enabled it to increase the number of seats on its short haul aircraft fleet, which particularly underpinned Heathrow's traffic growth in 2015.

In the 5 years prior to 2011, prior to the recent period of more robust growth, Heathrow's traffic declined modestly particularly reflecting the impact of the global financial crisis in 2008 and 2009. Its passenger traffic declined only 1.4 per cent. to 66.9 million in 2008 (from 2007) and 1.5 per cent. to 65.9 million in 2009 (from 2008) and saw a cumulative reduction in rolling annual traffic from peak to trough in this period of 3.4 per cent. This was amongst the most resilient performances of major airports in Europe and North America, thought to be influenced by three factors namely Heathrow Airport operating at full capacity, its high exposure to long haul traffic (the faster growing segment of the global aviation market) and the countercyclical nature of transfer traffic. In 2010, reported traffic declined a further 0.2 per cent. (compared to 2009) due to disruption from a number of exceptional events including closure of UK and European airspace in April due to ash from an Icelandic volcano. The impact of these events was estimated at a loss of up to 2.4 million passengers, resulting in underlying traffic growth of 3.4 per cent in 2010.

Over the last ten years there has also been a shift in traffic at Heathrow Airport towards long haul routes with long haul traffic increasing 21 per cent. from 32.0 million passengers in 2005 to 38.6 million passengers in 2015. European and domestic UK traffic was just 2 per cent. higher at the end of this period with its share of Heathrow Airport's total traffic declining from 53 per cent. of total traffic in 2005 to 48 per cent. in 2015. European and domestic traffic has increased its share of Heathrow Airport's traffic slightly due to the actions by British Airways following its purchase of bmi and in increasing seat capacity of its existing short haul fleet outlined above.

## CUSTOMERS

### Overview

The following table provides traffic details of the main airline customers at Heathrow Airport in the 12 months ended 31 December 2015 and aeronautical income for the 12 months ended 31 December 2014:

**Main Airline Customers for Heathrow**

| | *Year ended 31 December 2015* | | *Year ended 31 December 2014*[1] | |
|---|---|---|---|---|
| | ***Passengers (millions)*** | ***Air transport movements (thousands)*** | ***Aeronautical income*[1] *(£ millions)*** | ***Percentage of airport's aeronautical income*[2] *(%)*** |
| British Airways | 36.3 | 240.9 | 741.2 | 44 |
| VirginAtlantic Airways | 4.0 | 20.8 | 114.4 | 7 |
| American Airlines | 2.2 | 10.3 | 50.1 | 3 |
| Aer Lingus | 1.9 | 15.4 | 39.6 | 2 |
| Lufthansa | 1.7 | 13.6 | 43.6 | 3 |

Source: Heathrow.

(1) Heathrow aeronautical income for 12 months to 31 December 2015 not available until 23 February 2016.

(2) Excludes other charges, related primarily to the provision of fixed electrical ground power and pre-conditioned air to aircraft.

The largest airline customer at Heathrow Airport is British Airways, which has its global hub there. British Airways is a full-service airline operating a network of intercontinental, European and domestic services. British Airways operates to all regions including key global cities. International Airlines Group (**"IAG"**) owns British Airways, Iberia, Aer Lingus and Vueling, which all operate at Heathrow. Traffic from these airlines in 2015 totalled 39.3 million passengers (2014: 37.9 million). British Airways and Iberia are currently the sole airline occupants at Terminal 5. Heathrow has an agreed joint framework with British Airways for future cooperation.

The second largest airline customer at Heathrow Airport is Virgin Atlantic Airways which operates multi-class flights to long haul destinations from Heathrow Airport's Terminal 3.

Lufthansa Group owns Lufthansa, Swiss, Germanwings and Eurowings which all operate at Heathrow Airport and traffic from these airlines in 2015 totalled 4.1 million passengers (2014: 4.1 million).

**Air Service Agreements**

The rights of airlines to operate at Heathrow Airport can be subject to air service agreements between the UK Government, the European Union and other countries. In April 2007, the European Community, its Member States and the United States signed the first stage of an Open Skies Agreement, which came into effect on 30 March 2008 and liberalised air services between the EU and the United States providing access to Heathrow Airport for a greater number of airlines.

## OTHER OPERATIONS

**Cargo and Mail Carriers**

Heathrow Airport handles cargo and mail traffic although this forms a small part of air transport movements. The bulk of cargo and mail at the airport is carried in the cargo holds of passenger flights rather than by dedicated cargo flights. In the year ended 31 December 2015, there were 2,396 all-cargo air transport movements at Heathrow Airport (Source: Heathrow).

Cargo and mail carriers are responsible for handling merchandise and packages at Heathrow Airport, including delivery to cargo warehouses, customs procedures and clearance, aircraft loading and unloading, sorting and transport to the final destination.

Heathrow provides cargo sheds and other accommodation and facilities which are leased, or separately billed on a use basis, to cargo-service providers.

## ROLE OF GOVERNMENT SERVICES AND AGENCIES IN AIRPORT OPERATIONS

The UK Government is responsible for a number of essential services at Heathrow Airport, which it discharges through governmental and non-governmental agencies, notably:

- Security operations: The UK Government is responsible for setting aviation security regulations, issues directions to airport operators, airlines and cargo operators and monitors compliance with these directions through a programme of regular inspections and audits;

- Public order and policing services: Policing operations at Heathrow Airport are the responsibility of the Metropolitan Police Authority which is paid to provide these services. These public safety services should be distinguished from security operations, which are designed to prevent illicit acts that risk endangering the security of aircraft and passengers; and

- Border controls: The UK Home Office's Border Force is responsible for the control of persons and goods.

Air traffic control, including aerodrome navigation services, are provided by NATS, a privately held entity which is responsible for the arrival and departure of aircraft to and from the aircraft parking areas at Heathrow Airport. NATS also works closely with Heathrow and airlines in determining the declaration of scheduling capacity.

## SUPPLIERS

The Heathrow Airport Holdings Group works with numerous external suppliers for the delivery of services relating to the day-to-day operation of the airport, as well as for the construction of capital projects.

### Utilities

The electrical power distribution infrastructure at Heathrow Airport is owned, managed, maintained and developed by UK Power Networks Services Limited under a contract that expires in 2083. Arrangements are in place with E.ON for the supply of electricity and gas, with Affinity for the supply of water and with Thames Water for sewerage and trade effluent services.

### IT

IT services for Heathrow Airport have been outsourced to be managed by Capgemini UK plc under a contract that commenced in 2011, for a term the duration of which may be extended in accordance with the provisions of the contract.

### Baggage

Baggage system operation and maintenance services for Heathrow Airport are provided by Babcock Airports Limited under a framework contract that commenced in 2013 for an initial term of 5 years which may be extended by a further 2 years.

### Other services

There are a large number of services required for the operation of Heathrow Airport which are arranged on a separate basis with external suppliers, including security screening, ground handling, terminal cleaning and passenger transportation services.

## COMPETITION

Heathrow Airport competes for Transfer Traffic with the other major European hub airports such as Paris Charles de Gaulle, Amsterdam Schiphol, Frankfurt and Madrid Barajas. The airport also faces increasing competition for transfer traffic from hub airports in the Middle East, such as Dubai and Doha.

To a more limited extent, there is some competition from London Gatwick Airport, London Stansted Airport, London Luton Airport, London Southend Airport and London City Airport in the air travel market in the South East of England and other forms of travel (including the Eurostar high-speed train service connecting London with Paris, Brussels and a variety of other European cities).

## AIRPORTS COMMISSION RECOMMENDATION TO EXPAND HEATHROW AIRPORT

At the end of 2012 the UK Government established the Airports Commission, chaired by Sir Howard Davies. The Commission was tasked with examining the requirement for additional airport capacity to maintain the UK's position as Europe's most important aviation hub. Following assessment of proposals from multiple promoters in July 2013, the Airports Commission shortlisted three schemes for detailed analysis and assessment: 1) a 3,500 metre runway proposed by Heathrow to the north west of Heathrow Airport; 2) a separate proposal by Heathrow Hub Limited to lengthen Heathrow Airport's existing northern runway to 6,000 metres; and 3) a new runway at Gatwick airport south of the existing runway**.**

On 1 July 2015, the Airports Commission clearly and unanimously recommended Heathrow's new North West runway plan, following three years of consultation, evidence gathering and analysis. It recognised the unique role that Heathrow Airport plays as Britain's only hub airport. The Commission recommended that Heathrow expansion is the strongest solution to help British businesses compete for global growth and support a truly national recovery built on exports, skills and investment.

The Commission also confirmed that Heathrow's new plan can be delivered while reducing its local and environmental impacts. It confirmed that it can be delivered within carbon and air quality limits and with significantly fewer people impacted by aircraft noise than today.

The proposed expansion is expected to cost £16 billion. The programme includes a 3,500 metre North West runway, related enabling infrastructure and new taxiway systems, an additional main terminal and satellite building, automated

baggage facilities and passenger track transit for ease of movement around the airport. Cost estimates also include community compensation and the acquisition of land and property.

On 10 December 2015, the UK Government agreed with the Airports Commission that there is a need for more runway capacity in the south east of England. The UK Government is undertaking further analysis on environmental impacts, and is expected to conclude the analysis in the summer of 2016.

## ENVIRONMENTAL REGULATION AND MANAGEMENT

### Environmental regulation

Heathrow is subject to or influenced by various regulation and legislation relating to environmental matters, with provisions related to aircraft noise, air quality and carbon emissions being particularly relevant.

***Aircraft noise regulation***

Aircraft noise in and around UK airports is subject to European, UK and local regulation. The EU is assuming increasing responsibility for the regulation of aircraft noise standards, with EU member states obliged to comply with the requirements of EU directives and incorporate them into national legislation. The UK government has a key role in setting and developing the policy framework for aircraft noise control, particularly at designated UK airports. A range of noise controls relating to aircraft operations are set out in statutory notices and published in the UK Aeronautical Information Package and elsewhere as appropriate. These controls cover aspects such as continuous descent approach ("**CDA**"), noise abatement procedures and night flight restrictions.

Additional noise-related controls are a feature of the local planning system that often introduces planning obligations in section 106 agreements between airport operators and planning authorities. At Heathrow Airport there are various conditions to the planning permissions for Terminals 4 and 5 that restrict aircraft operations at different times of day relative to the location of the activity on the airfield.

***Air quality and carbon emissions regulation***

Heathrow is subject to or influenced by various regulations and legislation designed to improve air quality and reduce carbon emissions. These include global agreements binding the UK to reduce its carbon emissions, EU law requiring local air quality (whether from airport or other activities) to achieve minimum standards and UK regulations governing certain activities and operations, specifically the operation of Heathrow's boiler installations.

In December 2015, the Department of Environment, Food and Rural Affairs ("**Defra**") published a revised national air quality action plan which outlines necessary steps to bring the UK into compliance with EU law in the shortest time possible. Local air quality monitoring stations show that the immediate vicinity of Heathrow is already compliant with the nitrogen dioxide limit values. Defra's plan demonstrates that areas in the vicinity of the airport (within 2 kilometres) will be compliant by 2020, ahead of the overall Greater London area which is not expected to be compliant until 2025.

Heathrow is also subject to regulation and taxation of energy- related $CO_2$ emissions due to the size of combustion plant on site. The EU Emissions Trading System (EU ETS) defines an annually reducing free allowance for emissions from fossil fuel combustion on site, resulting in an increasing requirement to either reduce emissions or purchase additional allowances. Further, the Carbon Reduction Commitment Energy Efficiency Scheme ("**CRC**"), requires Heathrow to pay the UK government for each tonne of carbon dioxide emitted from fixed asset energy use not already covered by EU ETS. In addition, the Energy Savings Opportunity Scheme (ESOS) requires all large businesses in the UK not certified to ISO 50001 to undertake mandatory assessments looking at energy use and energy efficiency opportunities at least once every four years.

### Environmental management

Heathrow is committed to managing Heathrow Airport in a responsible and sustainable manner seeking to balance the positive economic and social contribution of the airport with its responsibility to minimise its environmental impact.

The environmental management aspects of the Responsible Heathrow 2020 programme focus on reduction and mitigation of aircraft noise, reducing carbon emissions, reducing and better managing waste and improving local air quality. The programme is supported by detailed strategies and action plans setting out specific initiatives.

Heathrow's sustainability and environmental performance is monitored by the Responsible Heathrow and Operational Risk Committee, a sub-committee of the Heathrow Airport Holdings board, that has as one of its key responsibilities the regular review of Heathrow's performance and conduct in relation to sustainability and environmental matters.

The Responsible Heathrow 2020 programme demonstrates Heathrow's ambition and commitment to be one of the most responsible airports in the world and the most environmentally responsible hub airport globally by achieving challenging sustainability performance targets by 2020.

With approximately 400 companies employing in the region of 76,000 people at Heathrow Airport, and over 200,000 passengers travelling on nearly 1,300 flights every day, the challenges associated with operating Heathrow Airport responsibly are complex. Given this environment, Heathrow seeks not only to improve its own environmental performance but to influence the whole Heathrow community. To this end Heathrow has set up the Heathrow Sustainability Partnership to support collaborative working between airport businesses and to help Heathrow achieve its commitments to doing business responsibly.

***Aircraft noise management***

Heathrow's approach to aircraft noise management is set out in its Environmental Noise Directive (END) Action Plan. This focuses on analysing and implementing various measures to reduce noise impacts through reduction at source (quieter aircraft), land-use planning and management, noise abatement operational procedures and operating restrictions as well as engaging and collaborating with the community and other key stakeholders in delivery of noise reduction initiatives.

In 2014, Heathrow established the Heathrow Noise Forum that brings together representatives from the Department for Transport, the CAA, National Air Traffic Control, IATA, British Airways, noise pressure group HACAN, local authorities and Heathrow and seeks to foster collaboration in noise management at the airport. In 2015, Heathrow also established the Heathrow Community Noise Forum to keep residents and local stakeholders informed on areas such as airspace planning, future trials and consultations, and to develop the understanding of airspace and operational issues.

Heathrow launched a blueprint for noise reduction in June 2015 which challenges Heathrow and its partners to collaborate to be quieter, sooner. The blueprint builds on the actions set out in the END and sets out measures to reduce noise including changes to aircraft operating procedures such as retrofitting aircraft to make them quieter, continuous descent approach, potential use of steeper descents on arrivals and delaying the lowering of landing gear. It also includes proposals to reduce late departures and measures to discourage and potentially eliminate the use of noisier aircraft at Heathrow. Finally it focuses on enhancing insulation of local community facilities such as schools.

The measures proposed in the noise blueprint build on a wide range of initiatives that Heathrow already manages to reduce aircraft noise including the restructuring of its tariffs effective from 2017 to further penalise louder aircraft and various insulation schemes to reduce noise impacts in local communities affected by aircraft noise.

***Improving air quality and reducing carbon emissions***

In May 2015, Heathrow launched its blueprint for reducing emissions to help play its part in improving air quality around the airport (as well as reducing carbon emissions). This plan builds upon Heathrow's 2011-2020 Air Quality Strategy and Action Plan and includes actions to further reduce emissions from aircraft at the gate and encouraging airlines to phase out their older aircraft. It also aims to improve taxiing efficiency, both through upgrading the airport's taxiway system and by encouraging airlines to reduce the number of engines running during taxiing. Heathrow is also leading the way in the airport community by cutting emissions on its airside vehicle fleet and pooling ground support equipment. Around the airport, Heathrow will incentivise low-emission vehicles and provide more electric vehicle charging points. Heathrow is working with partners to champion a joint approach to reducing emissions from road traffic in the Heathrow area and is working with Transport for London and other stakeholders to formulate a regional strategy for air quality.

In addition, for many years Heathrow has actively encouraged use of more sustainable transport by passengers and people working at the airport. This is reflected in Heathrow operating the world's largest single-site car sharing scheme, the UK's first publicly accessible hydrogen refuelling site and an unrivalled public transport system linking passengers to surrounding communities and central London (including free travel in the vicinity of the airport paid for by Heathrow). These projects were recognised and commended in June 2015 when Heathrow was awarded the Eco-Innovation Award by ACI Europe. Further significant developments in alternatives for surface access to Heathrow are expected in the coming years particularly with the anticipated commencement of the cross London Crossrail rail service in 2018. For more information, see *"Business – Heathrow Airport's Infrastructure, Facilities and Access – Access to Heathrow Airport"*.

In 2015 Heathrow published an updated Energy Strategy that supports its long-term commitment to reduce carbon dioxide emissions from energy used in operating fixed infrastructure by 34% from 1990 levels by 2020. Advances in technology, operations and alternative fuels have helped Heathrow make a 19% saving on carbon emissions since 1990 to date, despite major infrastructure developments including the opening of Terminal 5 over this period. Heathrow has recently achieved ISO 50001 accreditation for its energy management system. A focus and investment in energy efficiency has helped Heathrow to cut electricity consumption by 70GWh in the last four years as part of an on-going programme of measures including LED lighting installation, improved controls and more efficient assets. Energy efficiency standards for new buildings and infrastructure have been strengthened. Heathrow has also invested in on-site renewable energy generation, an example of this includes the biomass fuelled Combined Heat and Power Plant that forms part of the new Energy Centre and supplies the new Terminal 2.

See "*Risk Factors – Regulatory Risks – The Group faces costs related to environmental, health and safety and planning considerations*".

## RELATED PARTY TRANSACTIONS

Heathrow has entered and may from time to time in the future enter into transactions with certain affiliates of Heathrow Airport Holdings and its shareholders. All such contracts are and will be negotiated on an arm's-length basis.

## SHARED SERVICES

Pursuant to a Shared Services Agreement, LHR Airports provides or procures third parties to provide certain central support services to the Group to assist with the running and management of Heathrow Airport and Heathrow Express.

### Services provided by LHR Airports, or Heathrow as a sub-contractor for LHR Airports

The services provided by LHR Airports include management services (such as senior management and strategic direction), IT, health and safety, security, research, airport planning and marketing, finance, human resources, property management, regulatory services, corporate and public affairs and legal support. From 1 January 2013, following the divestment of Gatwick Airport and in light of the (at that time) expected divestment of Stansted Airport and to reflect more accurately the current organisation and economic reality, LHR Airports sub-contracted the majority of these services to Heathrow. Heathrow, as a sub-contractor for LHR Airports, provides certain central support services for Heathrow Express. Additionally, pursuant to a separate agreement, LHR Airports has sub-contracted certain of the cash management and accounting services to LHR Business Support Centre Limited.

All of the staff working for Heathrow are employed and provided by LHR Airports. Heathrow Express employs most of its own staff directly (with some staff being provided by LHR Airports).

The terms on which services and staff are provided to the Group are set out in the Shared Services Agreement. Central support services are provided by Heathrow to Heathrow Express pursuant to a separate agreement between Heathrow and Heathrow Express.

### Fees payable to LHR Airports

Heathrow pays a fee to LHR Airports which comprises:

(a) the cost to LHR Airports of providing the services; and

(b) in respect of centralised airport services, administrative and business support services and corporate services, a margin of 7.5 per cent.

The majority of costs for employees provided under the Shared Services Agreement are included in the charges for airport services and capital project services, to which the margin does not apply. The margin payable to LHR Airports in relation to services to the Group was £0.4 million in the 12 months ended 31 December 2014.

### Termination of Shared Services Agreement

Subject to the prior written consent of the Borrower Security Trustee, the Operating Companies have the right to terminate the Shared Services Agreement in the case of a breach by LHR Airports with a material adverse effect not remedied within 30 days, certain insolvency related events in relation to LHR Airports or if it becomes illegal for either LHR Airports or the Obligors to perform their obligations under the Shared Services Agreement.

LHR Airports may terminate the Shared Services Agreement only where:

(a) another suitable and properly resourced member of the Heathrow Airport Holdings Group (excluding any members of the Group) is appointed to act as replacement Shared Services Provider on substantially the same terms;

(b) a replacement Shared Services Provider is appointed with the consent of and approved by the Borrower Security Trustee and, unless otherwise agreed as an Extraordinary Voting Matter, a Ratings Confirmation is provided; or

(c) the Operating Companies fail to pay any amounts of £50,000 or more to LHR Airports under the Shared Services Agreement, subject to a 30 Business Day grace period.

The Shared Services Agreement will terminate in respect of an Operating Company which ceases to be controlled by LHR Airports. Unless otherwise agreed, termination will take effect 6 months from the date that the Operating Company ceases to be controlled by LHR Airports.

LHR Airports is entitled to pass pensions costs on to the Group. These relate principally to LHR Airports' obligation to fund the Heathrow Airport Holdings Group defined benefit pension scheme and are calculated on a basis linked to pensionable payroll in respect of those employees that LHR Airports makes available to the Operating Companies under the Shared Services Agreement. In certain circumstances, the obligation of the Operating Companies to meet pension costs will survive termination of the agreement.

In the event of termination of the Shared Services Agreement, LHR Airports is required to use its reasonable endeavours to facilitate the transfer of the terminated services to the Operating Companies (or to any replacement servicer appointed by the Operating Companies) with a view to ensuring an orderly and efficient transfer with minimal disruption to the ongoing business of the Operating Companies. The employment of relevant airport level staff is expected to pass to the relevant Operating Company or to a replacement service provider.

**Potential Conflicts of Interest**

As a result of the fact that Heathrow and Heathrow Express have entered into the Shared Services Agreement, there may be potential conflicts of interest for Ian Ballentine, Stuart Birrell, Normand Boivin, Emma Gilthorpe, Clare Harbord, John Holland-Kaye, Carol Hui, Paula Stannett and Michael Uzielli who are directors of LHR Airports (which is the provider of the shared services) and Heathrow (which receives the shared services) and, in the case of Normand Boivin, Heathrow Express. Potential conflicts of interest may arise where the same individuals are directors of both the entity providing the shared services and the entities receiving the shared services because they have, among other obligations, a duty to promote the success of the companies of which they are directors. A potential conflict may arise for the individuals listed above if what is in the best interest of one company is not necessarily in the best interest of the other. Save as disclosed in this paragraph, as at the date of this Prospectus, there are no potential conflicts of interest between any duties owed to each of the Obligors and the private interests or any other duties of any of their directors.

For a description of certain risks associated with the Shared Services Agreement, see "*Risk Factors – Commercial Risks – The Group is dependent on LHR Airports as Shared Services Provider to operate its businesses*".

**INSURANCE**

LHR Airports provides insurance and claims handling services to the Operating Companies. LHR Airports arranges both annual and multi-year insurance programmes on a group-wide basis for the Heathrow Airport Holdings Group. Heathrow Express has separate public liability insurance cover and Heathrow, through LHR Airports, has separate policies to protect against specific risks.

The Heathrow Airport Holdings Group insurance programmes, which are required under the CTA, include the following insurance cover:

- ***property damage and business interruption insurance and construction all-risks insurance*** which covers all risks (including terrorism) of sudden accidental direct physical loss or destruction of, or damage to, insured property and resultant loss of revenue and/or increased costs of maintaining normal business activities. There is also a separate policy covering specified tenanted properties, which provides cover on the basis of individual property sums insured;

- ***general liability insurance***, including aviation liability, aviation war/terrorism, public/product liability; public liability with respect to the Heathrow Express rail service; and construction third-party liability;

- ***third-party financial loss and professional indemnity insurance***; and

- ***employers' liability insurance***.

Insurance cover for the Group is provided by a combination of insurance market entities and captive insurance companies owned by or affiliated with LHR Airports or its ultimate shareholders.

The financing agreements (within the CTA) require the Obligors to effect and maintain insurance policies in relation to liabilities, undertakings and assets in accordance with good industry insurance practice. Details of these insurance policies are provided annually to an insurance adviser acting on behalf of certain secured creditors.

Some insurance cover for the Group is provided by Heathrow Airport Holdings' own captive insurance company, LHR Insurance Services Ltd (the "**Captive**"). The Captive enables the Heathrow Airport Holdings Group to access reinsurance markets (including Pool Re for property terrorism risks), to leverage the Heathrow Airport Holdings Group's combined position on the conventional insurance market and to offer funding options for the Group's self-insured retention. The Captive underwrites some group-wide risks and also funds some of the Heathrow Airport Holdings Group's self-insured retention.

For more information on insurance, see "*Risk Factors – Commercial Risks – The Group's insurance coverage might not be adequate or available in all circumstances*".

**PENSIONS**

The Heathrow Airport Holdings Group operates a number of pension schemes for its employees. The main schemes, which are operated by LHR Airports, the employing company within the Heathrow Airport Holdings Group and sponsor of the related pension schemes, comprise a defined benefit pension scheme that closed to employees joining LHR Airports after 15 June 2008 (the "**Pension Scheme**") and a defined contribution pension scheme that employees joining LHR Airports since 16 June 2008 are eligible to join. There is also a separate defined contribution pension scheme for employees of Heathrow Express.

Under the terms of the Shared Services Agreement, Group companies make monthly cash payments into the Pension Scheme determined by the latest agreement made with the trustees of the Pension Scheme. Employer contributions into the defined contribution pension scheme are determined as a percentage of the aggregate basic salary, plus skills based pay for all relevant scheme members. Under the terms of the Shared Services Agreement, Group companies are also liable to fund their share of any deficit in the Pension Scheme, if requested by LHR Airports. The Pension Scheme also has a right to receive up to £284 million of the proceeds of an enforcement of the security granted by the Senior Borrower Group, which right ranks *pari passu* with senior (Class A) debt.

The Pension Scheme is administered by a corporate trustee, the BAA Pension Trust Company Limited. The directors of the corporate trustee comprise three employee representatives, one pensioner representative and four LHR Airports nominated trustees. In addition, the Law Debenture Trust Company provides an independent trustee. As at 30 September 2015, the Pension Scheme had 3,653 current 'active' members, 8,854 pensioners (including pensions paid to surviving partners and dependents) and 5,109 deferred pensioners.

The most recent triennial valuation of the Pension Scheme, undertaken by its trustee as at 30 September 2013, indicated a scheme deficit of £300 million calculated using the trustees' actuarial assumptions. As part of the triennial valuation process, LHR Airports and the Pension Scheme's trustees agreed that the annual deficit recovery payment into the Pension Scheme would increase from £24 million to £27 million and apply until 2023. In addition, in respect of future accrual of benefits, LHR Airports would contribute approximately 33 per cent. of basic salary and shift pay, which is estimated to be £46 million in 2015.

There have been two significant events in 2015 that have materially improved the financial position of the Pension Scheme. Firstly, following the sale of Aberdeen, Glasgow and Southampton airports in late 2014 by the Heathrow Airport Holdings Group, in August 2015 a commutation payment of approximately £50 million was paid into the Pension Scheme to mitigate the pension funding obligations for current and past employees of the disposed airports whose pension liabilities were retained in the Pension Scheme. Also in August 2015, a bulk transfer payment of £133 million was made in respect of the pension liabilities of 501 employees of these airports that were Pension Scheme members at the date of disposal who had consented to the transfer of their accrued past service benefits to a new defined benefit arrangement provided by their new employer.

Secondly, LHR Airports introduced changes to the Pension Scheme with effect from 1 October 2015, following consultation with affected Pension Scheme members required by applicable regulation. The changes comprised:

- a reduction in future annual benefit accrual rate from 1/54th to 1/60th of pensionable pay;
- the introduction of an annual cap of 2% on future increases in pensionable pay; and
- a cap of 2.5% on annual increases to pension payments at retirement

Recognition of these changes for accounting purposes was immediately reflected in the Group's financial statements in accordance with IAS19. In particular, there was a one-off (non-cash) credit release of £236 million as a result of the introduction of the annual cap of 2% on future increases in pensionable pay. Cash contributions to the Pension Scheme following the above changes cannot be amended until a new schedule of contributions is agreed between LHR Airports and the trustee. The trustee has agreed to call an 'out of cycle' formal actuarial valuation as at 30 September 2015 and a revised schedule of contributions will be agreed once that process is concluded.

Primarily as a result of the airport disposals and the changes to the Pension Scheme outlined above, at 30 September 2015 the Pension Scheme had a surplus of £165 million compared to a £199 million deficit at 31 December 2014, both as measured under IAS19.

The cost to the Heathrow Airport Holdings Group of contributions to defined contribution pension schemes in 2014 was approximately £9 million.

For additional information, see "*Risk Factors – Commercial Risks – Heathrow and Heathrow Express (together, the "Operating Companies" and each an "Operating Company") could be subject to periodic increase in pension cash contributions in the future*".

# AIRPORT REGULATION

## AIRPORT REGULATION GENERALLY

### Regulatory Framework

Heathrow is subject to economic regulation by the Civil Aviation Authority ("**CAA**"). The CAA is the independent aviation regulator in the UK, responsible for economic regulation, airspace policy, safety and consumer protection.

As the economic regulator for UK airports, the CAA assesses the market power of airports and if an airport passes the market power test(s) set out in the Civil Aviation Act 2012 (the **"Civil Aviation Act"**), the airport is regulated by means of a licence. Heathrow has been determined, by the CAA, to hold significant market power and operates under a licence granted by the CAA in February 2014. The licence includes a price cap on Heathrow's airport charges.

The CAA sets the maximum level of airport charges for Heathrow, generally for five-year periods, known as Quinquennia. Heathrow's current regulatory period is for four years and nine months from 1 April 2014 to 31 December 2018 in order to align Heathrow's financial and regulatory years. A summary of the regulatory settlement for the current regulatory period is set out in "*Heathrow Price Regulation—Key Elements of the CAA's Q6 Decision*" below.

Heathrow is regulated by means of a price control mechanism known as RPI +/- X, which incorporates an allowed return on the Regulatory Asset Base (referred to as the RAB). This is consistent with the economic regulation of other UK regulated industries (such as telecoms and the energy sector). This form of economic regulation is also sometimes referred to as incentive regulation, in that Heathrow has an incentive to outperform the price control by means of attracting more passengers, reducing operating costs or delivering higher commercial revenues than forecast. If the opposite is the case, then Heathrow has to absorb the cost. There is not a retrospective adjustment for shortfalls in lost income or additional costs (except where Heathrow incurs additional security costs, above an established threshold, when implementing new security directives imposed by the EU or the UK Government).

### The CAA and its Statutory Powers and Objectives

The CAA in its role as economic regulator has a single primary duty to further the interests of users of air transport services regarding the range, availability, continuity, cost and quality of airport operation services (where appropriate, by promoting competition in the provision of airport operation services). There are also supplementary duties to which the CAA must have regard:

- the need to secure that each holder of a licence is able to finance its provision of airport operation services in the area for which the licence is granted;
- the need to secure that all reasonable demands for airport operation services are met;
- the need to promote economy and efficiency on the part of each holder of a licence in its provision of airport operation services;
- the need to secure that each holder of a licence is able to take reasonable measures to reduce, control or mitigate the adverse environmental effects of the airport to which the licence relates, facilities used or intended to be used in connection with that airport ("associated facilities") and aircraft using that airport;
- any guidance issued to the CAA by the Secretary of State for Transport;
- any international obligation of the UK notified to the CAA by the Secretary of State for Transport; and
- the principles that regulatory activities should be carried out in a way which is transparent, accountable, proportionate and consistent, and that regulatory activities should be targeted only at cases in which action is needed.

In its duties, the CAA also must take account of the UK's international obligations which provide, among other things, that airport charges for non-national aircraft are not higher than those paid by national aircraft engaged in similar operations.

The European Directive 2009/12/EC on airport charges has been implemented into UK law by the Airport Charges Regulations 2011 which entered into force on 10 November 2011. They establish a common framework for the provision of information by airports to airport users and airport users to airports, airports consulting their airline customers about airport charges, service level agreements and major infrastructure projects, and the setting of charges and the allocation of spare capacity. The CAA is the nominated "independent supervisory agency" under the Airport Charges Regulations 2011 and following a consulation, published its guidance on the application of the CAA's powers under the Airport Charges Regulations 2011 in October 2015.

**PRINCIPLES OF ECONOMIC REGULATION**

The Civil Aviation Act prohibits an operator of a dominant airport area from charging for airport operation services, unless it has a licence granted by the CAA. An airport area is dominant if the CAA determines (and publishes) that the Market Power Test ("**MPT**") in the Civil Aviation Act is met by the relevant airport operator. The MPT has three parts:

- whether the relevant operator has, or is likely to acquire, substantial market power in a market, either alone or taken with such other persons as the CAA considers appropriate;
- whether competition law does not provide sufficient protection against the risk that the relevant operator may engage in conduct that amounts to an abuse of that substantial market power; and
- for users of air transport services, the benefits of regulating the relevant operator by means of a licence are likely to outweigh the adverse effects.

In January 2014, the CAA confirmed that the MPT was met in relation to the core area of Heathrow Airport and that Heathrow's significant market power is likely to endure for the Q6 period.

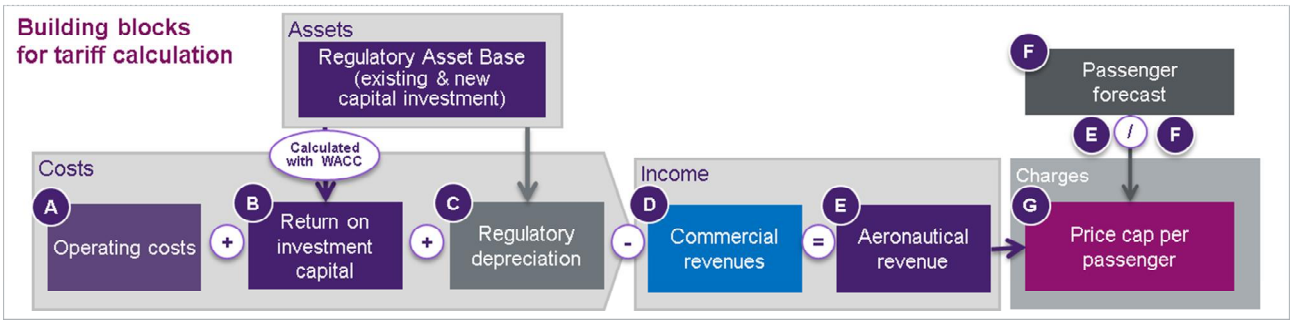
**The Price Cap**

The price cap for Heathrow is based on a Regulatory Asset Base ("**RAB**") methodology using a "single till" building block approach. The single till takes into account revenue and costs from both aeronautical and non-aeronautical activities when setting the price caps for a Quinquennium.

In setting the price cap, the CAA determines the regulated revenue requirement. This is calculated as the sum of forecast operating expenditure less other revenue plus the required return (using the cost of capital determined by the CAA) on the forecast RAB (taking into account forecast capital expenditure), plus regulatory depreciation and plus or minus any profiling adjustment. The profiling adjustment is a mechanism used to smooth charges that might otherwise occur as a result of major investments. The resulting regulated revenue requirement effectively amounts to the total income from airport charges.

This methodology for deriving the regulated revenue requirement can be represented by the simplified diagram below:

**Regulatory Building Blocks**




The regulated revenue requirement is divided by forecast passenger numbers which, subject to a price profiling adjustment to smooth charges across the regulatory period, establishes the price cap expressed as a maximum allowable yield per passenger.

Since the start of the current regulatory period, the maximum allowable yield changes from 1 January each year by RPI +/- X per cent. based on RPI from the previous April.

In setting the price cap the CAA will take its own view of the scope for future efficiency savings, the appropriate level of capital expenditure and the rate of growth in demand for airport services.

While the price cap places a limit on the increase in the airport charges yield, Heathrow has the discretion on whether to price to the maximum permitted level. Therefore, Heathrow can choose to price charges below the cap. For example, if there is unused capacity, Heathrow could choose to set prices below the cap in order to stimulate demand.

The price control conditions set by the CAA include the following components for the maximum allowable yield:

- The "**S factor**" mechanism is designed to adjust the maximum allowable yield within the relevant Quinquennium for either additional or reduced security costs incurred as a result of new UK legislation or EU security directives applicable in the UK. For the current regulatory period, the adjustment enables Heathrow to pass through 90 per cent. of any additional (or reduced) security costs around a deadband of £19 million.

- The "**K factor**" is designed to correct for any under recovery (dilution) or over recovery (concentration) in airport charges compared to the annual maximum allowable yield per passenger. Under or over recoveries generally arise due to changes in traffic mix or average loads compared to those forecast at the time prices were set for the relevant year. For example, an increase in long haul departing passengers would result in yield concentration leading to an over recovery. Conversely, an increase in average load factors or the proportion of transfer passengers would cause yield dilution. The K factor adjustment is applied to the maximum allowable yield calculation two years after the year in which it is incurred and therefore can be carried forward to the following Quinquennium.

- There is a capital expenditure "trigger" term built into the price control for Heathrow, with provision for the maximum allowable yield to be reduced if specified project milestones are not delivered on time.

- There is a development capital expenditure adjustment, with provision for the maximum allowable yield to be adjusted to account for changes in the revenue requirement associated with development capital projects.

- There is a business rates revaluation factor to pass through changes in rates costs associated with the relative impact of the 2017 rates revaluation above or below a 9% increase.

- There is a service quality rebate scheme at Heathrow Airport which sets defined service standards for a range of services and facilities. See "*—Heathrow Price Regulation—SQR Scheme*" below.

**Regulatory Asset Base**

As with other regulated utilities in the UK, the RAB acts as a unit of regulatory value and does not correspond to statutory asset values. The CAA has historically calculated a forecast of the value of the RAB for Heathrow over each year of the Quinquennium. The closing RAB for Heathrow for each year is taken to be the sum of the opening RAB, plus capital expenditure (unless disallowed by the CAA) plus an adjustment for RPI inflation less regulatory depreciation (including the pricing profile adjustment — see "*—The Price Cap*" above) and less proceeds of any disposals at the airport.

The CAA does not update the value of the RAB during each Quinquennium. Heathrow is required to submit regulatory accounts to the CAA as at 31 December of each year identifying, among other things, the value of the RAB. A decision as to whether the current period RAB has been appropriately updated during the current regulatory period is not made until the CAA sets the opening RAB for the next Quinquennium as part of the price control review.

The RAB is independently verified by Heathrow's statutory auditors and included in the regulatory accounts which are provided annually to (but not approved by) the CAA.

## HEATHROW PRICE REGULATION

### Key Elements of the CAA's Q6 Decision

The CAA's decision in respect of Heathrow for Q6 was published on 10 January 2014 and subsequently set out in Heathrow's licence issued on 13 February 2014. The key elements of the CAA's licence for the 4 years and 9 month period covered by Q6 include:

- a continuation of the RAB-based construct using the single-till and incentive based regulation in the form of an RPI based price cap;

- a maximum allowable yield based on RPI -1.5 per cent.;
- a WACC (weighted average cost of capital, which is the CAA's assessment, using a notional capital structure of 60 per cent. debt and 40 per cent. equity, of the allowed blended cost of debt and return on equity to satisfy the requirements of capital providers over the Quinquennium) of 5.35 per cent. (pre-tax real);
- assumed capital expenditure of £2.816 billion (in 2011/12 prices);
- projected operating costs of £4.731 billion (in 2011/12 prices);
- a "write down" of £30 million to the RAB to reflect the CAA's view of capital inefficiency on a specific project undertaken during Q5;
- forecast aggregate passengers of 347.7 million including an allowance for the impact of demand "shocks" (other than macro-economic related impacts) in the derivation of the passenger forecast; and
- a split between "core" and "development" capital expenditure to allow for greater flexibility in the capital planning process. Under this arrangement, designation of capital expenditure as core represents firm investment commitments at the start of the Q6 price control period where the scope and cost estimate was reasonably certain. Designation of capital expenditure as development enables projects to be included over the Q6 price control period that were not sufficiently scoped or costed at the start of Q6. The CAA set an initial capital expenditure envelope for Q6 comprising a fixed allowance for core capital expenditure and an indicative allowance for development capital.

**SQR Scheme**

Heathrow's licence for Q6 includes a service quality rebate ("**SQR**") scheme similar to the SQR scheme that applied during Q5 with defined service targets for a range of services relating to passengers' experience such as security queuing times, departure lounge seat availability, cleanliness, way-finding, flight information, arrivals baggage reclaim availability, the availability of equipment such as lifts, escalators and people movers and the availability of and access to infrastructure such as piers, jetties and stands. The service standards cover other areas such as airfield congestion.

To the extent that Heathrow does not achieve the defined standards, rebates to airlines are required. The maximum total revenue at risk during the Quinquennium is 7 per cent. of the total airport charges. Heathrow can achieve a 1.44 per cent. revenue upside in the form of a bonus if it exceeds certain SQR targets.

As a proportion of total airport charges, rebates are up to a total of approximately 2.6 per cent. for departure lounge seat availability, cleanliness, way-finding, flight information, arrivals baggage reclaim and equipment availability, 1.2 per cent. for infrastructure availability and access, 1.1 per cent. for passenger security queuing times and 1.0 per cent. for airfield congestion.

Over the six years of Q5 up to 31 March 2014, Heathrow incurred total rebates of £38 million (approximately 0.6 per cent. of aeronautical income over the period). In the period from 1 April 2014 to 30 September 2015, Heathrow incurred total rebates of £8.8 million (approximately 0.3 per cent. of aeronautical income over the period).

**Heathrow's Licence**

Heathrow's licence includes a self-modification provision allowing for Heathrow and airlines to agree immediate changes to the SQR scheme and for the CAA to act as arbiter if the parties cannot reach agreement on the proposed changes.

Heathrow's licence for Q6 includes the price control and SQR conditions described above. Other key elements of the licence include:

- Revocation: Heathrow's licence will remain in force in perpetuity except for certain limited circumstances in which the licence may be revoked such as where the licence is no longer required or continued lack of compliance by Heathrow in relation to regulatory requirements.
- Financial resilience: the licence contains the following financial resilience conditions:
    - a restriction on business activities that prohibits Heathrow from undertaking unrelated business activities and placing the regulated business at risk which reflects the Permitted Business restriction in the Common Terms Agreement;

- a requirement on the directors of Heathrow to provide an annual certificate on the adequacy of resources to continue to provide airport operation services at Heathrow Airport for the following 2 years;
- an undertaking from FGP Topco Limited, Heathrow's ultimate holding company, not to do anything that would put Heathrow in breach of its licence;
- a requirement for Heathrow to put in place a continuity of service plan;
- a requirement for Heathrow to provide prior written notice to the CAA if it intends to amend its financing arrangements in respect of credit rating requirements; and
- an obligation on Heathrow to notify the CAA in the event of Heathrow (or any company within its group where the financial position of that company or its inability to continue to trade would have an adverse effect on Heathrow's financial position or ability to continue to trade) seeking advice from an insolvency practitioner or any other person relating to Heathrow's financial position or ability to continue to trade.

- operational resilience: The licence includes a condition relating to the need to secure the availability and continuity of airport operation services, particularly in times of disruption.
- procurement: The licence includes a condition requiring Heathrow to ensure its procurement of capital projects is efficient and economical, and that it must publish its policies and procedures on how it will achieve this.
- planning and delivery of capital projects: The CAA noted in its notice granting the licence in February 2014 that it has identified a possible need for a new licence condition. The new licence condition, relating to the planning and delivery of capital projects possibly putting greater accountability on Heathrow to ensure efficient delivery and engagement with the airline community, is to be developed when the licence is in place. To date, the CAA has not initiated work on a possible new licence condition.

**AERODROME LICENCES**

Heathrow is subject to aerodrome licensing, which requires the operator to demonstrate that it is competent to conduct aerodrome operations safely.

The CAA must grant a licence in respect of any aerodrome in the UK if it is satisfied that:

- the applicant is competent, having regard to its previous conduct and experience, equipment, organisation, staffing, maintenance and other arrangements, to secure that the aerodrome and the airspace within which its visual traffic pattern is normally contained are safe for use by aircraft; and
- the aerodrome is safe for use by aircraft, having regard in particular to the physical characteristics of the aerodrome and of its surroundings.

Heathrow has an aerodrome licence for Heathrow Airport.

From April 2014, the existing aerodrome licensing regime has begun to be replaced by a certificate, issued under the European Aviation Safety Agency's ("**EASA**") regulations. There will be a 4 year transition period (ending 31 December 2017) in order to allow National Aviation Authorities ("**NAAs**") and airports to convert their existing licences to the new EASA certificate. The CAA will still be the primary regulatory point of contact for Heathrow Airport. It will remain the CAA's responsibility to conduct audits of the airport in its capacity as an NAA. However, EASA may conduct audits of the CAA (and other NAAs) to ensure standardisation across member states. It is anticipated that Heathrow Airport will have completed its transition to the EASA certification regime by mid-2016 at which time its existing aerodrome licence will cease to have effect.

## DIRECTORS AND SENIOR MANAGEMENT OF HEATHROW AIRPORT HOLDINGS LIMITED

### BOARD OF DIRECTORS OF HEATHROW AIRPORT HOLDINGS LIMITED

The Board of Directors of Heathrow Airport Holdings determines the strategy of the Heathrow Airport Holdings Group as well as the Group and monitors performance to ensure that the Group acts ethically and has the necessary resources to meet its objectives as well as its responsibilities as a leading airport operating group.

The current directors and secretary of Heathrow Airport Holdings are set out below.

**Executive Directors**

**John Holland-Kaye, Chief Executive Officer**

John was appointed Chief Executive Officer in July 2014. He joined the company as Commercial Director in May 2009. From November 2012, John was Development Director and was responsible for delivering the £1 billion annual investment in transforming Heathrow Airport, including the new Terminal 2: The Queen's Terminal, which opened in June 2014.

He was previously Divisional CEO with Taylor Wimpey PLC, having held a number of positions including Operations Director of Taylor Woodrow Developments and Commercial Director of Taylor Woodrow Inc. Prior to that, John was Managing Director, National Sales Division, of Bass Brewers, and has also worked as a strategy consultant with LEK Consulting for a number of high-profile businesses.

**Michael Uzielli, Chief Financial Officer**

Michael was appointed Chief Financial Officer in June 2015. He was previously Finance Director for British Gas where he helped drive revenue growth, championed a cost focus to increase efficiency, restructured the company's pension schemes and led a highly engaged finance team. His work has also involved building strong relationships with the Government and energy industry regulators.

Michael also has experience in the aviation industry having previously worked for British Airways and has also worked at Schroders.

**Non-Executive Directors**

The Non-Executive Directors of Heathrow Airport Holdings Limited are:

Sir Nigel Rudd, Chairman (due to step-down in September 2016)
Akbar Al-Baker, Qatar Holding LLC appointee
Stuart Baldwin, Government of Singapore Investment Corporation appointee
Christopher Beale, Alinda Capital Partners appointee
David Begg, independent non-executive director
Ali Bouzarif, Qatar Holding LLC appointee
Jorge Gil Villen, Ferrovial S.A. appointee
Olivier Fortin, Caisse de dépôt et placement du Québec appointee
Rachel Lomax, independent non-executive director
Ernesto Lopez Mozo, Ferrovial S.A. appointee
Fidel Lopez, Ferrovial S.A. appointee
Yan Wang, China Investment Corporation appointee
Mike Powell, Universities Superannuation Scheme appointee

The business address of the directors listed above is The Compass Centre, Nelson Road, Hounslow, Middlesex TW6 2GW.

**Company Secretary**

Heathrow Airport Holdings Limited's company secretary is Carol Hui.

## EXECUTIVE COMMITTEE

The Executive Committee develops and recommends to the Board, medium and long-term business development strategies for the Heathrow Airport Holdings Group with particular focus on the Group's operations. It ensures the delivery of agreed strategies by providing guidance, approvals, governance and monitoring. In addition to John Holland-Kaye and Michael Uzielli, the members of Heathrow Airport Holdings' Executive Committee are:

### Ian Ballentine, Procurement Director

Ian was appointed as Procurement Director in November 2012. He previously held senior positions within procurement across a number of large infrastructure organisations. Ian not only brings with him a wealth of procurement knowledge, but also his broader experience as the Thames Water Engineering Projects Director delivering a £500m per annum construction programme, and more recently as the Network Rail Transformation Director successfully developing and delivering a £3 billion business change programme.

### Stuart Birrell, Chief Information Officer

Stuart was appointed as Chief Information Officer in July 2015. He was previously CIO for Formula 1's McLaren Group, where he built an integrated IT team of in-house experts and specialist suppliers to support the rapid growth of the business including new revenue streams. Stuart also spent three successful years as CIO at Gatwick in the run up to, and after, the sale of the airport by the Heathrow Airport Holdings Group in 2009.

### Normand Boivin, Chief Operating Officer

Normand was appointed as Chief Operating Officer in August 2011. He was previously Operations Director for Aéroports de Montréal and has had 30 years' experience in the aviation industry. Normand was also previously Vice-President of Operations of Montréal's two international airports, Facilities Development Director at Montréal Dorval Airport and General Manager at Québec City Airport.

### Emma Gilthorpe, Strategy Director

Emma was appointed as Regulatory Director in September 2009. She was previously BT plc's Group Director of Industry Policy and Regulation and has held a number of other senior regulatory and public policy roles in Cable and Wireless. Emma is also a non-executive director of South East Water Limited.

### Clare Harbord, Corporate Affairs Director

Clare was appointed as Corporate Affairs Director in July 2011. She was previously Director of Communications at the Ministry of Justice and was responsible for all external and internal communications. Before that she was Head of Communications for the UK business of German-owned energy company, E.ON.

### Carol Hui, General Counsel and Group Company Secretary

Carol was appointed Heathrow Airport Holdings' General Counsel and Group Company Secretary in March 2009. Prior to joining Heathrow Airport Holdings she was a Board Director and the General Counsel of Amey plc. She has held the positions of Group Legal Director of TDG plc and Deputy General Counsel of BG plc and was previously with Slaughter and May. Carol is also a non-executive director of Robert Walters plc and Action for Blind People.

### Paula Stannett, Group HR Director

Paula was appointed as Group HR Director in January 2013. She has worked at Heathrow Airport for 13 years, most recently as HR Director for Heathrow's Airports Division and support services and previously as programme lead for Heathrow's winter resilience. Paula has a strong record of engaging staff to successfully put in place organisational change and improvement.

## DESCRIPTION OF THE GROUP COMPANIES

### HEATHROW AIRPORT LIMITED

Heathrow was incorporated under the Companies Act 1985 and registered in England and Wales on 19 February 1986 as a private limited company with number 01991017. Heathrow's registered office is at The Compass Centre, Nelson Road, Hounslow, Middlesex TW6 2GW and its telephone number is 084 4335 1801.

Heathrow is a wholly owned subsidiary of Heathrow (AH) Limited. The issued share capital of Heathrow is £472,990,695.24 divided into 1,575,570,317 £0.30 ordinary shares, 100,000 £1 preference shares and 21,960,014 £0.01 preference shares. The £1.00 preference shares were redeemed by Heathrow on 16 January 2016 at £1.37 per share, uplifted for movements in the RPI with the redemption amount totalling £206,575. On a return of capital on winding up or capital reduction, the holders of the £1 preference shares shall be entitled to a sum calculated in accordance with Heathrow's Articles of Association, in priority to any payment to the holders of any other class of shares other than the holders of irredeemable preference shares.

Heathrow has one subsidiary company, Heathrow Express.

***Management and Employees***

The directors of Heathrow and their respective principal activities are set out below. The business address of each of the directors listed below is The Compass Centre, Nelson Road, Hounslow, Middlesex TW6 2GW.

| *Name* | *Principal Activities* |
|---|---|
| Ian Ballentine | Director |
| Stuart Birrell | Director |
| Normand Boivin | Director |
| Emma Gilthorpe | Director |
| Clare Harbord | Director |
| John Holland-Kaye | Director |
| Carol Hui | Director |
| Paula Stannett | Director |
| Michael Uzielli | Director |

LHR Airports provides employees to Heathrow to undertake its operation of the airport and Heathrow does not employ any staff directly. For the year ended 31 December 2015, the average number of employees of LHR Airports engaged in the operation of Heathrow Airport was 5,978.

### HEATHROW EXPRESS OPERATING COMPANY LIMITED

Heathrow Express Operating Company Limited ("**Heathrow Express**"), a wholly owned subsidiary of Heathrow, is an independent train operating company and undertakes the operation of the Heathrow Express rail service.

Heathrow Express was incorporated under the Companies Act 1985 and registered in England and Wales on 11 January 1996 as a private limited company with number 03145133. The registered office of Heathrow Express is at The Compass Centre, Nelson Road, Hounslow, Middlesex TW6 2GW. Its authorised share capital is £100, divided into 100 £1 ordinary shares. Heathrow Express does not have any subsidiary companies. Its issued share capital is £4 divided into 4 £1 ordinary shares. Heathrow Express has no subsidiaries.

***Management and Employees***

The directors of Heathrow Express and their respective principal activities are set out below. The business address of each of the directors listed below is The Compass Centre, Nelson Road, Hounslow, Middlesex TW6 2GW.

| *Name* | *Principal Activities* |
|---|---|
| Normand Boivin | Director |
| Fraser Brown | Director |
| Christopher Green | Director |
| Robert Smallwood | Director |
| Brian Woodhead | Director |

Heathrow Express employs most of its own staff directly (with some staff being provided by LHR Airports). For the year ended 31 December 2015, the average number of employees was 469.

**HEATHROW (SP) LIMITED**

Heathrow (SP) Limited ("**Heathrow (SP)**") was incorporated under the Companies Act 1985 and registered in England and Wales on 20 December 2007 as a private limited company with number 06458621. The registered office of Heathrow (SP) is at The Compass Centre, Nelson Road, Hounslow, Middlesex TW6 2GW and its telephone number is 084 4335 1801. Heathrow (SP) is a wholly owned subsidiary of Heathrow Finance and its authorised share capital is £17,100,000, and its issued share capital is £10,969,754.84 divided into 5,773,555,178 £0.0019 ordinary shares. Heathrow (SP) has two direct subsidiaries, Heathrow (AH) and the Issuer.

***Management and Employees***

The directors of Heathrow (SP) and their respective principal activities are set out below. The business address of each of the directors listed below is The Compass Centre, Nelson Road, Hounslow, Middlesex TW6 2GW.

| *Name* | *Principal Activities* |
|---|---|
| Andrew Efiong | Director |
| Emma Gilthorpe | Director |
| Michael Uzielli | Director |
| David Williamson | Director |

Heathrow (SP) does not have any employees.

**HEATHROW (AH) LIMITED**

Heathrow (AH) Limited ("**Heathrow (AH)**") was incorporated under the Companies Act 1985 and registered in England and Wales on 20 December 2007 as a private limited company with number 06458657. The registered office of Heathrow (AH) is at The Compass Centre, Nelson Road, Hounslow, Middlesex TW6 2GW and its telephone number is 084 4335 1801. Heathrow (AH) is a wholly owned subsidiary of Heathrow (SP) and its authorised share capital is £13,500,000, and its issued share capital is £11,060,332.77, divided into 7,373,555,178 £0.0015 ordinary shares. Heathrow (AH) has one direct subsidiary, Heathrow.

***Management and Employees***

The directors of Heathrow (AH) and their respective principal activities are set out below. The business address of each of the directors listed below is The Compass Centre, Nelson Road, Hounslow, Middlesex TW6 2GW.

| *Name* | *Principal Activities* |
|---|---|
| Andrew Efiong | Director |
| Michael Uzielli | Director |
| David Williamson | Director |

Heathrow (AH) does not have any employees.

**THE ISSUER**

The Issuer was incorporated and registered in Jersey on 11 December 2007 (with registered number 99529) as a public company of unlimited duration and with limited liability under the Companies (Jersey) Law 1991. The registered office of the Issuer is 13 Castle Street, St Helier, Jersey JE4 5UT and its telephone number is 01534 722787. The Issuer carries out all its business through a fixed place of business at The Compass Centre, Nelson Road, Hounslow, Middlesex TW6 2GW.

The issued share capital of the Issuer consists of 2 ordinary shares of no par value and there is only a single class of shares in issue, namely ordinary shares without any preferential rights. The entire issued share capital of the Issuer is held by Heathrow (SP). Since the date of incorporation, no options to acquire shares have been issued or authorised. Since its incorporation up to the date of this Prospectus, the Issuer has not paid any dividends.

***Principal Activities***

The Issuer was formed with a view to raise or borrow money and to grant security over its property for the performance of its obligations or the payment of money, to lend money and to invest in and acquire loans and other similar investments.

The Issuer is organised as a special purpose company. The Issuer was established to raise capital by the issue of Bonds and to on-lend the proceeds of such issues of Bonds to Heathrow. The Issuer is and is obliged to remain resident in the UK for UK tax purposes.

The Issuer has not engaged, since its incorporation, and does not expect to engage, in any activities other than those incidental to (i) the authorisation and issue of the Bonds; (ii) the ownership of such interests and other assets referred to herein; (iii) the other matters contemplated in this Prospectus; (iv) the authorisation and execution of the other documents referred to in this Prospectus to which it is or will be a party; and (v) other matters which are incidental or ancillary to those activities.

The Issuer has entered into the Issuer Transaction Documents to which it is party for the purpose of making a profit. The Issuer has no subsidiaries, employees or non-executive directors.

***Directors and Company Secretary***

The directors of the Issuer and their respective principal activities are set out below. The business address of each of the directors listed below is The Compass Centre, Nelson Road, Hounslow, Middlesex TW6 2GW, save for Jason Bingham whose business address is Asticus Building, 2nd Floor, 21 Palmer Street, London SW1H 0AD.

| *Name* | *Principal Activities* |
|---|---|
| Jason Bingham | Director |
| Andrew Efiong | Director |
| Michael Uzielli | Director |
| David Williamson | Director |

Sanne Secretaries Limited, whose business address is 13 Castle Street, St Helier, Jersey JE4 5UT, is the company secretary of the Issuer. The directors of Sanne Secretaries Limited are John Douglas Wiseman, Christopher Drummond Ruark, Charles Guy Malet de Carteret, Christopher John Bunt, Colum Joseph Spillane, Carla Maria Bailey, Dean Michael Godwin, David Smaller, Philip John Godley, Peter Miles Cotgrave Mossop, Peter James Rioda, Stephanie Jane Hopkins, Simon Paul Alan Brewer, Tamara Louise Williams, Daniel Thomas McKeon, Philip Lawrence Turpin, Simon Michael Vardon and Zena Patricia Yates and their business address is the same as Sanne Secretaries Limited.

***Issuer Corporate Administration Agreements***

Pursuant to the terms of a corporate administration agreement dated 18 August 2008 (the "**Corporate Administration Agreement**"), Sanne Corporate Services Limited ("**Sanne**") provides certain corporate services to the Issuer. Pursuant to the terms of a corporate administration agreement dated 27 June 2008 (the "**Directorship Corporate Administration Agreement**"), Sanne Group (UK) Limited ("**Sanne UK**") provides an independent, UK-resident director to the Issuer. The services provided under the Corporate Administration Agreement and the Directorship Corporate Administration Agreement (together the "**Issuer Corporate Administration Agreements**") are in consideration for the payment by the Issuer of an annual fee to each of Sanne and Sanne UK.

Pursuant to the terms of the Corporate Administration Agreement, the appointment of Sanne shall terminate either: (i) upon the expiration of 90 days' notice in writing given by Sanne to the Issuer or by the Issuer to Sanne and, if required under any consent granted pursuant to the Control of Borrowing (Jersey) Order 1958, as amended, to the Commission, and a substitute administrator shall be appointed by the Issuer on terms substantially the same as those set out in the Corporate Administration Agreement and such appointment will be effective not later than the date of the termination of the appointment of Sanne; or (ii) immediately if: (X) either party has broken or is in breach of any of the terms of the Corporate Administration Agreement and shall not have remedied such breach within 30 days after service of notice requiring the same to be remedied; or (Y) either of the Issuer or Sanne is declared en désastre or has committed any act or omission indicative of insolvency.

Upon the termination of its appointment, Sanne is required within two working days of the Issuer's request, to deliver all information and data relating to the Issuer held by Sanne, to the Issuer.

The Directorship Corporate Administration Agreement may be terminated by either party giving notice of not less than 30 days provided that the retirement of the relevant director(s) following such notice shall not be effective until a replacement for each director acceptable to the Issuer is appointed, such acceptance not to be unreasonably withheld.

The Corporate Administration Agreement is governed by Jersey law. The Directorship Corporate Administration Agreement is governed by the laws of England and Wales.

## SUMMARY OF THE FINANCING AGREEMENTS

*The following is a description of the principal Programme documentation. The Common Terms Agreement, the STID, the Bond Trust Deed, the Security Agreement, the Obligor Floating Charge Agreement and the Master Definitions Agreement are incorporated by reference in this Prospectus and 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 and are also available from* http://www.heathrow.com/financialinformation *. For more information, see "Documents Incorporated by Reference".*

Capitalised terms used but not defined in this section are defined in the Master Definitions Agreement.

### DOCUMENTS INCORPORATED BY REFERENCE

This section contains summaries of the following documents, which are incorporated by reference in this Prospectus:

- Common Terms Agreement
- Security Trust and Intercreditor Deed
- Bond Trust Deed
- Security Agreement
- Obligor Floating Charge Agreement

**These summaries are brief and only touch on the main provisions of the documents listed above in very general terms. Consequently, investors are strongly recommended to obtain copies of the documents themselves. Recipients of this Prospectus should visit one of the websites listed above in order to download and read copies of the documents incorporated by reference. In addition to the documents listed above, the Master Definitions Agreement is also incorporated by reference.**

The Borrower Secured Creditors (including the Issuer) all benefit from common terms and a common security package granted by the Obligors. The Common Terms Agreement sets out the common terms applicable to the Borrower Loan Agreements and each other Authorised Credit Facility which Heathrow enters into. Except for certain limited exceptions, no Borrower Secured Creditor can have additional warranties, covenants, trigger events or loan events of default beyond the common terms deemed to be incorporated by reference into their Authorised Credit Facilities through their execution of, or accession to, the Common Terms Agreement. The Borrower Secured Creditors have also entered into intercreditor arrangements, contained in the STID, which regulate among other things: (i) the claims of the Borrower Secured Creditors; (ii) the exercise and enforcement of rights by the Borrower Secured Creditors; and (iii) the giving of instructions, consents and waivers and, in particular, the basis on which votes of the Borrower Secured Creditors will be counted. It is a requirement of the Common Terms Agreement that any future provider of an Authorised Credit Facility must accede to and be bound by the terms of the Common Terms Agreement and the STID.

### 1. COMMON TERMS AGREEMENT

#### General

The Common Terms Agreement sets out the representations, covenants, Trigger Events and Loan Events of Default (at Schedules 1 to 4, respectively) which apply to each Authorised Credit Facility including the Borrower Loan Agreements.

#### Covenants

The covenants are positive, negative, informational and financial in nature. They include an undertaking by the Security Group Agent to provide consolidated audited financial statements of the Group for each financial year and consolidated, unaudited financial information for the financial half-year.

The Security Group Agent must also supply an Investor Report by 30 June and 31 December each year which will include a general update on the Group, regulatory and business developments and capital expenditure.

Each Obligor has undertaken not to incur any Financial Indebtedness other than Permitted Financial Indebtedness. The incurrence of additional Senior Debt or Junior Debt is subject to certain conditions including that the Senior RAR (in respect of additional Senior Debt) must be less than 0.725 and the Junior RAR (in respect of additional Junior Debt)

must be less than 0.90, in each case calculated taking account of the proposed additional Financial Indebtedness. In addition, there are provisions which restrict the amount of Financial Indebtedness which can fall due (a) within any 24 month period to 30 per cent. of Total RAB and (b) within any Five Year Period to 50 per cent. of Total RAB.

Heathrow is able to sell part of the airport subject to the application of proceeds to stay within prescribed financial ratios. Heathrow cannot sell the whole or substantially the whole of the airport and Heathrow cannot be sold by the Group without approval from the requisite majority of Qualifying Borrower Secured Creditors.

In addition to the restrictions on financial indebtedness and disposals, the Common Terms Agreement also contains a number of covenants which regulate the Obligors' activities including, among others:

(1) limitations on non Permitted Business;

(2) limitations on joint ventures;

(3) a negative pledge; and

(4) a requirement to comply with specified insurance and outsourcing policies.

**Trigger Events**

The Common Terms Agreement sets out certain Trigger Events including:

(1) any breach of the following Financial Ratios:

  (A) the Senior RAR as at any Relevant Date prior to 1 April 2018 is, or is estimated to be, more than 0.70 and thereafter is, or is estimated to be, more than 0.725;

  (B) the Junior RAR as at any Relevant Date is, or is estimated to be, more than 0.85;

  (C) the Senior ICR for each Relevant Period is, or is estimated to be, less than 1.40; or

  (D) the Junior ICR for each Relevant Period is, or is estimated to be, less than 1.20;

(2) a credit rating downgrade of Class A Bonds below BBB+;

(3) a credit rating downgrade of Class B Bonds below BBB-;

(4) the commencement of the final reading of draft legislation in the House of Lords or the House of Commons (whichever occurs later) relating to the business of any Obligor if such legislation could (if enacted) reasonably be expected to have a Material Adverse Effect;

(5) forecast Capital Expenditure over the 12 month period following a Calculation Date exceeds the aggregate of undrawn Capex Facilities, cash and Projected Excess Cashflow Before Capex over such 12 month period;

(6) the amount available under the Issuer's Liquidity Facilities/any cash liquidity reserve is less than the estimated interest and equivalent finance charges for (a) the 12 month period following a Calculation Date in respect of Issuer Senior Debt and (b) the six month period following a Calculation Date in respect of Issuer Junior Debt;

(7) the issue of any compliance or enforcement order by any Regulator which would reasonably be expected to have a Material Adverse Effect; or

(8) the issue of a termination notice or a notice of any proposed or actual modification in respect of any licence by a Regulator which, if implemented, would reasonably be expected to have a Material Adverse Effect.

The occurrence of a Trigger Event gives rise to various consequences including a block on Restricted Payments, the preparation of remedial plans and a termination plan in respect of the Shared Services Agreement, and a right for the Borrower Security Trustee to request to participate in discussions with the Regulator.

**Loan Events of Default**

The Common Terms Agreement contains a number of Loan Events of Default (subject, in some cases, to agreed exceptions, materiality qualifications, reservations of law and grace periods) including:

(1) non-payment by an Obligor of amounts payable under the Finance Documents;

(2) a breach of the following Financial Ratios:

(A) if the Senior RAR as stated in the Compliance Certificate produced in respect of the Reporting Date falling in June in respect of 31 December of the preceding Financial Year is more than 0.925; and/or

(B) if the Average Senior ICR as stated in the Compliance Certificate produced in respect of the Reporting Date falling in June is less than 1.05;

(3) non-compliance with any term of any covenant or undertaking in any Finance Document;

(4) a representation made or repeated by an Obligor in any Finance Document being incorrect or misleading in any material respect when made or deemed to be repeated;

(5) the insolvency of an Obligor;

(6) it becoming unlawful for any Obligor to perform its obligations under any Transaction Document;

(7) certain changes in law; or

(8) the occurrence of a Bond Event of Default.

In respect of each Loan Event of Default requiring any action or discretion on the part of the relevant creditor, the Borrower Security Trustee will act in accordance with the relevant provisions of the STID.

The Common Terms Agreement also provides for an "Accepted Restructuring Event" regime under which if there occurs a proposed or actual change in law/regulation and its effect would be to:

(i) restrict the grant or subsistence of security over the material assets of Heathrow;

(ii) restrict the ability of the Borrower Security Trustee to appoint a receiver or the Bond Trustee to appoint an administrative receiver; or

(iii) establish a special insolvency regime,

and, such proposed or actual change would otherwise result in the occurrence of a Restricted Loan Event of Default at that time, then only a Trigger Event will arise until either (a) it is remedied or (b) the date falling on the later of (1) twelve months after the date of the occurrence of the Trigger Event or (2) nine months after the date on which the relevant Loan Event of Default would (but for the Accepted Restructuring Event regime) have first occurred. After this period a Loan Event of Default will occur.

**Hedging Policy**

The Issuer and Heathrow are subject to a Hedging Policy which is set out at Schedule 5 of the Common Terms Agreement. Heathrow and the Issuer have entered into and in the future may enter into various interest rate, inflation-linked and currency swap transactions in conformity with the Hedging Policy.

Such policy includes an obligation to ensure that:

(1) (a) during the current Regulatory Period, at least 75 per cent.; and

(b) during the immediately following Regulatory Period, at least 50 per cent.,

of Relevant Debt (as defined in the Hedging Policy but which, broadly, means Senior Debt and Junior Debt excluding certain items) of the Group is hedged such that it effectively bears either a fixed rate of interest or an inflation-linked rate of interest;

(2) any foreign currency denominated debt instruments are 100 per cent. currency hedged; and

(3) the Group does not hedge its exposure to interest rate risk such that the Total Notional Hedged Amount (as defined in the Hedging Policy) exceeds 102.5 per cent. of the sum of Relevant Debt (subject to certain exclusions).

## 2. SECURITY TRUST AND INTERCREDITOR DEED

The intercreditor arrangements among the Borrower Secured Creditors of the Group (the "**Intercreditor Arrangements**") are contained in the STID. Unsecured creditors (other than LHR Airports or any Affiliate thereof which provides subordinated loans to a member of the Group) are not and will not become parties to the Intercreditor Arrangements and will have unfettered, independent rights of action in respect of their debts. However, the aggregate amount of unsecured Financial Indebtedness is restricted under the Common Terms Agreement.

The purpose of the Intercreditor Arrangements is to regulate, among other things: (i) the claims of the Borrower Secured Creditors and their ranking in point of payment after the delivery of a Loan Enforcement Notice; (ii) the exercise, acceleration and enforcement of rights by the Borrower Secured Creditors; (iii) the rights of the Borrower Secured Creditors to instruct the Borrower Security Trustee; and (iv) the giving of consents and waivers and the making of modifications to the Common Documents. The Intercreditor Arrangements provide for the subordination and postponement of all claims in respect of Financial Indebtedness of any Heathrow Airport Holdings Group company or Affiliate thereof that is not a member of the Group and following delivery of a Loan Acceleration Notice, payments under the Shared Services Agreement and certain other contracts otherwise entered into in accordance with the Common Terms Agreement.

As regards the giving of consents and waivers and the making of modifications in relation to the Common Documents, the STID contains provisions which enable the Borrower Security Trustee to give or permit the making thereof in certain circumstances (principally where it determines that the consent, waiver or modification will not be materially prejudicial to Borrower Secured Creditors or Issuer Secured Creditors). Where the Borrower Security Trustee is not willing or able to exercise its discretion, approval from relevant Qualifying Borrower Secured Creditors (which do not include providers of liquidity or hedge counterparties) is required. Consents, waivers or modifications may, depending on their nature, constitute Ordinary Voting Matters or Extraordinary Voting Matters. In addition, it may constitute an Entrenched Right in respect of one or more Borrower Secured Creditors with the result that the consent of such Borrower Secured Creditors will need to be obtained. The STID contains the detailed provisions regarding the quorum required for the approval of such matters (which, for example, in relation to an Ordinary Voting Matter, is one or more Participating QBS Creditors representing 20 per cent. of the Outstanding Principal Amount of all Qualifying Borrower Debt), the time periods in which approvals need to be given (which, for example, in relation to an Ordinary Voting Matter, is 10 Business Days from the date of the relevant STID Proposal) and the percentage thresholds required to approve the different matters (which, for example, in relation to an Ordinary Voting Matter, is a simple majority of the Voted Qualifying Debt). Such quorums, time periods and percentage thresholds vary depending on the nature of the different matters. Voting is effected on a 'one pound equals one vote' basis, save that, in the case of bank debt, the entirety of the relevant outstanding bank debt will vote in accord with the instructions given by the relevant majority of the bank lenders in respect of such debt. Bondholders will be able to participate in such approval processes by means of an electronic voting procedure, details of which are set out in the Bond Trust Deed (and is briefly described in "*– Bond Trust Deed*" below). For full details of voting and modifications, consents and waivers, see parts 6 and 7 of the STID.

There are also provisions which enable instructions to be given to the Borrower Security Trustee by the required percentage of Qualifying Borrower Secured Creditors in relation to a number of matters including whether to enforce the security following a Loan Event of Default and whether to deliver a Loan Acceleration Notice. The required percentage of Participating QBS Creditors differs depending on the nature of the instruction and also may vary over time. For example, the initial quorum in relation to a decision on whether to enforce the security would be Participating QBS Creditors representing 25 per cent. of the Outstanding Principal Amount of all Qualifying Borrower Debt and the corresponding initial required percentage would be 25 per cent. of the Voted Qualifying Debt.

There is no generally applicable priority of payments prior to the delivery of a Loan Enforcement Notice (save in certain limited circumstances as set out in paragraph 12 of Schedule 9 to the Common Terms Agreement, including where the Obligors have insufficient funds on any payment date to pay in full those liabilities required to be paid on such date) and, because there is no requirement for all Financial Indebtedness to have common payment dates, Heathrow is free to pay debts as they fall due, whether they be in respect of Senior Debt or Junior Debt or in respect of unsecured claims. There are, however, priorities of payments which regulate payments made after the delivery of a Loan Enforcement Notice and after the delivery of a Loan Acceleration Notice. In addition, the making of certain payments following a Loan Event of Default is regulated. For full details of the priorities of payments, see Schedule 2 of the STID.

Subject to accession to the STID and Common Terms Agreement, Finance Lessors and other Authorised Credit Providers may, in the future, become Borrower Secured Creditors.

The representative of the Issuer is the Bond Trustee.

The STID is governed by English law.

## 3. BOND TRUST DEED

The Issuer, the Bond Guarantor and the Bond Trustee have entered into a bond trust deed (the "**Bond Trust Deed**") pursuant to which the Bonds are constituted. The Bond Trust Deed includes the form of the Bonds and contains a covenant from the Issuer to the Bond Trustee to pay all amounts due under the Bonds. The Bond Trustee holds the benefit of that covenant on trust for itself and the Bondholders in accordance with their respective interests. The Bond Trust Deed contains a number of covenants given by the Issuer including it being obliged to use its reasonable endeavours to maintain a listing for listed Bonds while they remain outstanding.

**Bondholders Voting Mechanics**

In relation to a STID Voting Request in respect of Ordinary Voting Matters or Extraordinary Voting Matters, voting in respect of the Class A Unwrapped Bonds may be made by holders of the Class A Unwrapped Bonds and, following repayment in full of the Senior Debt, voting in respect of the Class B Unwrapped Bonds may be made by holders of the Class B Unwrapped Bonds, in each case in accordance with the following electronic voting procedures:

(a) the Bond Trustee will upon receipt of a STID Voting Request distribute a copy of the STID Voting Request and proposed resolution to the Qualifying Bondholders;

(b) Qualifying Bondholders may vote on the proposed resolution within the Decision Period through the clearing systems;

(c) the Principal Paying Agent, in the case of Bearer Bonds, and the Registrar, in the case of Registered Bonds, will complete Block Voting Instructions (which shall be the only method of voting in respect of such matters) in respect of the votes cast by Qualifying Bondholders and will notify the Borrower Security Trustee and the Issuer accordingly;

(d) only the Principal Amount Outstanding of Bonds then owed to Bondholders that vote on a proposed resolution within the Decision Period will be counted towards the Quorum Requirement and the Qualifying Borrower Senior Debt of the Participating QBS Creditors with such tranche being divided on a pound for pound basis between votes cast in favour and votes cast against; and

(e) votes cast in favour and votes cast against will then be aggregated by the Borrower Security Trustee with the votes cast by the other Participating Qualifying Borrower Secured Creditors.

For a description of Bondholder voting mechanics in other circumstances, see "*The Bonds – Terms and Conditions of the Bonds – Condition 15 (Meetings of Bondholders, Modification, Waiver and Substitution)*".

The Bond Trust Deed is governed by English law.

## 4. SECURITY AGREEMENT AND OBLIGOR FLOATING CHARGE AGREEMENT

**Borrower Security**

Each Obligor entered into the security agreement (the "**Security Agreement**") with the Borrower Security Trustee on the Initial Issue Date. Under the Security Agreement, each Obligor guarantees the obligations of each other Obligor under the Finance Documents, in each case to the Borrower Security Trustee for itself and as security trustee for the Borrower Secured Creditors. Each Obligor secures its property, assets and undertakings to the Borrower Security Trustee for itself and as trustee for the Borrower Secured Creditors.

Except as set out below, the Security Agreement is subject to the STID.

The security constituted by the Security Agreement includes:

(i) first fixed charges over certain assets of the Obligors including the ordinary shares in each Obligor (other than Heathrow (SP) Limited); plant, machinery, office equipment, computers, vehicles and other chattels; and all monies standing to the credit of each Obligor's accounts and the debts represented thereby;

(ii) first fixed charges over each Obligor's right, title and interest from time to time in and to:

(A) by way of legal mortgage over any real property interests owned by it at the date of the Security Agreement and by way of equitable fixed charge over any real property interests acquired after the date of the Security Agreement; and

(B) the proceeds of disposal of any land;

(iii) an assignment by way of security of each Obligor's right in respect of Assignable Insurances and in respect of its right, title and interest in all Transaction Documents to which an Obligor is a party; and

(iv) first floating charges of the whole of the undertaking, property, assets and rights whatsoever and wheresoever present and future of each Obligor (the floating charges referred to in this paragraph, the "**Security Agreement Floating Security**").

The Borrower Security does not extend to:

(a) Heathrow's interest in certain leasehold property or any other property or properties in respect of which the creation of any security by Heathrow is prohibited absolutely or without consent (until such time as consent is obtained) (the "**Excluded Charged Property**"); or

(b) any Obligor's rights under a document to the extent that such rights cannot be secured without the consent of a party to that document (the "**Excluded Documents**" and, together with the Excluded Charged Property, the "**Excluded Property**").

The Obligors covenant in the Common Terms Agreement that the value of the Excluded Property of Heathrow shall not at any time exceed 5 per cent. of its Total RAB.

**Floating charges held by the Borrower Security Trustee and the Issuer**

The Issuer holds the floating charges granted by the Obligors pursuant to the Obligor Floating Charge Agreement (the "**OFCA Floating Security**") for the benefit of itself. The OFCA Floating Security and the Security Agreement Floating Security rank *pari passu* with one another and are expressed to be created simultaneously.

*Enforceability of the floating charges*: The Security Agreement and the STID provide that the Security Agreement Floating Security shall only become enforceable following the delivery of a Loan Enforcement Notice.

The Obligor Floating Charge Agreement provides that the OFCA Floating Security shall become enforceable by the Bond Trustee (by appointing an administrative receiver):

(a) following the delivery of a Loan Enforcement Notice under the Common Terms Agreement; or

(b) if the Bond Trustee has actual notice of an application for the appointment of an administrator in respect of an Obligor or has actual notice of the giving of a notice of intention to appoint an administrator in respect of an Obligor or has actual notice of the filing of a notice of appointment of an administrator of an Obligor with the court (in which case, the Bond Trustee will (subject to "– *Indemnity of the Bond Trustee*" immediately below), be obliged to appoint an administrative receiver).

In either case, the Bond Trustee shall not be liable for any failure to appoint, save in the case of its own negligence, wilful default or fraud.

*Indemnity of the Bond Trustee*: The Bond Trustee shall not be obliged to appoint an administrative receiver unless it is indemnified and/or secured to its satisfaction. However, pursuant to the Obligor Floating Charge Agreement, in the event that the Bond Trustee is required to enforce the OFCA Floating Security by appointing an administrative receiver following receipt of actual notice of an application for the appointment of an administrator or actual notice of the giving of a notice of intention to appoint an administrator, or has actual notice of the filing of a notice of appointment of an administrator in respect of an Obligor with the court, the Bond Trustee agrees that it is adequately indemnified and secured in respect of such appointment by virtue of its rights against the Obligors under the Obligor Floating Charge Agreement and against the Issuer under the Bond Trust Deed, and the security it has in respect of such rights. The Obligors covenant in the Obligor Floating Charge Agreement that, in the event the Bond Trustee appoints an administrative receiver by reason of it having actual notice of an application for the appointment of an administrator or actual notice of the giving of a notice of intention to appoint an administrator, they waive any claims against the Bond Trustee in respect of such appointment.

*Appointment of an administrator*: The STID provides that the Borrower Security Trustee shall not (notwithstanding any instruction from a Borrower Secured Creditor to the contrary) make any application to appoint an administrator or give any notice of intention to appoint an administrator unless the Bond Trustee has agreed to such action.

*Consultation in dealings with administrative receiver of the floating charge assets*: Any administrative receiver appointed by the Bond Trustee pursuant to the Obligor Floating Charge Agreement in respect of any assets over which it is so appointed shall consult with the Borrower Security Trustee as holder of the Security Agreement Floating Security and, if necessary, request the release of such assets from such security.

*Proceeds*: The Security Agreement, the STID and the Obligor Floating Charge Agreement provide that the proceeds of enforcement of the OFCA Floating Security by the Bond Trustee (or any administrative receiver appointed by it) and paid to the Borrower Security Trustee will be applied, together with any proceeds of enforcement of the other Borrower Security by the Borrower Security Trustee (or any Receiver appointed by it), in accordance with the Borrower Payments Priorities. Any proceeds of enforcement of the OFCA Floating Security will be paid to the Issuer and will be taken into account by the Borrower Security Trustee in ensuring that the Issuer recovers no more than its pro rata proportion of the aggregate proceeds of enforcement of all Borrower Security.

## DOCUMENTS NOT INCORPORATED BY REFERENCE

This section contains summaries of the principal Programme documentation which is not incorporated by reference in this Prospectus.

## 1. BORROWER LOAN ARRANGEMENTS

### Borrower Loan Agreements

Amounts raised by the Issuer through the issue of Bonds will be on-lent, in sterling, to Heathrow so as to create matching debt obligations owed by Heathrow to the Issuer under a loan agreement (each, a "**Borrower Loan Agreement**") other than in respect of legal maturity and in the case of amounts raised by the Issuer through the issue of Bonds for the purpose of creating a liquidity reserve. As the Borrower Loans are structured and tranched to match the tenor, interest rate and payment dates of each Sub-Class of Bonds and related hedging, the Borrower Loans have characteristics that demonstrate capacity to produce funds to service any payments due and payable under the Bonds and related hedging.

In consideration of the Issuer agreeing to make the advances available under a Borrower Loan Agreement, Heathrow will agree to pay to the Issuer an ongoing facility fee as set out in each Borrower Loan Agreement.

The obligations of Heathrow under each Borrower Loan Agreement are secured pursuant to the Security Agreement, and are guaranteed by each other Obligor in favour of the Borrower Security Trustee. Heathrow's obligations under each Borrower Loan Agreement are also secured pursuant to the Obligor Floating Charge Agreement in favour of the Issuer.

The Issuer's obligations to repay principal and pay interest on the Bonds are intended to be met primarily from the payments of principal and interest received from Heathrow under each Borrower Loan Agreement and payments received under any related Hedging Agreements. Failure of Heathrow to repay an advance on the maturity date in respect of such advance (which corresponds to the Scheduled Redemption Date of the corresponding Class or Sub-Class of Bonds) will be a Loan Event of Default under the relevant Borrower Loan Agreement, although it will not, of itself, constitute a Bond Event of Default.

Heathrow agrees to make payments free and clear of any withholding on account of tax unless it is required by law to do so – in such circumstances Heathrow will gross-up such payments.

On or prior to each Issue Date on which the Issuer issues Bonds, the proceeds of which are intended to be on-lent to Heathrow, which are not fungible with an existing series of Bonds, a new Borrower Loan Agreement will be entered into by the Issuer, Heathrow and the Borrower Security Trustee. Such new Borrower Loan Agreement will be entered into substantially on the same terms as set out above.

Each Borrower Loan Agreement will be governed by English law and subject to the exclusive jurisdiction of the English courts (except that the Issuer alone may commence proceedings in any other court with jurisdiction).

## 2. CASH MANAGEMENT

### Cash Management

***Accounts***

In accordance with the Common Terms Agreement, Heathrow and Heathrow Express each maintain an operating account (each, an "**Operating Account**"), a joint disposal proceeds account (the "**Disposal Proceeds Account**") and a liquidity reserve account (the "**Borrower Liquidity Reserve Account**") with the Borrower Account Bank, as well as a joint debt collateralisation account (the "**Debt Collateralisation Account**"). Heathrow maintains an insurance proceeds account (the "**Insurance Proceeds Account**") on behalf of the Issuer. Each of the above accounts are collectively referred to as an "**Obligor Account**". The Royal Bank of Scotland plc, acting through its office at 135 Bishopsgate, London EC2M 3UR, currently serves as Borrower Account Bank pursuant to the Borrower Account Bank Agreement.

Heathrow Express maintains operating accounts with Barclays Bank PLC and will transfer amounts standing to the credit of those accounts on a weekly basis to the Operating Account opened by Heathrow Express with the Borrower Account Bank (the "**Heathrow Express Operating Account**").

*Operating Accounts*

Heathrow will pay, among other things, the proceeds of any Borrower Loan or advance under an Authorised Credit Facility and income received from the BSC Account or LHR Airports Account on the allocation of revenues processed for Heathrow into its Operating Account and will use the funds standing to the credit of such Operating Account to make payments under the Authorised Credit Facilities on the payment dates specified in the relevant Authorised Credit Facility and to make payments to the BSC Account or LHR Airports Account to settle payments processed by the Shared Services Sub-contractor or Shared Services Provider as they fall due, as the case may be, on its behalf.

***Debt Collateralisation Account***

The Debt Collateralisation Account may be credited by Heathrow in discharge of its obligation to collateralise Senior Debt or Junior Debt that is not required to be Actually Prepaid following the delivery of a Loan Enforcement Notice or to meet certain hedging shortfalls.

***Authorised Investments***

The Common Terms Agreement allows the Group to invest in Authorised Investments such part of the amounts standing to the credit of any of the Obligor Accounts as is prudent and in accordance with certain provisions set out in the Common Terms Agreement.

### Issuer Cash Management Agreement and Issuer Account Bank Agreement

The Issuer appointed LHR Airports as the Issuer Cash Manager pursuant to a cash management agreement dated the Initial Issue Date, as amended on 11 August 2010 (the "**Issuer Cash Management Agreement**"). Pursuant to the Issuer Cash Management Agreement, LHR Airports undertakes cash administration functions on behalf of the Issuer.

The Issuer maintains sterling, euro and U.S. dollar operating accounts and also maintains Canadian dollar, Australian dollar, Swiss franc, Norwegian krone, and Japanese yen accounts (together with any issuer collateral accounts opened after the Initial Issue Date, the "**Issuer Accounts**"). The Issuer may also open and maintain a liquidity reserve account (the "**Issuer Liquidity Reserve Account**") with the Issuer Account Bank.

Prior to the service of a Bond Enforcement Notice under the Issuer Deed of Charge, monies credited to an operating Issuer Account will be applied, subject to certain exceptions as set out in the Issuer Cash Management Agreement and Condition 8(f), for payment in accordance with the priority of payments set out in the Issuer Cash Management Agreement as set out below:

(i) *first*, the amounts due in respect of the fees and other remuneration and indemnity payments (if any) payable to the Bond Trustee and any Receiver and any costs, charges, liabilities and expenses incurred by the Bond Trustee under the Trust Documents and any other amounts payable to the Bond Trustee and any Receiver under the Trust Documents;

(ii) *second*, in or towards satisfaction, *pro rata* and *pari passu*, of the amounts payable by the Issuer in respect of any amounts due and owing by the Issuer in respect of:

(a) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Paying Agents, Exchange Agent, Agent Bank, Registrar and Transfer Agent incurred under the Agency Agreement and any Calculation Agent under the Calculation Agency Agreement;

(b) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Issuer Account Bank incurred under the Issuer Account Bank Agreement;

(c) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Issuer Cash Manager (for so long as the Issuer Cash Manager is not LHR Airports or a member of the Heathrow Airport Holdings Group); and

(d) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Issuer Corporate Administration Providers under the Issuer Corporate Administration Agreements;

(iii) *third*, in or towards satisfaction, *pro rata* and *pari passu*, of:

(a) payment of amounts due and payable to any third party creditors of the Issuer, or to become due and payable to any third party creditors of the Issuer prior to the next Payment Date, of which the Issuer Cash Manager has notice prior to the relevant Payment Date, which amounts have been incurred without breach by the Issuer of the Issuer Transaction Documents to which it is a party (and for which payment has not been provided for elsewhere); and

(b) any amounts due and payable by the Issuer and for which the Issuer is primarily liable in respect of all UK corporation tax and other tax for which the Issuer is liable under the laws of any jurisdiction other than UK corporation tax at the standard rate from time to time on the Issuer Profit Amount, which shall be met by the Issuer out of the Issuer Profit Amount;

(iv) *fourth, pro rata* according to the respective amounts thereof: (a) the fees, other remuneration, indemnity payments, costs, charges and expenses of each Issuer Liquidity Facility Provider (and any facility agent and arranger under any Issuer Liquidity Facility Agreement) and amounts of interest and principal due in respect of any drawing under the Issuer Liquidity Facility Agreement (other than in respect of any Liquidity Subordinated Amounts); and (b) the fees, other remuneration, indemnity payments, costs, charges and expenses (other than reimbursement sums in respect of payments of principal and interest) of each Relevant Financial Guarantor pursuant to the G&R Deed;

(v) *fifth, pro rata* according to the respective amounts thereof, in or towards satisfaction of all scheduled amounts payable to each Issuer Hedge Counterparty under any Interest Rate Hedging Agreement entered into between the Issuer and the Issuer Hedge Counterparty (other than Issuer Subordinated Hedge Amounts) and scheduled amounts due and payable to Heathrow under any back-to-back hedging arrangements in respect of amounts received by the Issuer from the Issuer Hedge Counterparties under any Interest Rate Hedging Agreement entered into between the Issuer and an Issuer Hedge Counterparty;

(vi) *sixth, pro rata* according to the respective amounts thereof, in or towards satisfaction of: (a) all amounts of interest and commitment commissions due in respect of the Class A Bonds (other than principal and Subordinated Step-up Fee Amounts); (b) all scheduled amounts payable to each Issuer Hedge Counterparty under any Cross Currency Hedging Agreement in respect of Class A Bonds (other than Issuer Subordinated Hedge Amounts); (c) all reimbursement sums (if any) owed to each Relevant Financial Guarantor under the G&R Deed in respect of payments of interest of any Class A Wrapped Bonds guaranteed by such Relevant Financial Guarantor; and (d) all unscheduled amounts (including termination payments) payable to each Issuer Hedge Counterparty under any Interest Rate Hedging Agreement entered into between the Issuer and the Issuer Hedge Counterparty (other than Issuer Subordinated Hedge Amounts) and unscheduled amounts (including termination amounts) due and payable to Heathrow under any back-to-back hedging arrangements in respect of amounts received by the Issuer from the Issuer Hedge Counterparties under any Interest Rate Hedging Agreement entered into between the Issuer and an Issuer Hedge Counterparty;

(vii) *seventh, pro rata* according to the respective amounts thereof, in or towards satisfaction of: (a) all amounts of principal due or overdue in respect of the Class A Bonds; (b) all principal exchange amounts due and payable to each Issuer Hedge Counterparty under any Cross Currency Hedging Agreement in respect of Class A Bonds; (c) any termination amounts or other unscheduled sums due and payable to each Issuer Hedge Counterparty under any Cross Currency Hedging Agreement in respect of Class A Bonds (other than in respect of Issuer Subordinated Hedge Amounts); and (d) all reimbursement sums (if any) owed to each Relevant Financial Guarantor under the G&R Deed in respect of payments of principal on any Class A Wrapped Bonds guaranteed by such Relevant Financial Guarantor;

(viii) *eighth, pro rata* according to the respective amounts thereof, in or towards satisfaction of: (a) all amounts of interest and commitment commissions due in respect of the Class B Bonds (other than principal and Subordinated Step-up Fee Amounts); (b) all scheduled amounts payable to each Issuer Hedge Counterparty under any Cross Currency Hedging Agreement in respect of Class B Bonds (other than Issuer Subordinated Hedge Amounts); and (c) all reimbursement sums (if any) owed to each Relevant Financial Guarantor under the G&R Deed in respect of payments of interest on any Class B Wrapped Bonds guaranteed by such Relevant Financial Guarantor;

(ix) *ninth, pro rata* according to the respective amounts thereof, in or towards satisfaction of: (a) all amounts of principal due or overdue in respect of the Class B Bonds; (b) all principal exchange amounts due and payable to each Issuer Hedge Counterparty under any Cross Currency Hedging Agreement in respect of Class B Bonds; (c) any termination amounts or other unscheduled sums due and payable to each Issuer Hedge Counterparty under any Cross Currency Hedging Agreement in respect of Class B Bonds (other than in respect of Issuer Subordinated Hedge Amounts); and (d) all reimbursement sums (if any) owed to each Relevant Financial Guarantor under the G&R Deed in respect of payments of principal on any Class B Wrapped Bonds guaranteed by such Relevant Financial Guarantor;

(x) *tenth, pro rata* according to the respective amounts thereof, in or towards satisfaction of all Subordinated Step-Up Fee Amounts due or overdue in respect of the Class A Bonds;

(xi) *eleventh, pro rata* according to the respective amounts thereof, in or towards satisfaction of all Subordinated Step-Up Fee Amounts due or overdue in respect of the Class B Bonds;

(xii) *twelfth*, in or towards satisfaction of any Liquidity Subordinated Amount due to an Issuer Liquidity Facility Provider;

(xiii) *thirteenth, pro rata* according to the respective amounts thereof, in or towards satisfaction of any Issuer Subordinated Hedge Amounts due or overdue to an Issuer Hedge Counterparty;

(xiv) *fourteenth*, in or towards satisfaction of all reimbursement sums (if any) owed to the Bond Guarantor in respect of payments of interest on any LHR Guaranteed Bonds and all reimbursement sums (if any) owed to the Bond Guarantor in respect of payments of principal on any LHR Guaranteed Bonds; and

(xv) *fifteenth*, after retaining the Issuer Profit Amount, (which the Issuer may, after meeting any corporation tax thereon, use to pay a dividend or otherwise to pay to such account or person nominated by the Issuer), any remaining amount by way of rebate, to the maximum extent possible, of Ongoing Facility Fees to Heathrow under the terms of the Borrower Loan Agreements; and

(xvi) *sixteenth*, any remaining amount to Heathrow.

After the service of a Bond Enforcement Notice by the Bond Trustee under the Issuer Deed of Charge, the Issuer Cash Manager (or any substitute cash manager appointed by the Bond Trustee to act on its behalf) shall (to the extent that such funds are available) use funds standing to the credit of the Issuer Accounts (other than (i) Issuer Excess Hedge Collateral (if any), which shall be returned to the relevant Issuer Hedge Counterparty in accordance with the relevant Issuer Hedge Agreement, (ii) Issuer Hedge Replacement Premium (if any), which shall be paid to the relevant Issuer Hedge Counterparty and (iii) amounts standing to the credit of a Liquidity Standby Account that has been opened in accordance with the terms of an Issuer Liquidity Facility Agreement, which shall be paid to the relevant Issuer Liquidity Facility Provider in accordance with such Issuer Liquidity Facility Agreement) to make payments in accordance with the following order of priority:

(i) *first*, the amounts due in respect of the fees and other remuneration and indemnity payments (if any) payable to the Bond Trustee and any Receiver and any costs, charges, liabilities and expenses incurred by the Bond Trustee and any Receiver appointed under the Trust Documents or the Obligor Floating Charge Agreement and any other amounts payable to the Bond Trustee and any Receiver under the Trust Documents or the Obligor Floating Charge Agreement;

(ii) *second*, in or towards satisfaction, pro rata and *pari passu* of the amounts payable by the Issuer in respect of any amounts due and owing by the Issuer in respect of:

(a) the fees, other remuneration, indemnity payments, costs, charges, liabilities and expenses of the Paying Agents, Exchange Agent, Agent Bank, Registrar and Transfer Agent incurred under the Agency Agreement and any Calculation Agent under the Calculation Agency Agreement;

(b) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Issuer Account Bank incurred under the Issuer Account Bank Agreement;

(c) the fees, other remuneration, indemnity payments, costs, charges and expenses of the Issuer Cash Manager (for so long as the Issuer Cash Manager is not LHR Airports or a member of the Heathrow Airport Holdings Group); and

(d) the fees, other remuneration, indemnity payments, costs, charges and expenses of each Issuer Corporate Administration Provider incurred under the Issuer Corporate Administration Agreements;

(iii) *third, pro rata*, according to the respective amounts thereof: (a) all amounts due to each Issuer Liquidity Facility Provider (and any facility agent and arranger under any Issuer Liquidity Facility Agreement), including all amounts of interest and principal due in respect of any drawing under the Issuer Liquidity Facility Agreement (other than in respect of any Liquidity Subordinated Amounts); and (b) the fees, other remuneration, indemnity payments (other than in respect of reimbursement sums in respect of payments of interest or principal), costs, charges and expenses (other than reimbursement sums) of each Relevant Financial Guarantor pursuant to the G&R Deed;

(iv) *fourth, pro rata* according to the respective amounts thereof in or towards satisfaction of all scheduled amounts payable to each Issuer Hedge Counterparty under any Interest Rate Hedging Agreement (other than Issuer Subordinated Hedge Amounts);

(v) *fifth, pro rata* according to the respective amounts thereof, in or towards satisfaction of: (a) all amounts of interest and commitment commissions due in respect of the Class A Bonds (other than principal and Subordinated Step-up Fee Amounts); (b) all unscheduled amounts (including termination amounts) payable to each Issuer Hedge Counterparty under any Interest Rate Hedging Agreement (other than Issuer Subordinated Hedge Amounts); (c) all scheduled amounts payable to each Issuer Hedge Counterparty under any Cross Currency Hedging Agreement in respect of Class A Bonds (other than Issuer Subordinated Hedge Amounts); (d) all reimbursement sums (if any) owed to each Relevant Financial Guarantor under the G&R Deed in respect of payments of interest on any Class A Wrapped Bonds guaranteed by such Relevant Financial Guarantor; and (e) in the event that any Interest Rate Hedging Agreement has been terminated and to the extent that the Issuer has received any termination payment thereunder, any termination payment that is due from the Issuer to Heathrow under the related back-to-back hedging agreement;

(vi) *sixth, pro rata* according to the respective amounts thereof, in or towards satisfaction of: (a) all amounts of principal due or overdue in respect of the Class A Bonds; (b) all principal exchange amounts due and payable to each Issuer Hedge Counterparty under any Cross Currency Hedging Agreement in respect of Class A Bonds; (c) any termination amounts or other unscheduled sums due and payable to each Issuer Hedge Counterparty under any Cross Currency Hedging Agreement in respect of Class A Bonds (other than in respect of Issuer Subordinated Hedge Amounts); and (d) all reimbursement sums (if any) owed to each Relevant Financial Guarantor under the G&R Deed in respect of payments of interest on any Class A Wrapped Bonds guaranteed by such Relevant Financial Guarantor;

(vii) *seventh, pro rata* according to the respective amounts thereof, in or towards satisfaction of: (a) all amounts of interest and commitment commissions due in respect of the Class B Bonds (other than principal and Subordinated Step-up Fee Amounts); (b) all scheduled amounts payable to each Issuer Hedge Counterparty under any Cross Currency Hedging Agreement in respect of Class B Bonds (other than Issuer Subordinated Hedge Amounts); and (c) all reimbursement sums (if any) owed to each Relevant Financial Guarantor under the G&R Deed in respect of payments of interest on any Class B Wrapped Bonds guaranteed by such Relevant Financial Guarantor;

(viii) *eighth, pro rata* according to the respective amounts thereof, in or towards satisfaction of: (a) all amounts of principal due or overdue in respect of the Class B Bonds; (b) all principal exchange amounts due and payable to each Issuer Hedge Counterparty under any Cross Currency Hedging Agreement in respect of Class B Bonds; (c) any termination amounts or other unscheduled sums due and payable to each Issuer Hedge Counterparty under any Cross Currency Hedging Agreement in respect of Class B Bonds (other than in respect of Issuer Subordinated Hedge Amounts); and (d) all reimbursement sums (if any) owed to each Relevant Financial Guarantor under the G&R Deed in respect of payments of interest on any Class B Wrapped Bonds guaranteed by such Relevant Financial Guarantor;

(ix) *ninth, pro rata* according to the respective amounts thereof, in or towards satisfaction of all Subordinated Step-Up Fee Amounts due or overdue in respect of the Class A Bonds;

(x) *tenth, pro rata* according to the respective amounts thereof, in or towards satisfaction of all Subordinated Step-Up Fee Amounts due or overdue in respect of the Class B Bonds;

(xi) *eleventh*, in or towards satisfaction of any Liquidity Subordinated Amount due to an Issuer Liquidity Facility Provider;

(xii) *twelfth, pro rata* according to the respective amounts thereof, in or towards satisfaction of any Issuer Subordinated Hedge Amounts due or overdue to an Issuer Hedge Counterparty;

(xiii) *thirteenth*, in or towards satisfaction of the amounts payable by the Issuer in respect of any amounts due and owing by the Issuer in respect of the fees, other remuneration, indemnity payments, costs, charges and expenses of the Issuer Cash Manager (if the Issuer Cash Manager is LHR Airports);

(xiv) *fourteenth*, in or towards satisfaction of all reimbursement sums (if any) owed to the Bond Guarantor in respect of payments of interest on any LHR Guaranteed Bonds and all reimbursement sums (if any) owed to the Bond Guarantor in respect of payments of principal on any LHR Guaranteed Bonds; and

(xv) *thereafter*, after retaining the Issuer Profit Amount (which the Issuer may, after meeting any corporation tax thereon, use to pay a dividend or otherwise to pay to such account or person nominated by the Issuer), any remaining amount by way of rebate of facility fees pursuant to the terms of the Borrower Loan Agreements.

Lloyds Bank plc, acting through its office at 25 Gresham Street, London, EC2V 7HN currently serves as Issuer Account Bank pursuant to the Issuer Account Bank Agreement.

## 4. REVOLVING CREDIT FACILITIES AGREEMENT

A group of banks has made available a revolving credit facility maturing in November 2020 which comprises:

(a) a revolving £100,000,000 tranche to fund the working capital requirements of Heathrow; and

(b) a revolving £1,300,000,000 tranche (the "**Revolving Credit Facility**"). As at the date of this Prospectus, the Revolving Credit Facility includes an A tranche of £1,000,000,000 which is designated as Senior Debt and a B tranche of £300,000,000 which is designated as Junior Debt. Heathrow may draw down under the Revolving Credit Facility for its general corporate and working capital purposes.

## 5. LIQUIDITY FACILITY AGREEMENTS

### The Borrower Liquidity Facilities and Letters of Credit

Under the terms of a Borrower Liquidity Facility Agreement, Lloyds Bank plc has made available to Heathrow: (a) a £45,000,000 committed sterling revolving credit facility; and (b) a sterling letter of credit facility in place of its commitment under the revolving credit facility. The obligation to provide the letter of credit facility will be released upon receipt of written confirmation from each of the Rating Agencies that the termination of the letter of credit facility will not result in any downgrade of the then current rating of any Tranche of Bonds or any Financial Indebtedness under any Supported Agreement (the "**LC Release Conditions**").

The Borrower Liquidity Facility Provider has provided a 364 day commitment (which may be renewed) to permit drawings where there will be insufficient funds available: (1) to pay amounts scheduled to be paid under outstanding Treasury Transactions under any Borrower Hedging Agreement and (2) to fund any EIB Liquidity Shortfall (a "**Borrower Liquidity Shortfall**").

### The Issuer Liquidity Facilities

Under the terms of an Issuer Liquidity Facility Agreement, a group of banks has provided a £705,000,000 364 day commitment (which may be renewed) to permit drawings to be made by the Issuer, in circumstances where there will be insufficient funds available to the Issuer on a Payment Date to pay amounts (other than any termination payments and all other unscheduled amounts payable to any Issuer Hedge Counterparty) scheduled to be paid in respect of paragraphs (a) to (g) inclusive of the Issuer Pre-Enforcement Priority of Payments (an "**Issuer Liquidity Shortfall**").

The Issuer is not able to make a drawing in respect of an Issuer Liquidity Shortfall relating (in whole or in part) to Class B Bonds unless the amount of such drawing does not exceed the Class B Available Liquidity Amount.

**Key general provisions applicable to the Borrower Liquidity Facility Agreement and the Issuer Liquidity Facility Agreement**

Each Liquidity Facility Agreement provides that if at any time the rating of the relevant Liquidity Facility Provider falls below the Minimum Short-term Rating (a "**Downgraded Liquidity Facility Provider**") the Issuer or the Borrower (as applicable) and the Downgraded Liquidity Facility Provider shall:

(a) take commercially reasonable efforts to replace the Downgraded Liquidity Facility Provider and appoint a successor Liquidity Facility Provider having the Minimum Short-term Rating (the "**Successor Liquidity Facility Provider**") within sixty (60) calendar days from the Downgrade Date (as defined in the relevant Liquidity Facility Agreement); and

(b) if a Successor Liquidity Facility Provider has not become a party to the relevant Liquidity Facility Agreement prior to the sixtieth (60) calendar day from the Downgrade Date, and until such time as a Successor Liquidity Facility Provider has become a Liquidity Facility Provider under the relevant Liquidity Facility Agreement, the Issuer or the Borrower (as applicable) shall within sixty (60) calendar days from the Downgrade Date deliver a notice of drawing to, and make a standby drawing from, the Downgraded Liquidity Facility Provider requiring such Downgraded Liquidity Facility Provider to either:

(i) in the case of a Borrower Liquidity Facility Provider, immediately deposit the full amount of the relevant Borrower Liquidity Facility Provider's undrawn commitment either in the Borrower Liquidity Reserve Account, or following satisfaction of the LC Release Conditions, in the Liquidity Standby Account; or

(ii) in the case of an Issuer Liquidity Facility Provider, immediately credit the full amount of the relevant Issuer Liquidity Facility Provider's undrawn commitment into the Liquidity Standby Account,

a "**Standby Drawing**".

If a relevant Liquidity Facility Provider does not agree to renew its commitment under such Liquidity Facility prior to the expiry of the relevant availability period, the Borrower or the Issuer (as applicable) shall deliver a Standby Drawing as above.

Each Liquidity Facility Agreement also provides that if at any time the rating of the relevant Facility Agent falls below the Minimum Short-term Rating (the "**Downgraded Facility Agent**"), the Issuer or the Borrower (as applicable), the Instructing Group and the Downgraded Facility Agent shall take commercially reasonable efforts to replace the Downgraded Facility Agent and appoint a successor Facility Agent within sixty (60) calendar days from the Facility Agent Downgrade Date (as defined in the relevant Liquidity Facility Agreement) provided that any such successor Facility Agent shall be any reputable and experienced Liquidity Facility Provider, facility agent or other reputable and experienced financial institution with at least the Minimum Short-term Rating, as approved by the Issuer or the Borrower (as applicable), such approval not to be unreasonably withheld or delayed.

Upon the enforcement of the Borrower Security pursuant to the Security Agreement and the STID, all indebtedness outstanding under any Borrower Liquidity Facility (other than Subordinated Liquidity Facility Amounts) will rank in priority to the Borrower Loans relating to the Bonds.

Upon the enforcement of the Issuer Security pursuant to the Issuer Deed of Charge, all indebtedness outstanding under any Issuer Liquidity Facility (other than Subordinated Liquidity Facility Amounts) will rank in priority to the Bonds.

## 6. HEATHROW (SP) LIMITED DEBENTURE

On or about the date of the refinancing of Heathrow Finance plc's debt in 2010, the terms of the Heathrow (SP) Limited unsecured loan note were amended such that interest will accrue thereon at the rate which is the aggregate of (a) the percentage rate per annum notified by Heathrow Finance plc to Heathrow (SP) Limited from time to time (being a rate equal to Heathrow Finance plc's all in cost of funds under the terms of its third party debt obligations (taking into account any hedging entered into by Heathrow Finance plc in connection therewith) from time to time); and (b) 0.125% on the principal amount outstanding of the loan note from time to time or such other rate as reflects an arm's length rate of return on the loan note and as has been agreed between the parties thereto from time to time (the "**Heathrow (SP) Limited Debenture**").

The terms of the Heathrow (SP) Limited Debenture provide that Heathrow (SP) Limited can make payments of interest or scheduled principal to the holder of the Heathrow (SP) Limited Debenture (being Heathrow Finance plc) only in circumstances where no Trigger Event has occurred or is subsisting.

The Heathrow (SP) Limited Debenture ranks junior and subordinated to all secured obligations of Heathrow (SP) Limited and its subsidiaries existing and outstanding.

## 7. LHR BOND GUARANTEE

On the Initial Issue Date, LHR Airports Limited (the "**Bond Guarantor**") provided a guarantee and indemnity to the Bond Trustee (the "**LHR Bond Guarantee**") in exchange for the conversion of certain classes of legacy bonds originally issued by the Bond Guarantor (the "**LHR Guaranteed Bonds**") into Bonds. The Bond Guarantor's rights of subrogation against the Issuer in respect of any payments under its LHR Bond Guarantee will be subordinated pursuant to the provisions of the Issuer Transaction Documents. The LHR Bond Guarantee extends only to the LHR Guaranteed Bonds.

## 8. TAX DEED OF COVENANT

Pursuant to the Tax Deed of Covenant, each of the Tax Covenantors made representations and gave warranties and covenants with a view to protecting the Issuer and the members of the Group from various tax-related risks. Among the matters covered by those representations, warranties and covenants are VAT grouping, tax residency, group tax matters, secondary tax liabilities and the Issuer's status as a securitisation company for the purposes of The Taxation of Securitisation Companies Regulations 2006. The Tax Deed of Covenant is governed by English law.

## 9. THE ISSUER DEED OF CHARGE

Pursuant to the Issuer Deed of Charge, the Issuer secured its obligations to the Issuer Secured Creditors by granting the following security:

- an assignment by way of first fixed security of the Benefit of the Issuer under the Finance Documents to which it is a party and under each Issuer Transaction Document (other than the Trust Documents);
- a first fixed charge of the Benefit of the Issuer Accounts and any bank or other accounts in which the Issuer may at any time have or acquire any Benefit;
- a first fixed charge of the Benefit of each Authorised Investment of the Issuer; and
- a floating charge over the whole of the Issuer's undertaking, assets, property and rights whatsoever and wheresoever situated, present and future, including the Issuer's uncalled capital.

The Issuer Security is held on trust by the Bond Trustee for itself and on behalf of the Issuer Secured Creditors in accordance with, and subject to, the Issuer Deed of Charge.

## 10. CONDITIONS PRECEDENT

The conditions precedent to the issue of Bonds are set out in a conditions precedent agreement dated the Initial Issue Date (the "**CP Agreement**") between, among others, the Bond Trustee, the Borrower Security Trustee, the Obligors and the Issuer.

## THE BONDS

### Terms and Conditions of the Bonds

*The following is the text of the terms and conditions which (subject to completion in accordance with the provisions of the relevant Final Terms (as defined below) and, save for the italicised paragraphs) will be incorporated by reference into each Global Bond (as defined below) representing Bonds (as defined below) in bearer form, Bonds in definitive form (if any) issued in exchange for the Global Bond(s) representing Bonds in bearer form, each Global Bond Certificate (as defined below) representing Bonds in registered form and each Individual Bond Certificate (as defined below) representing Bonds in registered form (only if such incorporation by reference is permitted by the rules of the relevant stock exchange and agreed by the Issuer). If such incorporation by reference is not so permitted and agreed, each Bond in bearer form and each Individual Bond Certificate representing Bonds in registered form will have endorsed thereon or attached thereto such text (as so completed). Further information with respect to each Tranche (as defined below) of Bonds will be given in the relevant Final Terms which will provide for those aspects of these Conditions which are applicable to such Tranche (as defined below) of Bonds, including, in the case of Wrapped Bonds (as defined below), the form of Financial Guarantee (as defined below) and endorsement. If a Relevant Financial Guarantor (as defined below) is appointed in relation to any Sub-Class of Wrapped Bonds, a Drawdown Prospectus will be produced providing such information about such Relevant Financial Guarantor as may be required by the rules of the UK Listing Authority or the Stock Exchange. References in the Conditions to "**Bonds**" are as the context requires, references to the Bonds of one Sub-Class only, not to all Bonds which may be issued under the Programme. The Issuer does not intend to issue any Bonds with a LHR Bond Guarantee under this Prospectus.*

Heathrow Funding Limited (the "**Issuer**") has established a bond programme (the "**Programme**") for the issuance of wrapped bonds (the "**Wrapped Bonds**") and unwrapped bonds (the "**Unwrapped Bonds**" (together with the Wrapped Bonds, the "**Bonds**"). Bonds issued under the Programme on a particular Issue Date comprise a Series (a "**Series**"), and each Series comprises one or more Classes of Bonds (each a "**Class**"). Each Class may comprise one or more sub-classes (each a "**Sub-Class**") and each Sub-Class comprises one or more tranches (each a "**Tranche**").

The Wrapped Bonds will be designated as "**Class A Wrapped Bonds**" or "**Class B Wrapped Bonds**". The Unwrapped Bonds will be designated as "**Class A Unwrapped Bonds**" (and together with the Class A Wrapped Bonds, the "**Class A Bonds**") or "**Class B Unwrapped Bonds**" (and together with the Class B Wrapped Bonds, the "**Class B Bonds**"). Under the Programme, the Issuer may issue Bonds in one or more classes which rank in point of payment and security subordinate to the Class A Bonds and the Class B Bonds (the "**Subordinated Bonds**"). Each Sub-Class will be denominated in different currencies or have different interest rates, maturity dates or other terms. Bonds of any Class may be zero coupon ("**Zero Coupon Bonds**"), fixed rate ("**Fixed Rate Bonds**"), floating rate ("**Floating Rate Bonds**"), index-linked ("**Indexed Bonds**") or instalment bonds ("**Instalment Bonds**") depending on the method of calculating interest payable in respect of such Bonds and may be denominated in sterling, euro, U.S. dollars, Canadian dollars, Australian dollars, Swiss francs, Norwegian krone, Japanese yen or in other currencies subject to compliance with applicable law. Certain Sub-Classes of Bonds novated to the Issuer by LHR Airport Limited will be guaranteed as to payments of interest and principal by LHR Airport Limited in its capacity as "**Bond Guarantor**" and such Bonds will be designated as LHR Guaranteed Bonds.

The terms and conditions applicable to any particular Sub-Class of Bonds are these terms and conditions ("**Conditions**") as completed by a set of final terms in relation to such Sub-Class ("**Final Terms**").

The Bonds will be subject to and have the benefit of a bond trust deed dated the Initial Issue Date (as defined below) as the same may be amended, supplemented, restated and/or novated from time to time, (the "**Bond Trust Deed**") between the Issuer, each financial guarantor which accedes to the Bond Trust Deed (each, a "**Relevant Financial Guarantor**") and Deutsche Trustee Company Limited as trustee (the "**Bond Trustee**", which expression includes the trustee or trustees for the time being of the Bond Trust Deed).

The Class A Wrapped Bonds and the Class B Wrapped Bonds alone will be unconditionally and irrevocably guaranteed as to scheduled or ultimate payments of principal and interest (as adjusted for indexation, as applicable, but excluding any additional amounts relating to premium, prepayment or acceleration, accelerated amounts and amounts (if any) by which, in the case of Fixed Rate Bonds or Indexed Bonds (other than deferred interest), the Coupons (as defined below) exceed the initial Coupons on such Sub-Class as at the relevant Issue Date (as defined in Condition 6(i) (*Definitions*)), and, in the case of Floating Rate Bonds, the Coupons (as defined below) exceed the initial Coupons on such Sub-Class as at the relevant Issue Date (as defined in Condition 6(i) (*Definitions*)) (in each case, the "**Subordinated Step-up Fee Amounts**"), all such amounts being the "**FG Excepted Amounts**") pursuant to a financial guarantee (each, a "**Financial Guarantee**") to be issued by a Relevant Financial Guarantor (each such Relevant Financial Guarantor being a "**Financial Guarantor**") in conjunction with the issue of each Sub-Class of Bonds.

Neither of the Class A Unwrapped Bonds or the Class B Unwrapped Bonds will have the benefit of any such Financial Guarantee.

The Bonds have the benefit (to the extent applicable) of an agency agreement (as amended, supplemented and/or restated from time to time) to be dated on or before the date upon which the first Series of Bonds is issued by the Issuer (the "**Initial Issue Date**") (to which, among others, the Issuer, the Bond Trustee, the Principal Paying Agent and the other Paying Agents (in the case of Bearer Bonds) or the Transfer Agents and the Registrar (in the case of Registered Bonds) are party) and, if applicable, any additional or supplemental paying agency agreement dated on or after the Initial Issue Date between the Issuer and any additional Agent referred to therein (the "**Agency Agreement**)". As used herein, each of "**Principal Paying Agent**", "**Paying Agents**", "**Exchange Agent**", "**Agent Bank**", "**Transfer Agent**" and/or "**Registrar**" means, in relation to the Bonds, the persons specified in the Agency Agreement as the Principal Paying Agent, Paying Agents, Exchange Agent, Agent Bank, Transfer Agent and/or Registrar, respectively, and, in each case, any successor or additional paying agent or other agent appointed pursuant to an Agency Agreement, including, for the avoidance of doubt, any agent appointed pursuant to Condition 9(e). The Bonds may also have the benefit (to the extent applicable) of a calculation agency agreement (in the form or substantially in the form of schedule 1 to the Agency Agreement, the "**Calculation Agency Agreement**") between, inter alia, the Issuer and any calculation agent appointed by the Issuer as calculation agent (the "**Calculation Agent**").

On or about the Initial Issue Date, the Issuer entered into a deed of charge (the "**Issuer Deed of Charge**") with the Bond Trustee as security trustee, pursuant to which the Issuer will grant certain fixed and floating charge security (the "**Issuer Security**") to the Bond Trustee for itself and on behalf of the Bondholders, each Relevant Financial Guarantor, each Issuer Hedge Counterparty, each Issuer Liquidity Facility Provider, the Principal Paying Agent, each Paying Agent, the Exchange Agent, the Calculation Agent (if any), the Transfer Agent, the Registrar, the Bond Guarantor, the Issuer Account Bank, the Agent Bank, the Issuer Cash Manager and the Issuer Corporate Administration Provider (together, the "**Issuer Secured Creditors**").

On the Initial Issue Date, the Issuer entered into a Dealership Agreement (the "**Dealership Agreement**") with the dealers named therein (the "**Dealers**") in respect of the Programme, pursuant to which any of the Dealers may enter into a subscription agreement (each a "**Subscription Agreement**") in relation to each Sub-Class of Bonds issued by the Issuer, and pursuant to which the Dealers will agree to subscribe for the relevant Sub-Class of Bonds. In any Subscription Agreement relating to a Sub-Class of Bonds, any of the Dealers may agree to procure subscribers to subscribe for the relevant Sub-Class of Bonds.

The Issuer may enter into liquidity facility agreements (together, the "**Issuer Liquidity Facility Agreements**") with certain liquidity facility providers (together, the "**Issuer Liquidity Facility Providers**") pursuant to which the Issuer Liquidity Facility Providers agree to make certain facilities available to meet liquidity shortfalls.

The Issuer may enter into certain currency, inflation-linked and interest rate hedging agreements (together, the "**Issuer Hedging Agreements**") with certain hedge counterparties (together, the "**Issuer Hedge Counterparties**") in respect of certain Sub-Classes of Bonds, pursuant to which the Issuer hedges certain of its currency and interest rate obligations. The Issuer may also enter into back to back swap arrangements with Heathrow on substantially the same terms as the corresponding Hedging Agreements between the Issuer and the relevant Hedge Counterparties.

On the Initial Issue Date, the Issuer entered into a common terms agreement with among others, Heathrow (the "**Common Terms Agreement**") and a security trust and intercreditor deed between among others, the Obligors, the Borrower Security Trustee and the other Borrower Secured Creditors (the "**STID**").

On the Initial Issue Date, the Issuer entered into an Obligor floating charge agreement (the "**Obligor Floating Charge Agreement**") pursuant to which the Obligors will grant a floating charge over all or substantially all of their assets in favour of the Issuer.

The Bond Trust Deed, the Bonds (including the applicable Final Terms), the Issuer Deed of Charge, the Financial Guarantee Fee Letters, the Agency Agreement, the Issuer Liquidity Facility Agreements, the Issuer Hedging Agreements, the Borrower Loan Agreements, the G&R Deed, the Financial Guarantees, the Bond Guarantees, the Common Terms Agreement, the Security Agreement, the Obligor Floating Charge Agreement, the STID, the CP Agreement, the Issuer Cash Management Agreement, the master definitions agreement between, among others, the Issuer and the Bond Trustee to be dated the Initial Issue Date (the "**Master Definitions Agreement**"), the account bank agreement between, among others, the Issuer Account Bank, the Issuer and the Bond Trustee (the "**Issuer Account Bank Agreement**"), the Tax Deed of Covenant and each indemnification deed between, among others, the Relevant Financial Guarantor and the Dealers to be dated on or prior to the Initial Issue Date (each, an "**Indemnification Deed**"), and any related document (each, if not defined above, as defined below or in the Master Definitions Agreement) are, in relation to the Bonds, together referred to as the "**Issuer Transaction Documents**".

Terms not defined in these Conditions have the meaning set out in the Master Definitions Agreement.

Certain statements in these Conditions are summaries of the detailed provisions appearing on the face of the Bonds (which expression shall include the body thereof), in the relevant Final Terms or in the Bond Trust Deed or the Issuer

Deed of Charge. Copies of the Bond Trust Deed are available for inspection during normal business hours at the specified offices of the Principal Paying Agent (in the case of Bearer Bonds) or the specified offices of the Transfer Agents and the Registrar (in the case of Registered Bonds).

The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Bond Trust Deed, the Issuer Deed of Charge and the relevant Final Terms and to have notice of those provisions of the Agency Agreement and the other Issuer Transaction Documents applicable to them.

Any reference in these conditions to a matter being "specified" means as the same may be specified in the relevant Final Terms or Drawdown Prospectus, as the case may be.

**1. Form, Denomination and Title**

(a) ***Form and Denomination***

The Bonds are in bearer form ("**Bearer Bonds**") or in registered form ("**Registered Bonds**") as specified in the applicable Final Terms and serially numbered in the Specified Denomination(s). Bonds may be issued in such denomination and higher integral multiples of a smaller amount if specified in the applicable Final Terms. Bonds of one Specified Denomination may not be exchanged for Bonds of another Specified Denomination and Registered Bonds may not be exchanged for Bearer Bonds. References in these Conditions to "**Bonds**" include Bearer Bonds and Registered Bonds and all Sub-Classes, Classes, Tranches and Series.

So long as the Bonds are represented by a temporary Global Bond or permanent Global Bond and the relevant clearing system(s) so permit, the Bonds shall be tradeable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination).

Interest-bearing Bearer Bonds are issued with Coupons (as defined below) (and, where appropriate, a Talon (as defined below)) attached. After all the Coupons attached to, or issued in respect of, any Bearer Bond which was issued with a Talon have matured, a coupon sheet comprising further Coupons (other than Coupons which would be void) and (if necessary) one further Talon will be issued against presentation of the relevant Talon at the specified office of any Paying Agent. Any Bearer Bond the principal amount of which is redeemable in instalments may be issued with one or more Receipts (as defined below) (and, where appropriate, a Talon) attached thereto. After all the Receipts attached to, or issued in respect of, any Instalment Bond which was issued with a Talon have matured, a receipt sheet comprising further Receipts (other than Receipts which would be void) and (if necessary) a further Talon will be issued against presentation of the relevant Talon at the specified office of any Paying Agent.

(b) ***Title***

Title to Bearer Bonds, Coupons, Receipts and Talons (if any) passes by delivery. Title to Registered Bonds passes by registration in the register (the "**Register**"), which the Issuer shall procure to be kept by the Registrar.

In these Conditions, subject as provided below, each reference to "**Bondholder**" (in relation to a Bond, Coupon, Receipt or Talon), "**holder**" and "**Holder**" means (i) in relation to a Bearer Bond, the bearer of any Bearer Bond, Coupon, Receipt or Talon (as the case may be) and (ii) in relation to a Registered Bond, the person in whose name a Registered Bond is registered, as the case may be. The expressions "**Bondholder**", "**holder**" and "**Holder**" include the holders of instalment receipts (which, in relation to Class A Bonds will be "**Class A Receipts**", in relation to Class B Bonds, "**Class B Receipts**" and together, the "**Receipts**") appertaining to the payment of principal by instalments (if any) attached to such Bonds in bearer form (the "**Receiptholders**"), the holders of the coupons (which, in relation to Class A Bonds will be "**Class A Coupons**", in relation to Class B Bonds, "**Class B Coupons**" and together, the "**Coupons**") (if any) appertaining to interest bearing Bonds in bearer form (the "**Couponholders**"), and the expression Couponholders or Receiptholders includes the holders of talons in relation to Coupons or Receipts as applicable, (which, in relation to Class A Bonds will be "**Class A Talons**", in relation to Class B Bonds, "**Class B Talons**" and together, the "**Talons**") (if any) for further coupons or receipts, as applicable attached to such Bonds (the "**Talonholders**").

The bearer of any Bearer Bond, Coupon, Receipt or Talon and the registered holder of any Registered Bond will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on the relevant Bond, or its theft or loss or any express or constructive notice of any claim by any other person of any interest therein other than, in the case of a Registered Bond, a duly executed transfer of such Bond in the form endorsed on the Bond Certificate in respect thereof) and no person will be liable for so treating the holder.

Bonds which are represented by a Global Bond or Global Bond Certificate will be transferable only in accordance with the rules and procedures for the time being of DTC, Euroclear and Clearstream, Luxembourg, as the case may be.

References to DTC, Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Bond Trustee.

(c) ***Fungible Issues of Bonds comprising a Sub-Class***

The Issuer may, from time to time, without the consent of the Bondholders, Receiptholders or Couponholders, create and issue further Bonds having the same terms and conditions as the Bonds of a Sub-Class in all respects (or in all respects except for the first payment of interest). Accordingly, a Sub-Class of Bonds may comprise a number of issues in addition to the initial Tranche of such Sub-Class. Such further issues of the same Sub-Class will be consolidated and form a Series with the prior issues of that Sub-Class.

**2. Exchanges of Bearer Bonds for Registered Bonds and Transfers of Registered Bonds**

(a) ***Exchange of Bonds***

Subject to Condition 2(e) (*Closed Periods*), Bearer Bonds may, if so specified in the relevant Final Terms, be exchanged at the expense of the transferor Bondholder for the same aggregate principal amount of Registered Bonds at the request in writing of the relevant Bondholder and upon surrender of the Bearer Bond to be exchanged together with all unmatured Coupons, Receipts and Talons (if any) relating to it at the specified office of the Registrar or any Transfer Agent or Paying Agent. Where, however, a Bearer Bond is surrendered for exchange after the Record Date (as defined below) for any payment of interest or Interest Amount (as defined below), the Coupon in respect of that payment of interest or Interest Amount need not be surrendered with it. Registered Bonds may not be exchanged for Bearer Bonds.

(b) ***Transfer of Registered Bonds***

A Registered Bond may be transferred upon the surrender of the relevant Individual Bond Certificate, together with the form of transfer endorsed on it duly completed and executed, at the specified office of any Transfer Agent or the Registrar. However, a Registered Bond may not be transferred unless (i) the principal amount of Registered Bonds proposed to be transferred and (ii) the principal amount of the balance of Registered Bonds to be retained by the relevant transferor are, in each case, Specified Denominations. In the case of a transfer of part only of a holding of Registered Bonds represented by an Individual Bond Certificate, a new Individual Bond Certificate in respect of the balance not transferred will be issued to the transferor within three business days (in the place of the specified office of the Transfer Agent or the Registrar) of receipt of such form of transfer.

(c) ***Delivery of New Individual Bond Certificates***

Each new Individual Bond Certificate to be issued upon exchange of Bearer Bonds or transfer of Registered Bonds will, within three business days (in the place of the specified office of the Transfer Agent or the Registrar) of receipt of such request for exchange or form of transfer, be available for delivery at the specified office of the Transfer Agent or the Registrar stipulated in the request for exchange or form of transfer, or be mailed at the risk of the Bondholder entitled to the Individual Bond Certificate to such address as may be specified in such request for exchange or form of transfer. For these purposes, a form of transfer or request for exchange received by the Registrar after the Record Date (as defined below) in respect of any payment due in respect of Registered Bonds shall be deemed not to be effectively received by the Registrar until the business day (as defined below) following the due date for such payment.

(d) ***Exchange at the Expense of Transferor Bondholder***

Registration of Bonds on exchange or transfer will be effected at the expense of the transferor Bondholder by or on behalf of the Issuer, the Transfer Agent or the Registrar, and upon payment of (or the giving of such indemnity as the Transfer Agent or the Registrar may require in respect of) any tax or other governmental charges which may be imposed in relation to it.

(e) ***Closed Periods***

No transfer of a Registered Bond may be registered, nor may any exchange of a Bearer Bond for a Registered Bond occur during the period of 15 days ending on the due date for any payment of principal, interest, Interest Amount (as defined below) or Redemption Amount (as defined below) on that Bond.

(f) ***Regulations Concerning the Transfer of Registered Bonds***

All transfers of Registered Bonds and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer with

the prior written approval of the Principal Paying Agent, the Bond Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Bondholder who requests in writing a copy of such regulations.

## 3. Status of Bonds, Financial Guarantee and LHR Bond Guarantee

### (a) *Status of Class A Bonds*

This Condition 3(a) is applicable only in relation to Bonds which are specified as being a Sub-Class of Class A Bonds.

The Class A Bonds, Class A Coupons, Class A Talons and Class A Receipts (if any) are direct and unconditional obligations of the Issuer, are secured in the manner described in Condition 4 (*Security, Priority and Relationship with Issuer Secured Creditors*) and rank *pari passu* without any preference among themselves. However, the Class A Unwrapped Bonds will not have the benefit of any Financial Guarantee.

### (b) *Status of Class B Bonds*

This Condition 3(b) is applicable only in relation to Bonds which are specified as being a Sub-Class of Class B Bonds.

The Class B Bonds, Class B Coupons, Class B Talons and Class B Receipts (if any) are direct and unconditional obligations of the Issuer, are secured in the manner described in Condition 4 (*Security, Priority and Relationship with Issuer Secured Creditors*), are subordinated to the Class A Bonds, Class A Coupons, Class A Receipts and Class A Talons (if any) and rank *pari passu* without any preference among themselves. However, the Class B Unwrapped Bonds will not have the benefit of any Financial Guarantee.

### (c) *Financial Guarantee Issued by a Relevant Financial Guarantor*

This Condition 3(c) is applicable only in relation to Bonds which are specified as being a Sub-Class of Wrapped Bonds.

Each Sub-Class of Wrapped Bonds will have the benefit of a Financial Guarantee issued by a Relevant Financial Guarantor, issued pursuant to a guarantee and reimbursement deed between, among others, the Issuer and the Relevant Financial Guarantor dated on or before the relevant Issue Date (as defined below) of such Bonds (the "**G&R Deed**"). Under the relevant Financial Guarantee, the Relevant Financial Guarantor unconditionally and irrevocably agrees to pay to the Bond Trustee all sums due and payable but unpaid by the Issuer in respect of scheduled interest and payment of principal (but excluding FG Excepted Amounts) on such Wrapped Bonds, all as more particularly described in the relevant Financial Guarantee.

The terms of the relevant Financial Guarantee provide that amounts of principal on any such Bonds which have become immediately due and payable (whether by virtue of acceleration, prepayment or otherwise) other than on the relevant Payment Date (as defined under the relevant Financial Guarantee) will not be treated as Guaranteed Amounts (as defined in the relevant Financial Guarantee) which are Due for Payment (as defined in the relevant Financial Guarantee) under the relevant Financial Guarantee unless the Relevant Financial Guarantor in its sole discretion elects so to do by notice in writing to the Bond Trustee. A Relevant Financial Guarantor may elect to accelerate payments due under its Financial Guarantee in full or partially. All payments made by the Relevant Financial Guarantor under its relevant Financial Guarantee in respect of partial acceleration shall be applied (i) to pay the Interest (as defined in the relevant Financial Guarantee) accrued but unpaid on the Principal (as defined in the relevant Financial Guarantee) of such part of the accelerated payment and (ii) to reduce the Principal (as defined in the relevant Financial Guarantee) (or, in the case of Wrapped Bonds repayable in instalments, each principal repayment instalment on a *pro rata* basis with a corresponding reduction of each amount of the Interest (as stated in the relevant Financial Guarantee)) outstanding under the relevant Sub-Classes of Wrapped Bonds. If no such election is made, the Relevant Financial Guarantor will continue to be liable to make payments in respect of the Bonds pursuant to the relevant Financial Guarantee on the dates on which such payments would have been required to be made if such amounts had not become immediately due and payable.

To the extent that the early redemption price of any Bonds exceeds the aggregate of the Principal Amount Outstanding of and any accrued interest outstanding on any such Bonds to be redeemed (each as adjusted for indexation in accordance with Condition 7.1(a) (*U.K. Retail Price Index – Application of the Index Ratio*) or Condition 7.2(a) (*HICP - Application of the Index Ratio*), if applicable), payment of such early redemption price will to that extent, not be guaranteed by the Relevant Financial Guarantor under its relevant Financial Guarantee.

### (d) *Status of Financial Guarantee*

This Condition 3(d) is applicable only in relation to Bonds which are specified as being a Sub-Class of Wrapped Bonds.

The relevant Financial Guarantee provided by a Relevant Financial Guarantor in respect of the Bonds will constitute a direct, unsecured obligation of such Relevant Financial Guarantor which will rank at least *pari passu* with all other unsecured obligations of such Relevant Financial Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(e) ***LHR Bond Guarantee issued by the Bond Guarantor***

This Condition 3(e) is applicable only in relation to Bonds which are specified as being a Sub-Class of LHR Guaranteed Bonds.

Each Sub-Class of LHR Guaranteed Bonds will be guaranteed by the Bond Guarantor issued pursuant to a bond guarantee dated on or before the Initial Issue Date of such Bonds (the "**LHR Bond Guarantee**"). Under the relevant LHR Bond Guarantee, the Bond Guarantor unconditionally and irrevocably agrees to pay to the Bond Trustee all sums due and payable but unpaid by the Issuer in respect of scheduled interest and payment of principal on such LHR Guaranteed Bonds, all as more particularly described in the LHR Bond Guarantee.

(f) ***Status of LHR Bond Guarantee***

This Condition 3(f) is applicable only in relation to Bonds which are specified as being a Sub-Class of LHR Guaranteed Bonds.

Each LHR Bond Guarantee provided by the Bond Guarantor in respect of the Bonds will constitute a direct, unsecured obligation of the Bond Guarantor which will rank at least *pari passu* with all other unsecured obligations of the Bond Guarantor, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(g) ***Bond Trustee not responsible for monitoring compliance***

The Bond Trustee shall not be responsible for monitoring compliance by the Issuer with any of its obligations under the Issuer Transaction Documents except by means of receipt of a certificate from the Issuer which will state, among other things, that no Bond Event of Default is outstanding. The Bond Trustee shall be entitled to rely on such certificates absolutely. The Bond Trustee is not responsible for monitoring compliance by any of the parties with their respective obligations under the Issuer Transaction Documents. The Bond Trustee may call for and is at liberty to accept as sufficient evidence a certificate signed by any one director of the Issuer, the Obligors (or any of them) or any other party to any Issuer Transaction Document to the effect that any particular dealing, transaction, step or thing is in the opinion of the persons so certifying suitable or expedient or as to any other fact or matter upon which the Bond Trustee may require to be satisfied. The Bond Trustee is in no way bound to call for further evidence or be responsible for any loss that may be occasioned by acting on any such certificate although the same may contain some error or is not authentic. The Bond Trustee is entitled to rely upon any certificate believed by it to be genuine and will not be liable for so acting.

**4. Security, Priority and Relationship with Issuer Secured Creditors**

(a) ***Security***

As continuing security for the payment or discharge of the Issuer Secured Liabilities (including all monies payable in respect of the Bonds, Coupons and Receipts and otherwise under the Bond Trust Deed, the Issuer Deed of Charge and any deed or other document executed in accordance with the Bond Trust Deed or Issuer Deed of Charge and expressed to be supplemental to the Bond Trust Deed or Issuer Deed of Charge (as applicable) (the "**Trust Documents**") (including the remuneration, expenses and other claims of the Bond Trustee and any Receiver appointed under the Issuer Deed of Charge)), the Issuer has entered in to the Issuer Deed of Charge to create as far as permitted by and subject to compliance with any applicable law, the following security (the "**Issuer Security**") in favour of the Bond Trustee for itself and on trust for the other Issuer Secured Creditors:

(i) an assignment by way of first fixed security of the Benefit of the Issuer under the Finance Documents to which it is a party;

(ii) an assignment by way of first fixed security of the Benefit of the Issuer under each Issuer Transaction Document (other than the Trust Documents);

(iii) a first fixed charge of the Benefit of the bank accounts (other than any Liquidity Standby Account (the "**Issuer Accounts**")) and any bank or other accounts in which the Issuer may at any time have or acquire any Benefit;

(iv) a first fixed charge of the Benefit of each Authorised Investment of the Issuer; and

(v) a floating charge over the whole of the Issuer's undertaking, assets, property and rights whatsoever and wheresoever situated, present and future, including the Issuer's uncalled capital.

All Bonds issued by the Issuer under the Programme will share in the Issuer Security constituted by the Issuer Deed of Charge, upon and subject to the terms thereof.

(b) ***Relationship among Bondholders and with other Issuer Secured Creditors***

The Bond Trust Deed contains provisions detailing the Bond Trustee's obligations to consider the interests of Bondholders as regards all discretions of the Bond Trustee (except where expressly provided or otherwise referred to in Condition 16 (*Bond Trustee Protections*)).

(c) ***Enforceable Security***

In the event of the Issuer Security becoming enforceable as provided in the Issuer Deed of Charge, the Bond Trustee shall, if instructed by, in respect of the Wrapped Bonds, each Relevant Financial Guarantor (or following the occurrence of an FG Event of Default, the holders of the Most Senior Class of Wrapped Bonds then outstanding) and in respect of the Unwrapped Bonds, the holders of the Most Senior Class of Unwrapped Bonds then outstanding, enforce its rights with respect to the Issuer Security, but without any liability as to the consequence of such action and without having regard to the effect thereof on, or being required to account for such action to, any particular Bondholder, provided that the Bond Trustee shall not be obliged to take any action unless it is indemnified and/or secured to its satisfaction.

(d) ***Application After Enforcement***

After enforcement of the Issuer Security, the Bond Trustee shall (to the extent that such funds are available) use funds standing to the credit of the Issuer Accounts to make payments in accordance with the Issuer Post-Enforcement Priority of Payments (as set out in the Issuer Deed of Charge).

(e) ***Bond Trustee not liable for security***

The Bond Trustee will not be liable for any failure to make the usual investigations or any investigations which might be made by a security holder in relation to the property which is the subject of the Issuer Security, and shall not be bound to enquire into or be liable for any defect or failure in the right or title of the Issuer to the Issuer Security, whether such defect or failure was known to the Bond Trustee or might have been discovered upon examination or enquiry or whether capable of remedy or not, nor will it have any liability for the enforceability of the Issuer Security created under the Issuer Deed of Charge whether as a result of any failure, omission or defect in registering or filing or otherwise protecting or perfecting such Issuer Security or otherwise. The Bond Trustee shall have no responsibility for the value of any such Issuer Security.

**5. Issuer Covenants**

So long as any of the Bonds remain outstanding, the Issuer has agreed to comply with the covenants as set out in schedule 2 of the Bond Trust Deed.

The Bond Trustee shall be entitled to rely absolutely on a certificate of any director of the Issuer in relation to any matter relating to such covenants and to accept without liability any such certificate as sufficient evidence of the relevant fact or matter stated in such certificate.

**6. Interest and other Calculations**

(a) ***Interest Rate and Accrual***

Each Bond (unless specified in the relevant Final Terms to be a Zero Coupon Bond) bears interest on its Principal Amount Outstanding as defined below (or as otherwise specified in the relevant Final Terms) from the Interest Commencement Date (as defined below) at the Interest Rate (as defined below), such interest being payable in arrear (unless otherwise specified in the relevant Final Terms) on each Interest Payment Date (as defined below).

Interest will cease to accrue on each Bond (or, in the case of the redemption of part only of a Bond, that part only of such Bond) on the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which event interest will continue to accrue (both before and after judgment) at the Interest Rate that

would otherwise apply in respect of unpaid amounts on such Bonds at such time to the Bond Relevant Date (as defined in Condition 6(i)(*Definitions*)).

In the case of interest on Class B Unwrapped Bonds only, if, on any Interest Payment Date, prior to the delivery of a Bond Enforcement Notice, there are insufficient funds available to the Issuer in accordance with the applicable Issuer Priority of Payments (after taking into account any amounts available to be drawn under any Liquidity Facility) to pay such accrued interest, the Issuer's liability to pay such accrued interest will be treated as not having fallen due and will be deferred until the earliest of: (i) the next following Interest Payment Date on which the Issuer has, in accordance with the cash management provisions of the Issuer Cash Management Agreement, sufficient funds available to pay such deferred amounts (including any interest accrued thereon); (ii) the date on which the Senior Debt has been paid in full; and (iii) the date on which a Bond Enforcement Notice has been delivered. Interest will accrue on such deferred interest at the rate otherwise payable on unpaid principal of such Class B Unwrapped Bonds at such time.

If any Maximum Interest Rate or Minimum Interest Rate is specified in the relevant Final Terms, then the Interest Rate shall in no event be greater than the maximum or be less than the minimum so specified, as the case may be.

(b) ***Business Day Convention***

If any date referred to in these Conditions or the relevant Final Terms is specified to be subject to adjustment in accordance with a Business Day convention and would otherwise fall on a day which is not a Business Day (as defined below), then if the Business Day Convention specified in the relevant Final Terms is:

(i) the "**Following Business Day Convention**", such date shall be postponed to the next day which is a Business Day;

(ii) the "**Modified Following Business Day Convention**", such date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day; or

(iii) the "**Preceding Business Day Convention**", such date shall be brought forward to the immediately preceding Business Day.

(c) ***Floating Rate Bonds***

This Condition 6(c) is applicable only if the relevant Final Terms specify the Bonds as Floating Rate Bonds.

If "**Screen Rate Determination**" is specified in the relevant Final Terms as the manner in which the Interest Rate(s) is/are to be determined, the Interest Rate applicable to the Bonds for each Interest Period will be determined by the Agent Bank (or the Calculation Agent, if applicable) on the following basis:

(i) if the Page (as defined below) displays a rate which is a composite quotation or customarily supplied by one entity, the Agent Bank (or the Calculation Agent, if applicable) will determine the Relevant Rate (as defined in Condition 6(i) (*Definitions*));

(ii) in any other case, the Agent Bank (or the Calculation Agent, if applicable) will determine the arithmetic mean of the Relevant Rates (as defined below) which appear on the Page as of the Relevant Time (as defined below) on the relevant Interest Determination Date;

(iii) if, in the case of (i) above, such rate does not appear on that Page or, in the case of (ii) above, fewer than two such rates appear on that Page or if, in either case, the Page is unavailable, the Agent Bank (or the Calculation Agent, if applicable) will:

(A) request the principal Relevant Financial Centre office of each of the Reference Banks (as defined in Condition 6(i) (*Definitions*)) to provide a quotation of the Relevant Rate at approximately the Relevant Time on the relevant Interest Determination Date to prime banks in the Relevant Financial Centre (as defined below) interbank market (or, if appropriate, money market) in an amount that is representative for a single transaction in that market at that time; and

(B) determine the arithmetic mean of such quotations; and

(iv) if fewer than two such quotations are provided as requested in Condition 6(c)(iii), the Agent Bank (or the Calculation Agent, if applicable) will determine the arithmetic mean of the rates (being the rates nearest to the Relevant Rate as determined by the Agent Bank (or the Calculation Agent, if applicable)) quoted by the

Reference Banks at approximately 11:00 a.m. (local time in the Relevant Financial Centre of the Relevant Currency) on the relevant Interest Determination Date (as defined in Condition 6(i) (*Definitions*)) for loans in the Relevant Currency to leading European banks for a period equal to the relevant Interest Period and in the Representative Amount (as defined in Condition 6(i) (*Definitions*)),

and the Interest Rate for such Interest Period shall be the sum of the rate or (as the case may be) the arithmetic mean so determined and (a) for any Interest Period that ends before the Scheduled Redemption Date, the Margin and (b) for any Interest Period that ends on or after the Scheduled Redemption Date, the Margin and the Step-Up Floating Fee Rate. However, if the Agent Bank or the Calculation Agent (as applicable) is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Interest Rate applicable to the Bonds during such Interest Period will be the sum of the Margin and the rate or (as the case may be) the arithmetic mean last determined in relation to the Bonds in respect of a preceding Interest Period.

If "**ISDA Determination**" is specified in the relevant Final Terms as the manner in which the Interest Rate(s) is/are to be determined, the Interest Rate(s) applicable to the Bonds for each Interest Period will be the sum of the ISDA Rate and (a) for any Interest Period that ends before the Scheduled Redemption Date, the Margin and (b) for any Interest Period that ends on or after the Scheduled Redemption Date, the Margin and the Step-Up Floating Fee Rate where "**ISDA Rate**" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Agent Bank (or the Calculation Agent, if applicable) under an interest rate swap transaction if the Agent Bank (or the Calculation Agent, if applicable) were acting as calculation agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(i) the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the relevant Final Terms;

(ii) the Designated Maturity (as defined in the ISDA Definitions) is the Specified Duration (as defined in Condition 6(i) (*Definitions*)); and

(iii) the relevant Reset Date (as defined in the ISDA Definitions) is either (1) if the relevant Floating Rate Option is based on GBP LIBOR, USD LIBOR, EURIBOR, CHF LIBOR, AUD BBSW, CDOR, NIBOR or JPY LIBOR, the first day of that Interest Period, or (2) in any other case, as specified in the relevant Final Terms.

(d) ***Fixed Rate Bonds***

This Condition 6(d) is applicable only if the relevant Final Terms specify the Bonds as Fixed Rate Bonds.

Subject to the next paragraph, the Interest Rate applicable to the Bonds for each Interest Period will be the rate specified in the relevant Final Terms.

The Interest Rate applicable to the Bonds for each Interest Period from (and including) the Scheduled Redemption Date will be a floating rate equal to the sum of (a) the rate determined in accordance with Condition 6(c) (*Floating Rate Bonds*) if that Condition otherwise applied and (b) the Step-Up Fixed Fee Rate.

(e) ***Indexed Bonds***

This Condition 6(e) is applicable only if the relevant Final Terms specify the Bonds as Indexed Bonds.

Payments of principal on, and the interest payable in respect of, the Bonds will be subject to adjustment for indexation and to the extent set out in Condition 7.1(a) (*U.K. Retail Price Index – Application of the Index Ratio*) or Condition 7.2(a) (*HICP - Application of the Index Ratio*), as applicable.

Subject to the next paragraph, the Interest Rate applicable to the Bonds for each Interest Period will be the rate specified in the relevant Final Terms.

The Interest Rate applicable to the Bonds for each Interest Period from (and including) the Scheduled Redemption Date will be a floating rate equal to the sum of (a) the arithmetic mean rate determined in accordance with Condition 6(c) (*Floating Rate Bonds*) if that Condition otherwise applied and (b) the Step-Up Fixed Fee Rate.

(f) ***Rounding***

For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified):

(i) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up);

(ii) all figures will be rounded to seven significant figures (with halves being rounded up); and

(iii) all currency amounts which fall due and payable will be rounded to the nearest unit of such currency (with halves being rounded up). For these purposes, "unit" means, with respect to any currency other than euro, the lowest amount of such currency which is available as legal tender in the country of such currency and, with respect to euro, means 0.01 euro.

(g) ***Calculations***

The amount of interest payable in respect of any Bond for each Interest Period shall be calculated by applying the Interest Rate to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of such Bond divided by the Calculation Amount (as defined in Condition 6(i) (*Definitions*)) and, in the case of Indexed Bonds only, adjusted according to the indexation set out in Condition 7.1(a) (*U.K. Retail Price Index – Application of the Index Ratio*) or Condition 7.2(a) (*HICP - Application of the Index Ratio*), as applicable, unless an Interest Amount is specified in respect of such period in the relevant Final Terms, in which case the amount of interest payable in respect of such Bond for such Interest Period will equal such Interest Amount.

(h) ***Determination and Publication of Interest Rates, Interest Amounts, Redemption Amounts and Instalment Amounts***

As soon as practicable after the Relevant Time on each Interest Determination Date or such other time on such date as the Agent Bank (or the Calculation Agent, if applicable) may be required to calculate any Redemption Amount or the amount of an instalment of scheduled principal (an "**Instalment Amount**"), obtain any quote or make any determination or calculation, the Agent Bank (or the Calculation Agent, if applicable) will determine the Interest Rate and calculate the amount of interest payable (the "**Interest Amounts**") in respect of each Specified Denomination of Bonds for the relevant Interest Period (including, for the avoidance of doubt any applicable Index Ratio to be calculated in accordance with Condition 7.1(a) (*U.K. Retail Price Index – Application of the Index Ratio*) or Condition 7.2(a) (*HICP - Application of the Index Ratio*), as applicable), calculate the Redemption Amount or Instalment Amount, obtain such quote or make such determination or calculation, as the case may be, and cause the Interest Rate and the Interest Amounts for each Interest Period and the relevant Interest Payment Date and, if required to be calculated, the Redemption Amount, Principal Amount Outstanding or any Instalment Amount to be notified to, in the case of Bearer Bonds, the Paying Agents or in the case of Registered Bonds, the Registrar, and, in each case, the Bond Trustee, the Issuer, the Bondholders and the Stock Exchange as soon as possible after its determination but in no event later than (i) (in case of notification to the Stock Exchange by which the relevant Bonds have then been admitted to listing, trading and/or quotation) the commencement of the relevant Interest Period, if determined prior to such time, in the case of an Interest Rate and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. The Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange or other relevant authority on which the relevant Sub-Class or Class of Bonds are for the time being listed or by which they have been admitted to listing, to the Principal Paying Agent, the Bond Trustee and to the Bondholders in accordance with Condition 17 (*Notices*). If the Bonds become due and payable under Condition 11 (*Events of Default*), the accrued interest and the Interest Rate payable in respect of the Bonds shall nevertheless continue to be calculated as previously provided in accordance with this Condition but no publication of the Interest Rate or the Interest Amount so calculated need be made unless otherwise required by the Bond Trustee. The determination of each Interest Rate, Interest Amount, Redemption Amount and Instalment Amount, the obtaining of each quote and the making of each determination or calculation by the Agent Bank (or the Calculation Agent, if applicable) or, as the case may be, the Bond Trustee pursuant to this Condition 6 or Condition 7 (*Indexation*), shall (in the absence of manifest error) be final and binding upon all parties.

(i) ***Definitions***

In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below.

"**Business Day**" means:

(i) in relation to any sum payable in euro, a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets settle payments generally in London and each (if any) additional city or cities specified as the Relevant Financial Centre in the relevant Final Terms; and

(ii) in relation to any sum payable in a currency other than euro, a day on which commercial banks and foreign exchange markets settle payments generally in London, in the principal financial centre of the Relevant Currency (which in the case of a payment in U.S. dollars shall be New York) and in each (if any) additional city or cities specified as the Relevant Financial Centre in the relevant Final Terms,

provided that when "Business Day" is used in relation to (a) a payment of principal or interest that will ultimately be used to make a payment on any Wrapped Bond or (b) any notice delivered in connection with such a payment, a day will only be a Business Day if it is also a business day (howsoever defined) for the purposes of the relevant Financial Guarantee;

"**Bond Relevant Date**" means, in respect of any Class, Sub-Class or Tranche of the Bonds, the earlier of (a) the date on which all amounts in respect of the Bonds have been paid, and (b) five days after the date on which all of the Principal Amount Outstanding (adjusted in the case of Indexed Bonds in accordance with Condition 7.1(a) (*U.K. Retail Price Index – Application of the Index Ratio*) or Condition 7.2(a) (*HICP - Application of the Index Ratio*), as applicable) has been received by the Principal Paying Agent or the Registrar, as the case may be, and notice to that effect has been given to the Bondholders in accordance with Condition 17 (*Notices*);

"**Calculation Amount**" means the amount specified as such in the relevant Final Terms;

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Bond for any period of time (whether or not constituting an Interest Period, the "**Calculation Period**"):

(i) if "**Actual/Actual (ICMA)**" is specified:

(A) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(B) if the Calculation Period is longer than one Determination Period, the sum of;

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

"**Determination Period**" means the period from and including a Determination Date in any year but excluding the next Determination Date; and

"**Determination Date**" means the date specified as such hereon or, if none is so specified, the Interest Payment Date;

(ii) if "**Actual/365**" or "**Actual/Actual**" is specified, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (1) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366, and (2) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(iii) if "**Actual/365 (Fixed)**" is specified, the actual number of days in the Calculation Period divided by 365;

(iv) if "**Actual/360**" is specified, the actual number of days in the Calculation Period divided by 360;

(v) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (1) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (2) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));

(vi) if "**30E/360**" or "**Eurobond Basis**" is specified, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the final Calculation Period, the last day of such period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30 day month);

(vii) if "**Actual/Actual Canadian Compound Method**" is specified, whenever it is necessary to compute any amount of accrued interest in respect of the Bonds for a period of less than one full year, other than in respect of any regular semi-annual interest payments, such interest will be calculated on the basis of the actual number of days in the Calculation Period and a year of 365 days;

(viii) if "**Australian Bond Basis**" is specified, one divided by the number of Interest Payment Dates in each twelve month period.

"**euro**" means the lawful currency of the Participating Member States;

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified in the relevant Final Terms;

"**Interest Determination Date**" means, with respect to an Interest Rate and an Interest Period, the date specified as such in the relevant Final Terms or, if none is so specified, the day falling two Business Days in London prior to the first day of such Interest Period (or if the specified currency is sterling the first day of such Interest Period) (as adjusted in accordance with any Business Day Convention (as defined above) specified in the relevant Final Terms);

"**Interest Payment Date**" means the date(s) specified as such in the relevant Final Terms;

"**Interest Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

"**Interest Rate**" means the rate of interest payable from time to time in respect of the Bonds and which is either specified as such in, or calculated in accordance with the provisions of, these Conditions and/or the relevant Final Terms;

"**ISDA Definitions**" means the 2006 ISDA Definitions (as amended and updated as at the date of issue of the first Tranche of Bonds of the relevant Sub-Class as published by the International Swaps and Derivatives Association, Inc.);

"**Issue Date**" means the date specified as such in the relevant Final Terms;

"**Margin**" means the rate per annum (expressed as a percentage) specified as such in the relevant Final Terms;

"**Maturity Date**" means the date specified in the relevant Final Terms as the final date on which the principal amount of the Bond is due and payable;

"**Page**" means such page, section, caption, column or other part of a particular information service (including the Reuters Money 3000 Service ("**Reuters**")) as may be specified in the relevant Final Terms, or such other page, section, caption, column or other part as may replace the same on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying comparable rates or prices;

"**Participating Member State**" means a Member State of the European Union which adopts the euro as its lawful currency in accordance with the Treaty establishing the European Communities (as amended), and "**Participating Member States**" means all of them;

"**Principal Amount Outstanding**" means, in relation to a Bond, Sub-Class or Class, the original face value thereof less any repayment of principal made to the Holder(s) thereof in respect of such Bond, Sub-Class or Class provided that, with respect to Zero Coupon Bonds, where the Principal Amount Outstanding of each Bond is required to be calculated on any date other than the Scheduled Redemption Date it shall be calculated in accordance with the following formula:

The original face value thereof * (1 + Accrual Yield) ^ N

Where:

**N** = number of years between the Issue Date and the date on which the relevant calculation is required to be made; and

"**Accrual Yield**" shall have the meaning specified as such in the relevant Final Terms.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of the definition of "Principal Amount Outstanding" or, if none is so specified, a Day Count Fraction of 30/360;

"**Redemption Amount**" means the amount provided under Condition 8(d) (*Optional Redemption*), unless otherwise specified in the relevant Final Terms;

"**Reference Banks**" means the institutions specified as such or, if none, four major banks selected by the Agent Bank (or the Calculation Agent, if applicable) in the interbank market (or, if appropriate, money market) which is most closely connected with the Relevant Rate as determined by the Agent Bank (or the Calculation Agent, if applicable), on behalf of the Issuer, in its sole and absolute discretion;

"**Relevant Currency**" means the currency specified as such or, if none is specified, the currency in which the Bonds are denominated;

"**Relevant Financial Centre**" means, with respect to any Bond, the financial centre specified as such in the relevant Final Terms or, if none is so specified, the financial centre with which the Relevant Rate is most closely connected as determined by the Agent Bank (or the Calculation Agent, if applicable);

"**Relevant Rate**" means the offered rate for a Representative Amount of the Relevant Currency for a period (if applicable) equal to the Specified Duration (or such other rate as shall be specified in the relevant Final Terms);

"**Relevant Time**" means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre specified in the relevant Final Terms or, if none is specified, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Relevant Currency in the interbank market in the Relevant Financial Centre;

"**Representative Amount**" means, with respect to any rate to be determined on an Interest Determination Date, the amount specified in the relevant Final Terms as such or, if none is specified, an amount that is representative for a single transaction in the relevant market at the time;

"**Scheduled Redemption Date**" has the meaning given to it in the applicable Final Terms;

"**Specified Duration**" means, with respect to any Floating Rate (as defined in the ISDA Definitions) to be determined on an Interest Determination Date, the period or duration specified as such in the relevant Final Terms or, if none is specified, a period of time equal to the relative Interest Period;

"**Step-Up Fixed Fee Rate**" means the rate per annum (expressed as a percentage) specified as such in the relevant Final Terms or, if no such rate is specified, zero;

"**Step-Up Floating Fee Rate**" means the rate per annum (expressed as a percentage) specified as such in the relevant Final Terms or, if no such rate is specified, zero;

"**sub-unit**" means in the case of any currency, the lowest amount of such currency that was available as legal tender in the country of such currency;

"**TARGET Settlement Day**" means any day on which the TARGET system is open; and

"**TARGET system**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer system (TARGET or TARGET2).

(b) ***Agent Bank, Calculation Agent and Reference Banks***

The Issuer will procure that there shall at all times be an Agent Bank (and a Calculation Agent, if applicable) and four Reference Banks selected by the Issuer acting through the Agent Bank (or the Calculation Agent, if applicable) with offices in the Relevant Financial Centre if provision is made for them in these Conditions applicable to this Bond and for so long as it is outstanding. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank, then the Issuer acting through the Agent Bank (or the Calculation Agent, if applicable) will select another Reference Bank with an office in the Relevant Financial Centre to act as such in its place. If the Agent Bank (or the Calculation Agent, if applicable) is unable or unwilling to act as such or if the Agent Bank (or the Calculation Agent, if applicable) fails duly to establish the Interest Rate for any Interest Period or to calculate the Interest Amounts or any other requirements, the Issuer will appoint (with the prior written consent of the Bond Trustee) a successor to act as such in its place. The Agent Bank may not resign its duties without a successor having been appointed as aforesaid.

(c) ***Determination or Calculation by Bond Trustee***

If the Agent Bank (or the Calculation Agent, if applicable) does not at any time for any reason determine any Interest Rate, Interest Amount, Redemption Amount, Instalment Amount or any other amount to be determined or calculated by it, the Bond Trustee shall (without liability for so doing) determine such Interest Rate, Interest Amount, Redemption Amount, Instalment Amount or other amount as aforesaid at such rate or in such amount as in its absolute discretion (having regard as it shall think fit to the procedures described above, but subject to the terms of the Bond Trust Deed) it shall deem fair and reasonable in all the circumstances or, subject as aforesaid, apply the foregoing provisions of this Condition, with any consequential amendments, to the extent that, in its sole opinion, it can do so and in all other respects it shall do so in such manner as it shall, in its absolute discretion, deem fair and reasonable in the circumstances, and each such determination or calculation shall be deemed to have been made by the Agent Bank (or the Calculation Agent, if applicable).

(d) ***Certificates to be final***

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of Condition 6 (*Interest and Other Calculations*) whether by the Principal Paying Agent or the Agent Bank (or the Calculation Agent, if applicable) shall (in the absence of wilful default, gross negligence, bad faith or manifest error) be binding on the Issuer, each Obligor, the Agent Bank, the Bond Trustee, the Principal Paying Agent, the other Agents and all Bondholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, the Obligors, the Bond Trustee, the Bondholders, the Receiptholders or the Couponholders shall attach to the Principal Paying Agent, the Agent Bank or, if applicable, the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

**7. Indexation**

This Condition 7 is applicable only if the relevant Final Terms specify the Bonds as Indexed Bonds.

7.1 **U.K. Retail Price Index**

Where U.K. Retail Price Index is specified as the Index or Index Figure (each as defined below) in the relevant Final Terms, this Condition 7.1 will apply. For the purposes of this Condition 7.1, unless the context otherwise requires, the following defined terms shall have the following meanings:

"**affiliate**" means in relation to any person, any entity controlled, directly or indirectly, by that person, any entity that controls directly or indirectly, that person or any entity, directly or indirectly under common control with that person and, for this purpose, "control" means control as defined in the Companies Act;

"**Base Index Figure**" means (subject to Condition 7.1(b)(i) (*Change in base*)) the base index figure as specified in the relevant Final Terms;

"**Index**" or "**Index Figure**" means, subject as provided in Condition 7.1(b)(i) (*Change in base*), the UK Retail Price Index (RPI) (for all items) published by the Central Statistical Office and available to view at www.statistics.gov.uk (January 1987 = 100) or any comparable index which may replace the UK Retail Price Index for the purpose of calculating the amount payable on repayment of the Reference Gilt. Any reference to the Index Figure:

(i) if paragraph (i) of this definition is specified as "applicable" in the Final Terms, applicable to a particular month shall, subject as provided in Condition 7.1(b) (*Changes in Circumstances Affecting the Index*) and 7.1(d) (*Cessation of or Fundamental Changes to the Index*), be construed as a reference to the Index Figure published in the seventh month prior to that particular month and relating to the month before that of publication;

(ii) applicable to the first calendar day of any month shall, subject as provided in Condition 7.1(b) (*Changes in Circumstances Affecting the Index*) and 7.1(d) (*Cessation of or Fundamental Changes to the Index*), be construed as a reference to the Index Figure published in the second month prior to that particular month and relating to the month before that of publication; or

(iii) applicable to any other day in any month shall, subject as provided in Condition 7.1(b) (*Changes in Circumstances Affecting the Index*) and 7.1(d) (*Cessation of or Fundamental Changes to the Index*), be calculated by linear interpolation between (x) the Index Figure applicable to the first calendar day of the month in which the day falls, calculated as specified in sub-paragraph (ii) above, and (y) the Index Figure applicable to the first calendar day of the following month, calculated as specified in sub-paragraph (ii) above, and rounded in accordance with Condition 6(f) (*Rounding*).

If the Index is replaced, the Issuer will describe the replacement Index in a supplementary prospectus;

"**Index Ratio**" applicable to any day or month, as the case may be, means the Index Figure applicable to such day or month, as applicable, divided by the Base Index Figure;

"**Limited Index Ratio**" means (a) in respect of any month prior to the relevant Issue Date, the Index Ratio for that month; (b) in respect of any Limited Indexation Month after the relevant Issue Date, the product of the Limited Indexation Factor for that month and the Limited Index Ratio as previously calculated in respect of the month twelve months prior thereto; and (c) in respect of any other month, the Limited Index Ratio as previously calculated in respect of the most recent Limited Indexation Month;

"**Limited Indexation Factor**" means, in respect of a Limited Indexation Month, the ratio of the Index Figure applicable to that month divided by the Index Figure applicable to the month twelve months prior thereto, provided that (a) if such ratio is greater than the Maximum Indexation Factor specified in the relevant Final Terms, it shall be deemed to be equal to such Maximum Indexation Factor and (b) if such ratio is less than the Minimum Indexation Factor specified in the relevant Final Terms, it shall be deemed to be equal to such Minimum Indexation Factor;

"**Limited Indexation Month**" means any month specified in the relevant Final Terms for which a Limited Indexation Factor is to be calculated;

"**Limited Indexed Bonds**" means Indexed Bonds to which a Maximum Indexation Factor and/or a Minimum Indexation Factor (as specified in the relevant Final Terms) applies; and

"**Reference Gilt**" means the Treasury Stock specified as such in the relevant Final Terms for so long as such stock is in issue, and thereafter such issue of index-linked Treasury Stock determined to be appropriate by a gilt-edged market maker or other adviser selected by the Issuer and approved by the Bond Trustee (an "**Indexation Adviser**").

(a) ***Application of the Index Ratio***

Each payment of interest and principal in respect of the Bonds shall be the amount provided in, or determined in accordance with, these Conditions, multiplied by the Index Ratio or Limited Index Ratio in the case of Limited Indexed Bonds applicable to the day on which such payment falls to be made and rounded in accordance with Condition 6(f) (*Rounding*).

(b) ***Changes in Circumstances Affecting the Index***

(i) Change in base: If at any time and from time to time the Index is changed by the substitution of a new base therefor, then with effect from the calendar month from and including that in which such substitution takes effect (1) the definition of "**Index**" and "**Index Figure**" in Condition 7.1 shall be deemed to refer to the new date or month in substitution for January 1987 (or, as the case may be, to such other date or month as may have been substituted therefor), and (2) the new Base Index Figure shall be the product of the then existing Base Index Figure and the Index Figure immediately following such substitution, divided by the Index Figure immediately prior to such substitution.

(ii) Delay in publication of Index: If the Index Figure relating to any month (the "**relevant month**") which is required to be taken into account for the purposes of the determination of the Index Figure for any date is not published on or before the fourteenth business day before the date on which such payment is due (the "**date for payment**") (otherwise than because the Index has ceased to be published), the Index Figure applicable to the relevant month shall be (1) such substitute index figure (if any) as the Bond Trustee considers to have been published by the UK Debt Management Office or the Bank of England, as the case may be, (or such other body designated by the UK Government for such purpose) for the purposes of indexation of payments on the Reference Gilt or, failing such publication, on any one or more issues of index-linked Treasury Stock selected by an Indexation Adviser (and approved by the Bond Trustee); or (2) if no such determination is made by such Indexation Adviser within seven days, the Index Figure last published (or, if later, the substitute index figure last determined pursuant to Condition 7.1(b)(ii)(1)) before the date for payment.

(c) ***Application of Changes***

Where the provisions of Condition 7.1(b)(ii) (*Delay in publication of Index*) apply, the determination of the Indexation Adviser as to the Index Figure applicable to the month in which the date for payment falls shall be conclusive and binding. If, an Index Figure having been applied pursuant to Condition 7.1(b)(ii)(2), the Index Figure relating to the relevant month is subsequently published while a Bond is still outstanding, then:

(i) in relation to a payment of principal or interest in respect of such Bond other than upon final redemption of such Bond, the principal or interest (as the case may be) next payable after the date of such subsequent publication shall be increased or reduced by an amount equal to (respectively) the shortfall or excess of the amount of the relevant payment made on the basis of the Index Figure applicable by virtue of Condition 7.1(b)(ii)(2), below or above the amount of the relevant payment that would have been due if the Index Figure subsequently published had been published on or before the fourteenth business day before the date for payment; and

(ii) in relation to a payment of principal or interest upon final redemption, no subsequent adjustment to amounts paid will be made.

(d) ***Cessation of or Fundamental Changes to the Index***

(i) If (1) the Bond Trustee has been notified by the Agent Bank (or the Calculation Agent, if applicable) that the Index has ceased to be published or (2) any change is made to the coverage or the basic calculation of the Index which constitutes a fundamental change which would, in the opinion of the Bond Trustee acting solely on the advice of an Indexation Adviser, be materially prejudicial to the interests of the Bondholders, the Bond Trustee will give written notice of such occurrence to the Issuer, and the Issuer and the Bond Trustee together shall seek to agree for the purpose of the Bonds one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Bondholders in no better and no worse position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made.

(ii) If the Issuer and the Bond Trustee fail to reach agreement as mentioned above within 20 business days following the giving of notice as mentioned in paragraph (i), a bank or other person in London shall be appointed by the Issuer and the Bond Trustee or, failing agreement on and the making of such appointment within 20 business days following the expiry of the 20 business day period referred to above, by the Bond Trustee (in each case, such bank or other person so appointed being referred to as the "**Expert**"), to determine for the purpose of the Bonds one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Bondholders in no better and no worse position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made. Any Expert so appointed shall act as an expert and not as an arbitrator and all fees, costs and expenses of the Expert and of any Indexation Adviser and of any of the Issuer and the Bond Trustee in connection with such appointment shall be borne by the Issuer.

(iii) If any payment in respect of the Bonds is due to be made after the cessation or changes referred to in Condition 7.1(d)(i) but before any such adjustment to, or replacement of, the Index takes effect, the Issuer shall (if the Index Figure applicable (or deemed applicable) to the relevant month is not available in accordance with the provisions of Condition 7.1(b)(i) (*Change in base)* above) make a provisional payment on the basis that the Index Figure applicable to the month in which such payment is due to be made is the Index Figure last published. In that event, or in the event of any payment (also referred to below as a "**provisional payment**") on the Bonds having been made on the basis of an Index applicable under Condition 7.1(b)(ii)(1) and the Bond Trustee (acting solely on the advice of an Indexation Adviser) subsequently determining that the relevant circumstances fall within this Condition 7.1(d) (*Cessation of or Fundamental Changes to the Index*), then:

(A) in relation to a payment of principal or interest in respect of the Bonds other than upon final redemption of such Bond, if the sum which would have been payable if such adjustment of substitute index had been in effect on the due date for such payment is greater or less than the amount of such provisional payment, the Interest Amount payable on the Bonds on the Interest Payment Date next succeeding the date on which such adjustment or substitute index becomes effective shall be increased or reduced to reflect the amount by which such provisional payment fell short of, or (as the case may be) exceeded, the sum which would have been paid on the Bonds if such adjustment or substituted index had been in effect on that date; or

(B) in relation to a payment of principal or interest upon final redemption, no subsequent adjustment to amounts paid will be made.

(iv) The Index shall be adjusted or replaced by a substitute index as agreed by the Issuer and the Bond Trustee or as determined by the Expert pursuant to the foregoing paragraphs, as the case may be, and references in these Conditions to the Index and to any Index Figure shall be deemed amended in such manner as the Bond Trustee and the Issuer agree are appropriate to give effect to such adjustment or replacement. Such amendments shall be effective from the date of such notification and binding upon the Issuer, each Relevant Financial Guarantor, the other Issuer Secured Creditors, the Bond Trustee and the Bondholders, and the Issuer shall give notice to the Bondholders in accordance with Condition 17 (Notices) of such amendments as promptly as practicable following such notification.

7.2 **HICP**

Where HICP (as defined below) is specified as in the Index or Index Level (each as defined below) in the relevant Final Terms, this Condition 7.2 will apply. For the purposes of this Condition 7.2, unless the context otherwise requires, the following defined terms shall have the following meanings:

"**Base Index Level"** means the base index figure as specified in the relevant Final Terms;

**"Index"** or **"Index Level"** means (subject as provided in Condition 7.2(b) the non-revised Harmonised Index of Consumer Prices excluding tobacco or relevant Successor Index (as defined in Condition 7.2(b)(ii)), measuring the rate of inflation in the European Monetary Union excluding tobacco, expressed as an index and published by Eurostat (the **"HICP").** The first publication or announcement of a level of such index for a calculation month (as defined in Condition 7.2(b)(i)) shall be final and conclusive and later revisions to the level for such calculation month will not be used in any calculations. Any reference to the Index Level which is specified in these Conditions as applicable to any day ("d") in any month ("m") shall, subject as provided in Condition 7.2(b), be calculated as follows:

$$1_d = \mathrm{HICP}_{m-3} + \frac{nbd}{qm} x \left( \mathrm{HICP}_{m-2} - \mathrm{HICP}_{m-3} \right)$$

where:

$\mathbf{l_d}$ is the Index Level for the day d

$\mathbf{HICP}_{m-2}$ is the level of HICP for month m-2

$\mathbf{HICP}_{m-3}$ is the level of HICP for month m-3

**nbd** is the actual number of days from and excluding the first day of month m to but including day d; and

**qm** is the actual number of days in month m,

provided that if Condition 7.2(b) applies, the Index Level shall be the Substitute Index Level determined in accordance with such Condition.

**"Index Business Day"** means a day on which the TARGET System is operating;

**"Index Determination Date"** means in respect of any date for which the Index Level is required to be determined, the fifth Index Business Day prior to such date;

**"Index Ratio"** applicable to any date means the Index Level applicable to the relevant Index Determination Date divided by the Base Index Level and rounded to the nearest fifth decimal place, 0.000005 being rounded upwards; and

**"Related Instrument"** means an inflation-linked bond selected by the Calculation Agent that is a debt obligation of one of the governments (but not any government agency) of France, Italy, Germany or Spain and which pays a coupon or redemption amount which is calculated by reference to the level of inflation in the European Monetary Union with a maturity date which falls on (a) the same day as the Maturity Date, (b) the next longest maturity date after the Maturity Date if there is no such bond maturing on the Maturity Date, or (c) the next shortest maturity before the Maturity Date if no bond defined in (a) or (b) is selected by the Calculation Agent. The Calculation Agent will select the Related Instrument from such of those inflation-linked bonds issued on or before the relevant Issue Date and, if there is more than one such inflation-linked bond maturing on the same date, the Related Instrument shall be selected by the Calculation Agent from such of those bonds. If the Related Instrument is redeemed, the Calculation Agent will select a new Related Instrument on the same basis, but selected from all eligible bonds in issue at the time the originally selected Related Instrument is redeemed (including any bond for which the redeemed originally selected Related Instrument is exchanged).

(a) ***Application of the Index Ratio***

Each payment of interest and principal in respect of the Bonds shall be the amount provided in, or determined in accordance with, these Conditions, multiplied by the Index Ratio applicable to the date on which such payment falls to be made and rounded in accordance with Condition 6(f).

(b) ***Changes in Circumstances Affecting the Index***

(i) Delay in publication of Index:

(A) If the Index Level relating to any month (the **"calculation month")** which is required to be taken into account for the purposes of the determination of the Index Level for any date (the **"Relevant Level")** has not been published or announced by the day that is five Business Days before the date on which such payment is due (the **"Affected Payment Date"),** the Calculation Agent shall determine a Substitute Index Level (as defined below) (in place of such Relevant Level) by using the following methodology:

(1) if applicable, the Calculation Agent will take the same action to determine the Substitute Index Level for the Affected Payment Date as that taken by the calculation agent (or any other party performing the function of a calculation agent (whatever such party's title)) pursuant to the terms and conditions of the Related Instrument;

(2) if (1) above does not result in a Substitute Index Level for the Affected Payment Date for any reason, then the Calculation Agent shall determine the Substitute Index Level as follows:

Substitute Index Level = Base Level x (Latest Level / Reference Level)

where:

**"Base Level"** means the level of the Index (excluding any flash estimates) published or announced by Eurostat (or any successor entity which publishes such index) in respect of the month which is 12 calendar months prior to the month for which the Substitute Index Level is being determined;

**"Latest Level"** means the latest level of the Index (excluding any flash estimates) published or announced by Eurostat (or any successor entity which publishes such index) prior to the month in respect of which the Substitute Index Level is being calculated; and

**"Reference Level"** means the level of the Index (excluding any flash estimates) published or announced by Eurostat (or any successor entity which publishes such index) in respect of the month that is 12 calendar months prior to the month referred to in "Latest Level" above.

(B) If a Relevant Level is published or announced at any time after the day that is five Business Days prior to the next Interest Payment Date, such Relevant Level will not be used in any

calculations. The Substitute Index Level so determined pursuant to this Condition 7.2(b) will be the definitive level for that calculation month.

(ii) Cessation of publication: If the Index Level has not been published or announced for two consecutive months or Eurostat announces that it will no longer continue to publish or announce the Index, then the Calculation Agent shall determine a successor index in lieu of any previously applicable Index (the **"Successor Index")** by using the following methodology:

(A) if at any time a successor index has been designated by the calculation agent (or any other party performing the function of a calculation agent (whatever such party's title)) pursuant to the terms and conditions of the Related Instrument, such successor index shall be designated the **"Successor Index"** for the purposes of all subsequent Interest Payment Dates, notwithstanding that any other Successor Index may previously have been determined under paragraphs (B), (C) or (D) below; or

(B) if a Successor Index has not been determined under paragraph (A) above and a notice has been given or an announcement has been made by Eurostat (or any successor entity which publishes such index) specifying that the Index will be superseded by a replacement index specified by Eurostat (or any such successor), and the Calculation Agent determines that such replacement index is calculated using the same or substantially similar formula or method of calculation as used in the calculation of the previously applicable Index, such replacement index shall be the Index from the date that such replacement index comes into effect; or

(C) if a Successor Index has not been determined under paragraphs (A) or (B) above, the Calculation Agent shall ask five leading independent dealers to state what the replacement index for the Index should be. If between four and five responses are received, and of those four or five responses, three or more leading independent dealers state the same index, this index will be deemed the **"Successor Index".** If three responses are received, and two or more leading independent dealers state the same index, this index will be deemed the **"Successor Index".** If fewer than three responses are received, the Calculation Agent will proceed to paragraph (D) below;

(D) if no Successor Index has been determined under paragraphs (A), (B) or (C) above on or before the fifth Index Business Day prior to the next Affected Payment Date the Calculation Agent will determine an appropriate alternative index for such Affected Payment Date, and such index will be deemed the **"Successor Index"**;

(E) if the Calculation Agent determines that there is no appropriate alternative index, the Issuer and the Bondholder shall, in conjunction with the Calculation Agent, determine an appropriate alternative index.

(iii) Rebasing of the Index: If the Calculation Agent determines that the Index has been or will be rebased at any time, the Index as so rebased (the **"Rebased Index")** will be used for the purposes of determining each relevant Index Level from the date of such rebasing; provided, however, that the Calculation Agent shall make such adjustments as are made by the calculation agent (or any other party performing the function of a calculation agent (whatever such party's title)) pursuant to the terms and conditions of the Related Instrument to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Index before it was rebased. Any such rebasing shall not affect any prior payments made.

(iv) Material Modification Prior to Interest Payment Date: If, on or prior to the day that is five Business Days before an Interest Payment Date, Eurostat announces that it will make a material change to the Index then the Calculation Agent shall make any such adjustments to the Index consistent with adjustments made to the Related Instrument.

(v) Manifest Error in Publication: If, within thirty days of publication, the Calculation Agent determines that Eurostat (or any successor entity which publishes such index) has corrected the level of the Index to remedy a manifest error in its original publication, the Calculation Agent will notify the parties of (A) that correction, (B) the amount that is payable as a result of that correction and (C) take such other action as it may deem necessary to give effect to such correction.

## 8. Redemption, Purchase and Cancellation

(a) ***Scheduled Redemption***

Unless previously redeemed in full, or purchased and cancelled as provided below, or unless such Bond is stated in the relevant Final Terms as having no fixed maturity date, each Sub-Class of Bonds will be redeemed on the Scheduled Redemption Date as follows and to the following extent:

(i) if, by the Scheduled Redemption Date, the Issuer has received repayment of the related advance (in accordance with the provisions of the relevant Borrower Loan Agreement) of a principal amount equal to the Principal Amount Outstanding (in the case of Indexed Bonds as adjusted in accordance with Condition 7.1(a) (*U.K. Retail Price Index – Application of the Index Ratio*) or Condition 7.2(a) (*HICP - Application of the Index Ratio*), as applicable) of such Sub-Class, then the Bonds of such Sub-Class will be redeemed in full (after exchange of such principal amount to the relevant currency pursuant to the relevant Cross Currency Hedging Agreement, if such a Cross Currency Hedging Agreement has been entered into); and

(ii) if, by the Scheduled Redemption Date, the Issuer has received repayment of the related advance (in accordance with the provisions of the relevant Borrower Loan Agreement) of a principal amount less than the Principal Amount Outstanding (in the case of Indexed Bonds as adjusted in accordance with Condition 7.1(a) (*U.K. Retail Price Index – Application of the Index Ratio*) or Condition 7.2(a) (*HICP - Application of the Index Ratio*)) of such Sub-Class, then the Bonds of such Sub-Class will be redeemed pro rata in part to the extent of the amount which is so deposited (after exchange of such principal amount to the relevant currency pursuant to the relevant Cross Currency Hedging Agreement, if such a Cross Currency Hedging Agreement has been entered into).

If the Bonds of a Sub-Class are not redeemed in full by the Scheduled Redemption Date, then on each Interest Payment Date which thereafter occurs, the Bonds of such Sub-Class will be redeemed in full or, as the case may be, *pro rata* in part to the extent of the principal amount (after exchange of such principal amount to the relevant currency pursuant to the relevant Cross Currency Hedging Agreement, if such a Cross Currency Hedging Agreement has been entered into or, if there is no longer a Cross Currency Hedging Agreement in place and the Sub-Class is denominated in a currency other than the currency of the related advance, at a spot rate of exchange) which, if any, is received by the Issuer in repayment of the related advance(s) (in accordance with the provisions of the relevant Borrower Loan Agreements) until the earlier of (a) such time as such Sub-Class of Bonds is redeemed in full or (b) the Maturity Date specified in the relevant Final Terms for such Sub-Class.

(b) ***Final Redemption***

If the Bonds of a Sub-Class have not previously been redeemed in full, or purchased and cancelled, the Bonds will be finally redeemed at the then Principal Amount Outstanding (in the case of Indexed Bonds as adjusted in accordance with Condition 7.1(a) (*U.K. Retail Price Index – Application of the Index Ratio*) or Condition 7.2(a) (*HICP - Application of the Index Ratio*), as applicable) of such Sub-Class plus accrued but unpaid interest on the Maturity Date specified in the relevant Final Terms for such Sub-Class.

In the case of principal on Class B Unwrapped Bonds only, if, on any date on or after the Maturity Date but prior to the delivery of a Bond Enforcement Notice on which such Bond is to be redeemed (in whole or in part), there are insufficient funds available to the Issuer to pay such principal, the Issuer's liability to pay such principal will be treated as not having fallen due and will be deferred until the earliest of (i) the next following Interest Payment Date on which the Issuer has, in accordance with the cash management provisions of the Issuer Cash Management Agreement, sufficient funds to pay such deferred amounts (including any interest accrued thereon); (ii) the date on which all Senior Debt has been paid in full and (iii) the date on which a Bond Enforcement Notice has been delivered. Interest will accrue on such deferred principal at the rate otherwise payable on unpaid principal of such Class B Unwrapped Bonds immediately prior to the Maturity Date.

(c) ***Redemption of Zero Coupon Bonds after Scheduled Redemption Date***

If the relevant Final Terms specifies that there is a Scheduled Redemption Date for the Bonds, the Redemption Amount payable upon redemption of a Zero Coupon Bond at any time after the Scheduled Redemption Date shall be an amount equal to the sum of:

(i) the Redemption Amount that would have been payable if the Bond had been redeemed on the Scheduled Redemption Date; and

(ii) the product of the Accrual Yield (compounded annually) being applied to such amount from (and including) the Scheduled Redemption Date to (but excluding) the date of redemption or (as the case may be) the date upon which the Bond becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of Condition 8(k) or, if none is so specified, a Day Count Fraction of 30/360.

In these Conditions, "**Accrual Yield**" has the meaning given to it in the relevant Final Terms.

(d) ***Optional Redemption***

Subject as provided below, upon giving not more than 60 nor less than 30 days' notice to the Bond Trustee, the Issuer Secured Creditors and the Bondholders, the Issuer may (prior to the Maturity Date) redeem any Sub-Class of the Bonds in whole or in part (but on a pro rata basis only) on any Interest Payment Date at their Redemption Amount, provided that Floating Rate Bonds may not be redeemed before the date (if any) specified in the relevant Final Terms, as follows:

(i) In respect of Fixed Rate Bonds denominated in sterling, the Redemption Amount will, unless otherwise specified in a Drawdown Prospectus, be an amount equal to the higher of (i) their Principal Amount Outstanding and (ii) the price determined to be appropriate by a financial adviser in London (selected by the Issuer and approved by the Bond Trustee) as being the price at which the Gross Redemption Yield (as defined below) on such Bonds on the Reference Date (as defined below) is equal to the Gross Redemption Yield at 3:00 p.m. (London time) on the Reference Date on the Reference Gilt (as defined below) while that stock is in issue, and thereafter such UK Government stock as the Issuer may, with the advice of three persons operating in the gilt-edged market (selected by the Issuer and approved by the Bond Trustee) determine to be appropriate, plus accrued but unpaid interest on the Principal Amount Outstanding.

For the purposes of this Condition 8(d)(i), "**Gross Redemption Yield**" means a yield expressed as a percentage and calculated on a basis consistent with the basis indicated by the UK Debt Management Office publication "Formulae for Calculating Gilt Prices from Yields" (published on 8 June 1998 with effect from 1 November 1998 and updated on 15 January 2002) page 5 or any replacement therefor (plus or minus such percentage rate over or under such Reference Gilt (if any) as specified in the relevant Final Terms or Drawdown Prospectus) and, for the purposes of such calculation, the date of redemption of the relevant Fixed Rate Bonds shall be assumed to be the Scheduled Redemption Date and not the Maturity Date; "**Reference Date**" means the date which is two Business Days prior to the despatch of the notice of redemption under this Condition 8(d)(i); and "**Reference Gilt**" means the Treasury Stock specified in the relevant Final Terms.

(ii) In respect of Floating Rate Bonds, the Redemption Amount will, unless otherwise specified in a Drawdown Prospectus, be the Principal Amount Outstanding plus any premium for early redemption in certain years (as specified in the relevant Final Terms) plus any accrued but unpaid interest on the Principal Amount Outstanding.

(iii) In respect of Indexed Bonds which specify the U.K. Retail Prices Index as the Index in the relevant Final Terms and which are denominated in sterling, the Redemption Amount will (unless otherwise specified in a Drawdown Prospectus) be the higher of (i) the Principal Amount Outstanding and (ii) the price determined to be appropriate (without any additional indexation beyond the implicit indexation in such determined price) by a financial adviser in London (selected by the Issuer and approved by the Bond Trustee) as being the price at which the Gross Real Redemption Yield (as defined below) on the Bonds on the Reference Date (as defined below) is equal to the Gross Real Redemption Yield at 3:00 p.m. (London time) on the Reference Date on the Reference Gilt while that stock is in issue, and thereafter such UK Government stock as the Issuer may, with the advice of three persons operating in the gilt-edged market, (selected by the Issuer and approved by the Bond Trustee), determine to be appropriate, plus accrued but unpaid interest (as adjusted in accordance with Condition 7.1(a) (*U.K. Retail Price Index – Application of the Index Ratio*) on the Principal Amount Outstanding.

For the purposes of this Condition 8(d)(iii), "**Gross Real Redemption Yield**" means a yield expressed as a percentage and calculated on a basis consistent with the basis indicated by the UK Debt Management Office publication "Formulae for Calculating Gilt Prices from Yields" published on 8 June 1998 with effect from 1 November 1998 and updated on 15 January 2002, page 4 or any replacement therefore and, for the purposes of such calculation, the date of redemption of the relevant Indexed Bonds shall be assumed to be the Scheduled Redemption Date and not the Maturity Date; "**Reference Date**" means the date which is two Business Days prior to the despatch of the notice of redemption under this Condition 8(d)(iii); and "**Reference Gilt**" means the Treasury Stock specified in the relevant Final Terms.

(iv) In respect of Indexed Bonds which specify HICP as the Index in the relevant Final Terms and are denominated in euro, the Redemption Amount will (unless otherwise specified in a Drawdown Prospectus) be the Principal Amount Outstanding (plus any premium for early redemption (as specified in the relevant Final Terms) plus any accrued but unpaid interest up to and including the date of redemption (in each case, as adjusted in accordance with Condition 7.2(a)).

(v) In respect of Fixed Rate Bonds denominated in euro, the Redemption Amount will, unless otherwise specified in a Drawdown Prospectus, be an amount equal to the higher of (i) their Principal Amount Outstanding and (ii) the present value at the Reference Date (as defined below) of (A) their Principal Amount Outstanding plus (B) all required interest payments due on the Bonds (excluding accrued but unpaid interest to the date on which the Bonds are to be redeemed (the "**Redemption Date**")), computed using a discount rate equal to the Bund Rate as of the Reference Date and assuming the relevant Fixed Rate Bonds would otherwise have been redeemed on the Scheduled Redemption Date, plus, in either case, accrued but unpaid interest to the Redemption Date.

For the purposes of this Condition 8(d)(v), "**Bund Rate**" means, with respect to any Reference Date, the rate per annum equal to the equivalent yield to maturity as of such date of the Comparable German Bund Issue (plus or minus such percentage rate over or under such Comparable German Bund Issue (if any) as specified in the relevant Final Terms or Drawdown Prospectus) assuming a price for the Comparable German Bund Issue (expressed as a percentage of its principal amount) equal to the Comparable German Bund Price on such date of determination; "**Comparable German Bund Issue**" means the German Bundesanleihe security specified in the relevant Final Terms or, if no such security is specified or the specified security is no longer in issue, the German Bundesanleihe security selected by any Reference German Bund Dealer as having a fixed maturity most nearly equal to the period from such Reference Date to the Scheduled Redemption Date and that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of euro-denominated corporate debt securities in a principal amount approximately equal to the then Principal Amount Outstanding of the Bonds and of a maturity most nearly equal to the Scheduled Redemption Date provided, however, that if the period from such Redemption Date to the Scheduled Redemption Date is less than one year, a fixed maturity of one year shall be used; "**Comparable German Bund Price**" means, with respect to any relevant date, the average of all Reference German Bund Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference German Bund Dealer Quotations or, if the Financial Adviser obtains fewer than four such Reference German Bund Dealer Quotations, the average of all such quotations; "**Financial Adviser**" means a financial adviser in Frankfurt (selected by the Issuer and approved by the Bond Trustee); "**Reference Date**" means the date which is three Business Days prior to the dispatch of the notice of redemption under this Condition 8(d)(v); "**Reference German Bund Dealer**" means any dealer of German *Bundesanleihe* securities appointed by the Financial Adviser; and "**Reference German Bund Dealer Quotations**" means, with respect to each Reference German Bund Dealer and any relevant date, the average as determined by the Financial Adviser of the bid and offered prices for the Comparable German Bund Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Financial Adviser by such Reference German Bund Dealer at or about 3:30 p.m. (Frankfurt, Germany time) on the Reference Date.

(vi) In respect of Fixed Rate Bonds denominated in U.S. dollars, the Redemption Amount will, unless otherwise specified in a Drawdown Prospectus, be an amount equal to (i) the Principal Amount Outstanding plus (ii) the accrued but unpaid interest on the Principal Amount Outstanding, plus the greater of (A) one per cent. of the Principal Amount outstanding and (B) the excess of: (1) the present value at as of the Reference Date of the redemption price of the Sub-Class of Bonds at the Scheduled Redemption Date, plus all required interest payments that would otherwise be due to be paid on the Sub-Class of Bonds during the period between such Reference Date and the Scheduled Redemption Date, excluding accrued but unpaid interest, computed using a discount rate equal to the Treasury Rate (as defined below) at such Reference Date plus 0.50% or such other percentage rate over or under such Treasury Rate (if any) specified in the relevant Final Terms, over (2) the Principal Amount Outstanding on such Reference Date.

"**Treasury Rate**" means, with respect to any Reference Date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded U.S. Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities", for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the Scheduled Redemption Date, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its

principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date, where:

"**Comparable Treasury Issue**" means the U.S. Treasury security selected by any Reference Treasury Dealer as having a maturity comparable to the remaining term of the Sub-Class of Bonds from the Reference Date to the Scheduled Redemption Date that would be utilised at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a maturity most nearly equal to the Scheduled Redemption Date;

"**Comparable Treasury Price"** means, with respect to any redemption date, if clause (ii) of the definition of "Treasury Rate" is applicable, the average of all Reference Treasury Dealer Quotations for such date (which, in any event, must include at least two such quotations), after excluding the highest and lowest such Reference Treasury Dealer Quotations, or if the Issuer obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations;

"**Federal Reserve System**" means the central banking system of the United States;

"**Reference Treasury Dealer**" means any primary U.S. government securities dealer appointed by the Issuer; and

"**Reference Treasury Dealer Quotations**" means with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Issuer, of the bid and ask prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Issuer by such Reference Treasury Dealer at 5:00p.m. New York City time, on the third Business Day immediately preceding such redemption date.

(vii) In respect of Fixed Rate Bonds denominated in Canadian dollars, the Redemption Amount will, unless otherwise specified in a Drawdown Prospectus, be an amount equal to the greater of (i) the Principal Amount Outstanding and (ii) the Canada Yield Price, in each case, plus accrued but unpaid interest on the Principal Amount Outstanding (if any).

For the purposes of this Condition 8(d)(vi), **"Canada Yield Price"** means an amount equal to the sum of the present values of all remaining scheduled payments of principal and interest (not including any portion of payment of interest accrued as of the date of redemption) from the redemption date to the respective due dates for such payments until maturity of the Bonds (and, for the purposes of such calculation, the date of maturity of the Bonds shall be assumed to be the Scheduled Redemption Date and not the Maturity Date) computed on a semi-annual basis by discounting such payments (assuming a 365 day year) to the redemption date at the Government of Canada Yield plus 0.655% or such other percentage rate over or under such Government of Canada Yield (if any) specified in the relevant Final Terms; **"Government of Canada Yield"** means, with respect to any redemption date, the mid market yield to maturity on the third business day ("**Determination Date**") preceding the redemption date, compounded semi-annually, which a non-callable Government of Canada Bond would carry if issued, in Canadian dollars in Canada, at 100% of its principal amount on such date with a term to maturity which most closely approximates the remaining term to maturity of the Bonds (and, for the purposes of such calculation, the date of maturity of the Bonds shall be assumed to be the Scheduled Redemption Date and not the Maturity Date) from such redemption date, such yield to maturity being the average of the yields provided by two Canadian investment dealers selected from time to time by the Issuer at noon (Toronto time) on such Determination Date.

(viii) In respect of Fixed Rate Bonds denominated in Australian dollars, the Redemption Amount will unless otherwise specified in a Drawdown Prospectus, be the Principal Amount Outstanding (plus any premium for early redemption as specified in the relevant Final Terms) plus any accrued but unpaid interest up to and including the date of redemption.

(ix) In respect of Fixed Rate Bonds denominated in Norwegian krone, the Redemption Amount will unless otherwise specified in a Drawdown Prospectus, be the Principal Amount Outstanding (plus any premium for early redemption as specified in the relevant Final Terms) plus any accrued but unpaid interest up to and including the date of redemption.

(x) In respect of Fixed Rate Bonds denominated in Japanese yen, the Redemption Amount will unless otherwise specified in a Drawdown Prospectus, be the Principal Amount Outstanding (plus any premium for early redemption as specified in the relevant Final Terms) plus any accrued but unpaid interest up to and including the date of redemption.

In any such case, prior to giving any such notice, the Issuer must certify (as further specified in the Finance Documents) to the Bond Trustee that it will have the funds, not subject to any interest (other than under the Issuer Security) of any other person, required to redeem the Bonds as aforesaid.

(e) ***Redemption for Index Event, Taxation or Other Reasons***

*Redemption for Index Reasons*: Upon the occurrence of any Index Event (as defined below), the Issuer may, upon giving not more than 10 nor less than 5 days' notice to the Bond Trustee, the Issuer Secured Creditors and the holders of the Indexed Bonds in accordance with Condition 17 (*Notices*), redeem all (but not some only) of the Indexed Bonds of all Sub-Classes on any Interest Payment Date at the Principal Amount Outstanding (adjusted in accordance with Condition 7.1(a) (*U.K. Retail Price Index – Application of the Index Ratio* or Condition 7.2(a) (*HICP - Application of the Index Ratio*), as applicable) plus accrued but unpaid interest. No single Sub-Class of Indexed Bonds may be redeemed in these circumstances unless all the other Classes and Sub-Classes of Indexed Bonds linked to the same underlying Index are also redeemed at the same time. Before giving any such notice, the Issuer shall provide to the Bond Trustee, the Issuer Secured Creditors and any Relevant Financial Guarantor(s) a certificate signed by an authorised signatory (a) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (b) confirming that the Issuer will have sufficient funds on such Interest Payment Date to effect such redemption.

If the U.K. Retail Price Index is specified as the index in the relevant Final Terms, "**Index Event**" means (i) if the Index Figure for three consecutive months falls to be determined on the basis of an Index Figure previously published as provided in Condition 7.1(b)(ii) (*Delay in publication of Index*) and the Bond Trustee has been notified by the Principal Paying Agent that publication of the Index has ceased or (ii) notice is published by Her Majesty's Treasury, or on its behalf, following a change in relation to the Index, offering a right of redemption to the holders of the Reference Gilt, and (in either case) no amendment or substitution of the Index has been advised by the Indexation Adviser to the Issuer and such circumstances are continuing; and, if HICP is specified as the Index in the relevant Final Terms, "**Index Event**" means if the Index Level has not been published or announced for two consecutive months or Eurostat announces that it will no longer continue to publish or announce the Index and no Successor Index has been determined under Condition 7.2(b)(ii)(A)(B)(C) or (D) and the Issuer and the Bondholders (in conjunction with the Calculation Agent) have been unable to reach agreement on an appropriate alternative index within a period of 10 Business Days.

*Redemption for Taxation Reasons*: In addition, if at any time the Issuer satisfies the Bond Trustee, (a) that the Issuer would, on the next Interest Payment Date, become obliged to deduct or withhold from any payment of interest or principal in respect of the Bonds (other than in respect of default interest), any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the UK or Jersey or any political subdivision thereof, or any other authority thereof or any change in the application or official interpretation of such laws or regulations ("**Taxes**"); (b) that the Issuer or Heathrow would on the next Interest Payment Date be required to make any withholding or deduction for or on account of any Taxes from payments in respect of a Borrower Loan Agreement; (c) that the Issuer or an Issuer Hedge Counterparty would be required to make any withholding or deduction for or on account of any Taxes from payments in respect of an Issuer Hedging Agreement; or (d) by reason of a change in law (or the application or official interpretation thereof), which change becomes effective on or after the Initial Issue Date that it has or will become unlawful for the Issuer to perform any of its obligations under the Borrower Loan Agreements or to fund or to maintain its participation in the Borrower Loans, then the Issuer may, in order to avoid the relevant deductions, withholding or illegality but is not obliged to, (i) use its reasonable endeavours to arrange the substitution of a company incorporated under the laws of another jurisdiction approved by the Bond Trustee as principal debtor under the Bonds and as lender under the Borrower Loan Agreements and as obligor under the Finance Documents upon satisfying the conditions for substitution of the Issuer as set out in Condition 15 (*Meetings of Bondholders, Modification, Waiver and Substitution*)) or (ii) convert any Bearer Bonds into Registered Bonds in accordance with Condition 2(a) (*Exchanges of Bearer Bonds for Registered Bonds and Transfers of Registered Bonds*) if such conversion will be effective to avoid the relevant deduction or withholding. If the Issuer is unable to arrange a substitution as described above having used reasonable endeavours to do so and a conversion of Bearer Bonds to Registered Bonds would not prevent any withholding or deduction and, as a result, the relevant deduction or withholding is continuing then the Issuer may, upon giving not more than 10 nor less than 5 days' notice to the Bond Trustee, the Issuer Secured Creditors and the Bondholders in accordance with Condition 17 (*Notices*), redeem all (but not some only) of the Bonds of the affected Class or Sub-Class on any Interest Payment Date at their Principal Amount Outstanding plus accrued but unpaid interest thereon (each adjusted, in the case of Indexed Bonds, in accordance with Condition 7.1(a) (*U.K. Retail Price Index – Application of the Index Ratio*) or Condition 7.2(a) (*HICP - Application of the Index Ratio*), as applicable). Before giving any such notice of redemption, the Issuer shall provide to the Bond Trustee and the Issuer Secured Creditors and each Relevant Financial Guarantor a certificate signed by a director of the Issuer (a) stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have been satisfied and (b) confirming that the Issuer will have sufficient funds on such Interest Payment Date to discharge all its liabilities in respect of the Bonds of the affected Class or Sub-Class and any amounts under the Security Agreement to be paid in priority to, or *pari passu* with, such Bonds under the Issuer Payment Priorities.

(f) ***Early Redemption on Prepayment of Borrower Loan Agreements***

If:

(i) Heathrow gives notice to the Issuer under a Borrower Loan Agreement that it intends to prepay all or part of any advance made under such Borrower Loan Agreement or Heathrow is required to prepay all or part of any advance made under a Borrower Loan Agreement (including (A) following a Designated Airport Disposal after the occurrence of a Trigger Event which is continuing and following the date on which an amount equal to the initial aggregate amount drawn under the Refinancing Facility has been repaid to the Refinancing Facility Providers or (B) following the delivery of a Loan Acceleration Notice out of any sums credited to the Debt Collateralisation Account); and

(ii) in each case, such advance was funded by the Issuer from the proceeds of the issue of a Class or Sub-Class of Bonds.

the Issuer shall, upon giving not more than 10 nor less than 5 days' notice to the Bond Trustee, the Issuer Secured Creditors, each Relevant Financial Guarantor and the Bondholders in accordance with Condition 17 (*Notices*), (where such advance is being prepaid in whole) redeem all of the Bonds of that Sub-Class or (where part only of such advance is being prepaid) the proportion of the relevant Sub-Class of Bonds which the proposed prepayment amount bears to the amount of the relevant advance.

In the case of a voluntary prepayment, the relevant Bonds will be redeemed at their Redemption Amount determined in accordance with Condition 8(d) (*Optional Redemption*) except that, in the case of Fixed Rate Bonds and Indexed Bonds, for the purposes of this Condition 8(f), "**Reference Date**" means the date two Business Days prior to the despatch of the notice of redemption given under this Condition 8(f), plus accrued but unpaid interest and, in the case of any other prepayment, the relevant Bonds will be redeemed at their Principal Amount Outstanding plus accrued but unpaid interest.

In the case of any prepayment out of the net proceeds of a Designated Airport Disposal following the occurrence of a Trigger Event which is continuing and after the date on which an amount equal to the initial aggregate amount drawn under the Refinancing Facility has been repaid to the Refinancing Facility Providers, (i) Call Protected Floating Rate Bonds of any Sub-Class will be redeemed at an amount (the "**Par Redemption Amount**") equal to their Principal Amount Outstanding or the relevant portion thereof available for redemption, plus accrued but unpaid interest on the Principal Amount Outstanding or the relevant portion thereof available for redemption to (but excluding) the date of redemption and (ii) Fixed Rate Bonds and Indexed Bonds of any Sub-Class will be redeemed at an amount (the "**Modified Redemption Amount**") equal to the lower of (x) the Principal Amount Outstanding of the relevant Bonds or the relevant portion thereof available for redemption and (y) (in the case of Fixed Rate Bonds or Indexed Bonds denominated in sterling) an amount calculated by multiplying the Principal Amount Outstanding of such Bonds or the relevant portion thereof available for redemption by that price (expressed as a percentage) (as reported in writing to the Issuer and the Bond Trustee by a financial adviser nominated by the Issuer and approved by the Bond Trustee) (and rounded to three decimal places (0.0005 being rounded upwards)) at which the Gross Redemption Yield on the Bonds on the Reference Date is equal to the Redemption Rate or (in the case of Fixed Rate Bonds denominated in euro) at the Redemption Amount calculated in accordance with Condition 8(d)(iv) provided that the reference in such calculation to the Bund Rate shall be construed as a reference to the Redemption Rate or (in the case of Fixed Rate Bonds denominated in a currency other than sterling or euro or Indexed Bonds denominated in a currency other than sterling) the Redemption Amount calculated in accordance with the relevant Final Terms, plus, in any case, accrued but unpaid interest (in the case of Indexed Bonds, as adjusted in accordance with Condition 7.1(a) (*U.K. Retail Price Index – Application of the Index Ratio*) or Condition 7.2(a) (*HICP - Application of the Index Ratio*), as applicable) on the Principal Amount Outstanding or the relevant portion thereof available for redemption to (but excluding) the date of redemption.

Notwithstanding the foregoing, no redemption of Call Protected Floating Rate Bonds, Fixed Rate Bonds or Indexed Bonds shall be made in respect of any Sub-Class of Call Protected Floating Rate Bonds, Fixed Rate Bonds or Indexed Bonds at such Par Redemption Amount or, as the case may be, Modified Redemption Amount unless sanctioned by an Extraordinary Resolution passed at a meeting of Bondholders of the relevant Sub-Class of Call Protected Floating Rate Bonds, Fixed Rate Bonds or Indexed Bonds, duly convened and held in accordance with the Bond Trust Deed.

For the purposes of this Condition 8(f), "**Call Protected Floating Rate Bonds**" means any Floating Rate Bonds, the Final Terms in respect of which, at the proposed date of redemption, would oblige the Issuer to pay a premium to par upon the optional early redemption of such Floating Rate Bonds; "**Redemption Rate**" means the sum of the Relevant Swap Mid Curve Rate and 0.50 per cent. per annum or, if the Relevant Swap Mid Curve Rate is not able to be determined, the sum of such rate as may be approved by the Bond Trustee and

0.50 per cent. per annum; "**Gross Redemption Yield**" has the meaning given to it (in the case of Fixed Rate Bonds) in Condition 8(d)(i) or (in the case of Indexed Bonds) in Condition 8(d)(iii); "**Relevant Swap Mid Curve Rate**" means the mid-point of the bid-side and offer-side rates for the fixed leg of a hypothetical interest rate swap with a notional profile equal to the interest profile applicable to the relevant Sub-Class of Bonds to be redeemed to (but excluding) the Scheduled Redemption Date, with the same payment dates as the relevant Bonds, against a floating leg of the Relevant Interest Rate, with no spread, where such hypothetical interest rate swap is between two highly-rated (AA- or equivalent or higher) and fully collateralised market counterparties (the Relevant Swap Mid Curve Rate shall be determined by a financial adviser (nominated by the Issuer and approved by the Bond Trustee) using its standard valuation methodology (as at the date of calculation) as at or about the time for determining interest rate quotation in the currency of the relevant Bonds in accordance with market practice on the Reference Date; and "**Relevant Interest Rate**" means the rate of interest for deposits in the currency of the relevant Bonds and of a duration equal to the length of the Interest Period (other than the first or last Interest Period, if different) of the relevant Bonds as determined as at or about the time for determining interest rate quotation in the currency of the relevant Bonds in accordance with market practice on the Reference Date by reference to (if the relevant Bonds are denominated in sterling, U.S. dollars or Japanese yen) Reuters screen LIBOR01, (if the relevant Bonds are denominated in euro) Reuters screen EURIBOR01, (if the relevant Bonds are denominated in Swiss francs) Reuters screen LIBOR02, (if the relevant Bonds are denominated in Australian dollars) Reuters screen BBSW, (if the relevant Bonds are denominated in Canadian dollars) Reuters screen CDOR, (if the relevant Bonds are denominated in Norwegian krone) the Oslo Børs' webpage, or (if the relevant Bonds are denominated in any other currency) the Reuters screen (or other page) specified in the relevant Final Terms or such other page as may replace such page or, if that service ceases to display such information, such page as displays such information on such service (or, if more than one, that one previously approved in writing by the Bond Trustee) as may replace the Reuters screen (or other page).

(g) ***Early Redemption on exercise of Subordinated Creditor Call Option***

Following the delivery of a Loan Enforcement Notice, if the Borrower Security Trustee gives notice to the Issuer that the Subordinated Secured Creditors have given notice that they intend to exercise their right under the Senior/Subordinated Intercreditor Agreement to require the transfer to them (or a nominee) of all, but not part, of the Senior Liabilities (as defined in the Senior/Subordinated Intercreditor Agreement) by, in respect of the Issuer, paying an amount equal to all amounts outstanding under the Borrower Loans at that time to the relevant Issuer Account, the Issuer shall, upon giving not more than 10 nor less than 5 days' notice to the Bond Trustee, the Issuer Secured Creditors, each Relevant Financial Guarantor and the Bondholders in accordance with Condition 17 (*Notices*), redeem all of the Bonds of each Sub Class. The relevant Bonds will be redeemed at their Redemption Amount determined in accordance with Condition 8(d) (*Optional Redemption*) except that, in the case of Fixed Rate Bonds and Indexed Bonds, for the purposes of this Condition 8(g), "**Reference Date**" means the date two Business Days prior to the despatch of the notice of redemption given under this Condition 8(g), plus accrued but unpaid interest and, in the case of any other prepayment, the relevant Bonds will be redeemed at their Principal Amount Outstanding plus accrued but unpaid interest.

For the purposes of this Condition 8(g), "**Senior/Subordinated Intercreditor Agreement**" means the intercreditor agreement dated 6 April 2006 as amended and restated on or about the Initial Issue Date and from time to time between, inter alios, the Obligors, each Borrower Secured Creditor, the Borrower Security Trustee and the Subordinated Creditors and "**Subordinated Secured Creditors**" means the secured parties under the subordinated facility agreement dated 7 April 2006 as amended from time to time.

(h) ***Early redemption following Loan Enforcement Notice***

If the Issuer receives (or is to receive) any monies from any Obligor following the service of a Loan Enforcement Notice in repayment of all or any part of a Borrower Loan, the Issuer shall, upon giving not more than 10 nor less than 5 days' notice to the Bond Trustee, the Issuer Secured Creditors, each Relevant Financial Guarantor and the Bondholders in accordance with Condition 17 (*Notices*) apply such monies in accordance with the Issuer Pre-Enforcement Priority of Payments or the Issuer Post-Enforcement Priority of Payments, as applicable, and redeem (to the extent of such monies as are available in accordance with the relevant Issuer Priority of Payments) each Sub-Class of the then outstanding Bonds (corresponding to the advance under the Borrower Loan Agreement which is prepaid in accordance with the provisions of the Borrower Post-Enforcement (Pre-Acceleration) Principal Priority of Payment, if applicable) at their Principal Amount Outstanding plus accrued but unpaid interest on the next Interest Payment Date (or, if sooner, Maturity Date). In the event that there are insufficient monies to redeem all of the Bonds outstanding of a particular Class, the Bonds of such Class shall be redeemed in part in the proportion which the Principal Amount Outstanding of such Class to be redeemed bears to the Principal Amount Outstanding of such Class.

(i) ***Early redemption of Zero Coupon Bonds***

Unless otherwise specified in the relevant Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Bond at any time before the Maturity Date shall be an amount equal to the sum of:

(i) the Reference Price; and

(ii) the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Bond becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the Final Terms for the purposes of this Condition 8(i) or, if none is so specified, a Day Count Fraction of 30/360.

In these Conditions, "**Accrual Yield**" and "**Reference Price**" have the meanings given to them in the relevant Final Terms.

(j) ***Purchase of Bonds***

The Issuer may, provided that no Bond Event of Default has occurred and is continuing, purchase Bonds (provided that all unmatured Receipts and Coupons and unexchanged Talons (if any) appertaining thereto are attached or surrendered therewith) in the open market or otherwise at any price. Any purchase by tender shall be made available to all Bondholders alike.

If not all the Bonds which are in registered form are to be purchased, upon surrender of the existing Individual Bond Certificate, the Registrar shall forthwith upon the written request of the Bondholder concerned issue a new Individual Bond Certificate in respect of the Bonds which are not to be purchased and despatch such Individual Bond Certificate to the Bondholder (at the risk of the Bondholder and to such address as the Bondholder may specify in such request).

While the Bonds are represented by a Global Bond or Global Bond Certificate, the relevant Global Bond or Global Bond Certificate will be endorsed to reflect the Principal Amount Outstanding of Bonds to be so redeemed or purchased.

(k) ***Redemption by Instalments***

Unless previously redeemed, purchased and cancelled as provided in this Condition 8, each Bond which provides for Instalment Dates (as specified in the relevant Final Terms) and Instalment Amounts (as specified in the relevant Final Terms) will be partially redeemed on each Instalment Date at the Instalment Amount.

(l) ***Cancellation***

Any Bearer Bonds or Registered Bonds purchased by or on behalf of the Issuer or by an Obligor using the net proceeds of a Designated Airport Disposal pursuant to paragraph 6(b)(ii) of part 3 of schedule 3 to the Common Terms Agreement, shall be surrendered to or to the order of the Principal Paying Agent or the Registrar, as the case may be, for cancellation and, if so surrendered, will, together with all Bonds redeemed by the Issuer, be cancelled forthwith (together with, in the case of Bearer Bonds, all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Bonds so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Bonds shall be discharged.

**9. Payments**

(a) ***Bearer Bonds***

Payments to the Bondholders of principal (or, as the case may be, Redemption Amounts or other amounts payable on redemption) and interest (or, as the case may be, Interest Amounts) in respect of Bearer Bonds will, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payment of Instalment Amounts other than on the due date for final redemption and provided that the Receipt is presented for payment together with its relative Bond), Bonds (in the case of all other payments of principal and, in the case of interest, as specified in Condition 9(f) (*Unmatured Coupons and Receipts and Unexchanged Talons*)) or Coupons (in the case of interest, save as specified in Condition 9(f) (*Unmatured Coupons and Receipts and Unexchanged Talons*)), as the case may be, at the specified office of any Paying Agent outside the United States of America and its possessions by transfer to an account denominated in the currency in which such payment is due with, or (in the case of Bonds in definitive form only) a cheque payable in that currency drawn on, a bank in (i) the principal financial centre of that

currency provided that such currency is not euro, or (ii) the principal financial centre of any Participating Member State if that currency is euro.

No payment of principal and/or interest in respect of a Bearer Bond with an original maturity of more than 365 days will be made by a transfer of funds into an account maintained by the payee in the United States or by mailing a cheque to an address in the United States, except as provided in Condition 9(c) (*Payments in the United States of America*).

(b) ***Registered Bonds***

Payments of principal (or, as the case may be, Redemption Amounts) in respect of Registered Bonds will be made to the holder (or the first named of joint holders) of such Bond against presentation and surrender of the relevant Registered Bond at the specified office of the Registrar and in the manner provided in Condition 9(a) (*Bearer Bonds*).

Payments of instalments in respect of Registered Bonds will be made to the holder (or the first named of joint holders) of such Bond against presentation of the relevant Registered Bond at the specified office of the Registrar in the manner provided in Condition 9(a) (*Bearer Bonds*) above and annotation of such payment on the Register and the relevant Bond Certificate.

Interest (or, as the case may be, Interest Amounts) on Registered Bonds payable on any Interest Payment Date will be paid to the holder (or the first named if joint holders) on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payment of interest or Interest Amounts on each Registered Bond will be made in the currency in which such payment is due by cheque drawn on a bank in (a) the principal financial centre of the country of the currency concerned, provided that such currency is not euro, or (b) the principal financial centre of any Participating Member State if that currency is euro and mailed to the holder (or to the first named of joint holders) of such Bond at its address appearing in the Register. Upon application by the Bondholder to the specified office of the Registrar before the relevant Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a bank in (a) the principal financial centre of the country of that currency provided that such currency is not euro, or (b) the principal financial centre of any Participating Member State if that currency is euro.

A record of each payment so made will be endorsed on the schedule to the Global Bond or the Global Bond Certificate by or on behalf of the Principal Paying Agent or the Registrar, as the case may be, which endorsement shall be prima facie evidence that such payment has been made.

(c) ***Payments in the United States of America***

Notwithstanding the foregoing, if any Bearer Bonds are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if:

(i) the Issuer shall have appointed Paying Agents with specified offices outside the United States of America with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Bonds in the manner provided above when due;

(ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts; and

(iii) such payment is then permitted by the law of the United States of America, without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

(d) ***Payments subject to fiscal laws; payments on Global Bonds and Registered Bonds***

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of this Condition 9. No commission or expenses shall be charged to the Bondholders, Couponholders or Receiptholders (if any) in respect of such payments.

The holder of a Global Bond or Global Bond Certificate shall be the only person entitled to receive payments of principal (or Redemption Amounts) and interest (or Interest Amounts) on the Global Bond or Global Bond Certificate (as the case may be) and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Bond or Global Bond Certificate in respect of each amount paid.

(e) ***Appointment of the Agents***

The Paying Agents, the Agent Bank, the Transfer Agents, the Exchange Agent and the Registrar (the "**Agents**") appointed by the Issuer (and their respective specified offices) are listed in the Agency Agreement. Any Calculation

Agent will be listed in the relevant Final Terms and will be appointed pursuant to a Calculation Agency Agreement. The Agents act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any holder. The Issuer reserves the right, with the prior written consent of the Bond Trustee at any time to vary or terminate the appointment of any Agent, and to appoint additional or other Agents, provided that the Issuer will at all times maintain (i) a Principal Paying Agent (in the case of Bearer Bonds), (ii) a Registrar (in the case of Registered Bonds), (iii) an Agent Bank or Calculation Agent (as specified in the relevant Final Terms) (in the case of Floating Rate Bonds or Indexed Bonds) and (iv) if and for so long as the Bonds are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent, Transfer Agent or Registrar in any particular place, a Paying Agent, Transfer Agent and/or Registrar, as applicable, having its specified office in the place required by such listing authority, stock exchange and/or quotation system, which, while any Bonds are admitted to the Official List of the UK Listing Authority and/or admitted to trading on the London Stock Exchange – Regulated Market shall be in London. Notice of any such variation, termination or appointment will be given in accordance with Condition 17 (*Notices*).

(f) ***Unmatured Coupons and Receipts and Unexchanged Talons***

(i) Subject to the provisions of the relevant Final Terms, upon the due date for redemption of any Bond which is a Bearer Bond (other than a Fixed Rate Bond, unless it has all unmatured Coupons attached), unmatured Coupons and Receipts relating to such Bond (whether or not attached) shall become void and no payment shall be made in respect of them.

(ii) Upon the date for redemption of any Bond, any unmatured Talon relating to such Bond (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iii) Upon the due date for redemption of any Bond which is redeemable in instalments, all Receipts relating to such Bond having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(iv) Where any Bond, which is a Bearer Bond and is a Fixed Rate Bond, is presented for redemption without all unmatured Coupons and any unexchanged Talon relating to it, a sum equal to the aggregate amount of the missing unmatured Coupons will be deducted from the amount of principal due for payment and, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(v) If the due date for redemption of any Bond is not an Interest Payment Date, interest accrued from the preceding Interest Payment Date or the Interest Commencement Date, as the case may be, or the Interest Amount payable on such date for redemption shall only be payable against presentation (and surrender if appropriate) of the relevant Bond and Coupon.

(g) ***Non-Business Days***

Subject as provided in the relevant Final Terms, if any date for payment in respect of any Bond, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "business day" means a day (other than a Saturday or a Sunday) on which banks are open for presentation and payment of debt securities and for dealings in foreign currency in London and in the relevant place of presentation and in the cities referred to in the definition of Business Days and (in the case of a payment in a currency other than euro), where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which dealings may be carried on in the relevant currency in the principal financial centre of the country of such currency and, in relation to any sum payable in euro, a day on which the TARGET system is open.

(h) ***Talons***

On or after the Interest Payment Date for the final Coupon forming part of a coupon sheet issued in respect of any Bond, the Talon forming part of such coupon sheet may be surrendered at the specified office of any Paying Agent in exchange for a further coupon sheet (and if necessary another Talon for a further coupon sheet) (but excluding any Coupons which may have become void pursuant to Condition 13 (*Prescription*)).

**10. Taxation**

All payments in respect of the Bonds, Receipts or Coupons will be made (whether by the Issuer, any Paying Agent, the Registrar, the Bond Trustee or, in respect of Wrapped Bonds, the Relevant Financial Guarantor or, in respect of the LHR Guaranteed Bonds, by the Bond Guarantor) without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature unless the Issuer, any Paying Agent or the Registrar or, where applicable, the Bond Trustee or the Relevant Financial Guarantor or the Bond Guarantor is required by applicable law

to make any payment in respect of the Bonds, Receipts or Coupons subject to any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature. In that event, the Issuer, such Paying Agent, the Registrar, the Bond Trustee, the Relevant Financial Guarantor or the Bond Guarantor, as the case may be, shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. None of the Issuer, any Paying Agent, the Registrar, the Bond Trustee, the Relevant Financial Guarantor or the Bond Guarantor will be obliged to make any additional payments to the Bondholders, Receiptholders or the Couponholders in respect of such withholding or deduction. The Issuer, any Paying Agent, the Registrar, the Bond Trustee, the Relevant Financial Guarantor or the Bond Guarantor may require holders to provide such certifications and other documents as required by applicable law in order to qualify for exemptions from applicable tax laws.

If the Issuer is obliged to make any such deduction or withholding, the amount so deducted or withheld is not guaranteed by any Relevant Financial Guarantor.

**11. Bond Events of Default**

(a) ***Bond Event of Default***

Each and any of the following events shall be treated as a "**Bond Event of Default**":

(i) Non-payment: default is made by the Issuer in the payment of principal in respect of any Sub-Class or Tranche of the Most Senior Class of Bonds when due in accordance with these Conditions, or default is made by the Issuer for a period of 3 Business Days in the payment of interest on any Sub-Class or Tranche of the Most Senior Class of Bonds when due in accordance with these Conditions;

(ii) Breach of other obligations: default is made by the Issuer in the performance or observance of any other obligation, condition, provision, representation or warranty binding upon or made by it under the Bonds or the Issuer Transaction Documents (other than any obligation whose breach would give rise to the Bond Event of Default provided for in this Condition 11(a)) and, except where in the opinion of the Bond Trustee the such default is not capable of remedy, such default continues for a period of 30 Business Days;

(iii) Insolvency Event: an Insolvency Event occurs in relation to the Issuer; or

(iv) Unlawfulness: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Bonds or the Trust Documents.

(b) ***Delivery of Bond Enforcement Notice***

If any Bond Event of Default occurs and is continuing and, in the case of the Bond Event of Default described in Condition 11(a)(ii) above, the Bond Trustee has certified in writing that, in its opinion, the happening of such event is materially prejudicial to the interests of the holders of each sub-class of the Most Senior Class of Bonds, the Bond Trustee (i) may, at any time, at its discretion and (ii) shall, upon being so directed in writing by Issuer Qualifying Creditors together holding or representing 25 per cent. or more of the Issuer Qualifying Debt, deliver a Bond Enforcement Notice to the Issuer provided that, in either case, it is indemnified and/or secured to its satisfaction.

(c) ***Confirmation of no Bond Event of Default***

The Issuer, pursuant to the terms of the Bond Trust Deed, shall provide written confirmation to the Bond Trustee, on an annual basis, that no Bond Event of Default has occurred.

(d) ***Consequences of the delivery of a Bond Enforcement Notice***

Upon delivery of a Bond Enforcement Notice in accordance with Condition 11(b) (*Delivery of Bond Enforcement Notice*): (i) all Classes of the Bonds then outstanding shall immediately become due and repayable at their respective Principal Amount Outstanding (in the case of Indexed Bonds, as adjusted in accordance with Condition 7.1(a) (*U.K. Retail Price Index – Application of the Index Ratio*) or Condition 7.2(a) (*HICP - Application of the Index Ratio*), as applicable) plus accrued but unpaid interest (other than in the case of Zero Coupon Bonds) and, in the case of Indexed Bonds, as adjusted in accordance with Condition 7.1(a) (*U.K. Retail Price Index – Application of the Index Ratio*) or Condition 7.2(a) (*HICP - Application of the Index Ratio*), as applicable) and (ii) the Issuer Security shall become enforceable by the Bond Trustee in accordance with the Issuer Deed of Charge provided that the OFCA Floating Security shall only become enforceable in accordance with the Obligor Floating Charge Agreement.

(e) ***"Issuer Qualifying Creditors" means, in respect of Issuer Qualifying Debt:***

(i) for so long as any Class A Bonds remain outstanding, the holders of the Class A Unwrapped Bonds, (for so long as no FG Event of Default has occurred in respect of a Relevant Financial Guarantor) the Relevant Financial Guarantor in relation to each Sub-Class or Tranche of the Class A Wrapped Bonds, (in respect of any Tranche or Sub-Class of Class A Wrapped Bonds in relation to which an FG Event of Default is continuing) the holders of such Tranche or Sub-Class of Class A Wrapped Bonds and each Cross Currency Hedge Counterparty that is party to a Cross Currency Hedging Agreement in respect of the Class A Bonds;

(ii) if there are no Class A Bonds then outstanding and for so long as any Class B Bonds remain outstanding, the holders of the Class B Unwrapped Bonds, (for so long as no FG Event of Default has occurred in respect of a Relevant Financial Guarantor) the Relevant Financial Guarantor in relation to each Sub-Class or Tranche of the Class B Wrapped Bonds, (in respect of any Tranche or Sub-Class of Class B Wrapped Bonds in relation to which an FG Event of Default if continuing) the holders of such Tranche or Sub-Class of Class B Wrapped Bonds and each Cross Currency Hedge Counterparty that is party to a Cross Currency Hedging Agreement in respect of the Class B Bonds;

(iii) if there are no Class A Bonds or Class B Bonds then outstanding, the holders of the Subordinated Bonds and each Cross Currency Hedge Counterparty that is party to a Cross Currency Hedging Agreement in respect of the Subordinated Bonds.

(f) ***"Issuer Qualifying Debt" means:***

(i) for so long as any Class A Bonds remain outstanding, the sum of (i) the Principal Amount Outstanding of the Class A Bonds and (ii) the mark-to-market value of all transactions arising under Cross Currency Hedging Agreements in respect of the Class A Bonds to the extent that such value represents an amount which would be payable to the relevant Cross Currency Hedge Counterparties if an early termination date was designated at such time in respect of such transactions;

(ii) if there are no Class A Bonds then outstanding and for so long as any Class B Bonds remain outstanding, the sum of (i) the Principal Amount Outstanding of the Class B Bonds and (ii) the mark-to-market value of all transactions arising under Cross Currency Hedging Agreements in respect of the Class B Bonds to the extent that such value represents an amount which would be payable to the relevant Cross Currency Hedge Counterparties if an early termination date was designated at such time in respect of such transactions; or

(iii) if there are no Class A Bonds or Class B Bonds then outstanding, the sum of (i) the Principal Amount Outstanding of the Subordinated Bonds and (ii) the mark-to-market value of all transactions arising under Cross Currency Hedging Agreements in respect of the Subordinated Bonds to the extent that such value represents an amount which would be payable to the relevant Cross Currency Hedge Counterparties if an early termination date was designated at such time in respect of such transactions.

**12. Enforcement Against Issuer**

No Bondholder, Receiptholder, Couponholder or other Issuer Secured Creditor is entitled to take any action against the Issuer or, in the case of the holders of Wrapped Bonds, against the Relevant Financial Guarantor, or against any assets of the Issuer or any Relevant Financial Guarantor to enforce its rights in respect of the Bonds or to enforce any of the Issuer Security or to enforce any Financial Guarantee unless the Bond Trustee, having become bound so to proceed, fails or neglects to do so within a reasonable period and such failure or neglect is continuing. The Bond Trustee shall, subject to being indemnified and/or secured to its satisfaction against all fees, costs, expenses, liabilities, claims and demands to which it may thereby become liable or which it may incur by so doing, upon being so directed in writing by Issuer Qualifying Creditors together holding or representing 25 per cent. or more of the Issuer Qualifying Debt, enforce the Issuer Security in accordance with the Issuer Deed of Charge.

Neither the Bond Trustee, the Bondholders, the Receiptholders, the Couponholders or the other Issuer Secured Creditors may institute against, or join any person in instituting against, the Issuer any bankruptcy, winding up, re-organisation, arrangement, insolvency or liquidation proceeding (except for the appointment of a Receiver pursuant to the terms of the Issuer Deed of Charge) or other proceeding under any similar law for so long as any Bonds are outstanding or for two years and a day after the latest Maturity Date on which any Bond of any Series is due to mature.

**13. Prescription**

Claims against the Issuer for payment in respect of the Bonds, Receipts or Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within ten years (in the case of principal) or five years (in the case of interest) from the appropriate Bond Relevant Date (as defined in Condition 6(i) (*Definitions*)) in respect thereof.

## 14. Replacement of Bonds, Coupons, Receipts and Talons

If any Bearer Bond, Registered Bond, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws and requirements of the Stock Exchange, at the specified office of the Principal Paying Agent or, as the case may be, the Registrar upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require. Mutilated or defaced Bonds, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

## 15. Meetings of Bondholders, Modification, Waiver and Substitution

(a) ***Meetings of Bondholders, Modifications and Waiver***

The Bond Trust Deed contains provisions for convening meetings of Bondholders of a Sub-Class, Class or Classes to consider matters affecting their interests, including the modification of these Conditions, the Bond Trust Deed and (in the case of Wrapped Bonds) the Financial Guarantees relating to such Wrapped Bonds and any other Issuer Transaction Document to which the Bond Trustee is a party or in relation to which it holds security. Subject to Condition 15(d), any modification may (except in relation to any Ordinary Voting Matter or Extraordinary Voting Matter or matter giving rise to an Entrenched Right (as described in further detail in Condition 15(b) below), SSA Instruction Notice, Emergency SSA Instruction Notice, Intercreditor Instruction Notice, Direction Notice, Enforcement Instruction Notice or Further Enforcement Instruction Notice and subject to the provisions concerning ratification and/or meetings of particular combinations of Sub-Classes of Bonds as set out in Condition 15(c) and the Bond Trust Deed), be made if sanctioned by a resolution passed at a meeting of the Bondholders of the relevant Sub-Class, Class or Classes duly convened and held in accordance with the Bond Trust Deed by a majority of not less than three quarters of the votes cast (an "**Extraordinary Resolution**") of such Bondholders. Such a meeting may be convened by the Bond Trustee or the Issuer, or by the Issuer (failing which the Bond Trustee) upon the request in writing of the Bondholders holding not less than one tenth of the aggregate Principal Amount Outstanding of the relevant outstanding Bonds.

The quorum at any meeting convened to vote on an Extraordinary Resolution will be one or more persons holding or representing not less than 50 per cent. of the aggregate Principal Amount Outstanding of the relevant outstanding Bonds or, at any adjourned meeting, one or more persons being or representing Bondholders, whatever the Principal Amount Outstanding of the relevant outstanding Bonds held or represented, provided however, that certain proposals (the "**Basic Terms Modifications**") in respect of the holders of any particular Sub-Class of Bonds being any proposal:

(i) to change any date fixed for payment of principal or interest in respect of such Sub-Class of Bonds, to reduce the amount of principal or the rate of interest payable on any date in respect of such Sub-Class of Bonds or (other than as specified in Conditions 7 and 8) to alter the method of calculating the amount of any payment in respect of such Sub-Class of Bonds on redemption or maturity;

(ii) other than pursuant to Condition 15(d), to effect the exchange, conversion or substitution of such Sub-Class of Bonds for, or their conversion into shares, bonds or other obligations or securities of the Issuer or any other person or body corporate formed or to be formed;

(iii) to change the currency in which amounts due in respect of such Sub-Class of Bonds are payable other than pursuant to redenomination into euro pursuant to Condition 19;

(iv) having the effect of adversely changing the Issuer Payments Priorities or application thereof in respect of such Sub-Class of Bonds provided that alterations to introduce the Subordinated Bonds will not be deemed to affect any Sub-Class of Class A Bonds or Class B Bonds where "**adversely**" means, in respect of any change to the Issuer Payments Priorities, a change which has the effect of changing the priority of the Issuer Secured Creditors relative to each other provided that the creation of payments which rank subordinate to an Issuer Secured Creditor shall not be an adverse change in respect of an Issuer Secured Creditor;

(v) in relation to any Sub-Class of Wrapped Bonds, to approve the release of the Relevant Financial Guarantee or the substitution of the Relevant Financial Guarantor;

(vi) to change the quorum required at any meeting or the majority required to pass an Extraordinary Resolution; or

(vii) to amend this definition or this Condition,

may be sanctioned only by an Extraordinary Resolution passed at a meeting of Bondholders of the relevant Sub-Class or Sub-Classes of Bonds at which one or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate Principal Amount Outstanding of the outstanding Bonds form a

quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the relevant Bondholders, Receiptholders and Couponholders whether present or not.

In addition, a resolution in writing signed by or on behalf of all Bondholders who for the time being are entitled to receive notice of Bondholder meetings under the Bond Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

A meeting of such Bondholders will also have the power (exercisable by Extraordinary Resolution) to advise or instruct the Bond Trustee in connection with the exercise by the Bond Trustee of any of its rights, powers and discretions under the Issuer Transaction Documents including, to appoint any persons (whether Bondholders or not) as a committee to represent the interests of such Bondholders and to confer upon such committee any powers which such Bondholders could themselves exercise by Extraordinary Resolution and, where requested by the Bond Trustee, in relation to voting or providing directions under or in connection with the STID.

(b) ***Relationship with Borrower Secured Creditors***

*STID Proposals*: The STID provides that in respect of, among other things, Ordinary Voting Matters and Extraordinary Voting Matters, SSA Instruction Notices, Emergency SSA Instruction Notices, Intercreditor Instruction Notices, Direction Notices, Enforcement Instruction Notices and Further Enforcement Instruction Notices (each as defined in the STID) the Most Senior Class of holders of Unwrapped Bonds shall be entitled to instruct the Bond Trustee to vote and (other than following an FG Event of Default in relation to the Relevant Financial Guarantor), each Relevant Financial Guarantor will vote in respect of each Class or Sub-Class of Wrapped Bonds in respect of which it has provided a Financial Guarantee instead of the Issuer.

In respect of any Unwrapped Bonds (or following the occurrence of an FG Event of Default, the relevant Wrapped Bonds), any Bondholder who is a Bondholder of the Most Senior Class of Unwrapped Bonds (or following the occurrence of an FG Event of Default, the relevant Wrapped Bonds) will vote solely by instructing the Bond Trustee to vote on its behalf as its Secured Creditor Representative (as defined in the STID) in connection with the STID Proposal, SSA Instruction Notice, Emergency SSA Instruction Notice, Intercreditor Instruction Notices, Direction Notices, Enforcement Instruction Notice or Further Enforcement Instruction Notice. Voting in connection with such STID Proposal, SSA Instruction Notice, Emergency SSA Instruction Notice, Intercreditor Instruction Notices, Direction Notices, Enforcement Instruction Notice or Further Enforcement Instruction Notice shall be determined on a pound-for-pound basis by reference to the Outstanding Principal Amount owed to each of the relevant Participating QBS Creditors, so that all votes in favour of the proposal and against the proposal from the Participating QBS Creditors, each Relevant Financial Guarantor and the other Participating QBS Creditors who are not Bondholders or Relevant Financial Guarantors are considered on an aggregated basis, irrespective of whether a majority of such holders of Unwrapped Bonds and Relevant Financial Guarantors are in favour of or against the proposal.

For the purpose of voting in connection with a STID Proposal, SSA Instruction Notice, Emergency SSA Instruction Notice, Intercreditor Instruction Notice, Direction Notice, Enforcement Instruction Notice or Further Enforcement Instruction Notice, the Security Group Agent (in the case of a STID Proposal) or, as the case may be, the Borrower Security Trustee shall send a copy of such proposal or request for instructions to the Secured Creditor Representatives of the Issuer. The Bond Trustee shall promptly forward a copy of such notice to the Qualifying Bondholders in accordance with Condition 17 (*Notices*) requesting them to instruct the Bond Trustee how to vote. After obtaining the instruction of the Qualifying Bondholders, the Bond Trustee will vote in relation to the relevant STID Voting Request in accordance with such instructions.

**Irrespective of the result of voting in relation to a proposed STID Proposal in respect of an Ordinary Voting Matter or an Extraordinary Voting Matter or in relation to an SSA Instruction Notice, Emergency SSA Instruction Notice, Intercreditor Instruction Notice, Direction Notice, Enforcement Instruction Notice or Further Enforcement Instruction Notice, any such STID Proposal or decision in respect of an SSA Instruction Notice, Emergency SSA Instruction Notice, Intercreditor Instruction Notice, Direction Notice, Enforcement Instruction Notice or Further Enforcement Instruction Notice approved in accordance with the provisions of the STID shall be binding on all of the Bondholders, Receiptholders and Couponholders.**

If a STID Proposal gives rise to an Entrenched Right whereby the Issuer is an Affected Borrower Secured Creditor, the Bond Trustee shall forthwith, in accordance with the Bond Trust Deed, convene a meeting of (i) the holders of each Class, Sub-Class or Tranche of Unwrapped Bonds, (ii) if an FG Event of Default is continuing in respect of a Financial Guarantor the holders of the relevant Class, Sub-Class or Tranche of Wrapped Bonds, and (iii) in respect of an Entrenched Right which constitutes a Basic Terms Modification, the holders of each Class, Sub-Class or Tranche of Wrapped Bonds then outstanding and affected by such Entrenched Right.

**No STID Proposal that gives rise to an Entrenched Right whereby the Issuer is an Affected Borrower Secured Creditor can be approved, in accordance with the terms of the STID, unless it has previously been approved by an Extraordinary Resolution of the holders of the relevant Classes, Sub-Classes or Tranches of Bonds, or relevant Financial Guarantor, if applicable, affected by the Entrenched Right.**

(c) ***Relationship between Classes***

In relation to each Sub-Class of Bonds:

(i) no Extraordinary Resolution involving a Basic Terms Modification that is passed by the holders of one Sub-Class of Bonds shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each of the other Sub-Classes of Bonds (to the extent that there are Bonds outstanding in each such other Sub-Class); and

(ii) no Extraordinary Resolution to approve any matter other than a Basic Terms Modification of any Sub-Class of Bonds shall be effective unless it is sanctioned by (i) an Extraordinary Resolution of the holders of each of the other Sub-Classes of Bonds ranking equally or senior to such Sub-Class (to the extent that there are Bonds outstanding ranking equally or senior to such Sub-Class) unless the Bond Trustee considers that the interests of the holders of the other Sub-Classes of Bonds ranking equally or senior to such Sub-Class would not be materially prejudiced by the implementation of such Extraordinary Resolution, and for the avoidance of doubt as regards ranking, Class B Bonds are subordinate to the Class A Bonds or (ii), in respect of any Sub-Class of Wrapped Bonds in respect of which no FG Event of Default is continuing in respect of the Relevant Financial Guarantor, the Relevant Financial Guarantor;

(iii) Conditions 15(a) and (b) in respect of meetings are subject to the further provisions of the Bond Trust Deed.

(d) ***Modification, waiver and substitution***

As more fully set out in the Bond Trust Deed and the Issuer Deed of Charge (and subject to the conditions and qualifications therein), the Bond Trustee may, without the consent of the Bondholders of any Sub-Class or (subject as provided below) any other Issuer Secured Creditor, concur with the Issuer or any other relevant parties in making (i) any modification to the Conditions or the Issuer Transaction Documents (subject as provided in the STID in relation to any Common Documents) or other document to which it is a party or in respect of which it holds security if in the opinion of the Bond Trustee such modification is made to correct a manifest error, or an error in respect of which an English court would reasonably be expected to make a rectification order, or is of a formal, minor, administrative or technical nature or (ii) any modification (other than in respect of a Basic Terms Modification) to the Conditions or any Issuer Transaction Document (subject as provided in the STID in relation to any Common Documents) or other document to which it is a party or in respect of which it holds security if the Bond Trustee is of the opinion that such modification is not materially prejudicial to the interests of the Bondholders of the Most Senior Class of Bonds then outstanding provided that to the extent such modification under (ii) above relates to an Issuer Secured Creditor Entrenched Right, each of the affected Issuer Secured Creditors has given its prior written consent.

As more fully set out in the Issuer Deed of Charge (and subject to the conditions and qualifications therein), if the Issuer proposes to issue Subordinated Bonds, the Bond Trustee may, provided that it has received a Ratings Confirmation in relation to the then ratings of the outstanding Bonds, without the consent or sanction of the Bondholders, the Receiptholders or the Couponholders of any Sub-Class or any other Issuer Secured Creditor other than any Relevant Issuer Secured Creditor at any time and from time to time concur with the Issuer and any other relevant parties in making any modifications proposed by the Issuer (other than in respect of a Basic Terms Modification or an Entrenched Right) to (i) the Issuer Payment Priorities set out in the Issuer Deed of Charge and the Issuer Cash Management Agreement and (ii) to the Master Definitions Agreement to give effect to any amendments to or to incorporate any additional defined terms relating to the Subordinated Bonds provided that each of the Relevant Issuer Secured Creditors (if any) has given its prior written consent to such modifications.

The Bond Trustee is authorised to execute and deliver on behalf of each Issuer Secured Creditor other than the Relevant Issuer Secured Creditors all documentation required to implement such modification and such execution by the Bond Trustee shall bind each of the Bondholders, the Receiptholders, the Couponholders and such Issuer Secured Creditors as if (in the case of such Issuer Secured Creditors) such documentation had been duly executed by it.

As more fully set out in the Bond Trust Deed and the Issuer Deed of Charge (and subject to the conditions and qualifications therein), the Bond Trustee may, without the consent of the Bondholders of any Sub-Class or (subject as provided below) any other Issuer Secured Creditor and without prejudice to its rights in respect of any subsequent breach or Bond Event of Default, from time to time, and at any time but only if and in so far as in its opinion the interests of the Bondholders of the Most Senior Class of Bonds then outstanding shall not be materially prejudiced thereby, waive or authorise any breach or proposed breach by the Issuer of any of the covenants or provisions contained

in the Conditions or any Issuer Transaction Document (other than a Common Document) to which it is a party or in respect of which it holds security or determine that any event which would otherwise constitute a Bond Event of Default shall not be treated as such for the purposes of the Bond Trust Deed provided that to the extent such event, matter or thing relates to an Issuer Secured Creditor Entrenched right, each of the affected Issuer Secured Creditors has given its prior written consent and provided further that the Bond Trustee shall not exercise such powers in contravention of any express direction given by Extraordinary Resolution of the holders of the Most Senior Class of Bonds then outstanding or of a request in writing made by holders of not less than 25 per cent. in aggregate of the principal amount of the Most Senior Class of Bonds then outstanding, but no such direction or request shall affect any waiver or authorisation previously given or made or so as to authorise or waive any such proposed breach or breach relating to any Basic Terms Modification.

Any such modification, waiver or authorisation shall be binding on the Bondholders of that Sub-Class, Class or Classes and the holders of all relevant Receipts and Coupons and the other Issuer Secured Creditors and, unless the Bond Trustee agrees otherwise, notice thereof shall be given by the Issuer to the Bondholders of that Sub-Class, Class or Classes as soon as practicable thereafter.

Notwithstanding that none of the Bond Trustee, the Bondholders or the other Issuer Secured Creditors may have any right of recourse against the Rating Agencies in respect of any Ratings Confirmation given by them and relied upon by the Bond Trustee, the Bond Trustee shall be entitled to assume, for the purposes of exercising any power, trust, authority, duty or discretion under or in relation to the Bonds or any Issuer Transaction Document, that such exercise will not be materially prejudicial to the interests of the Bondholders if the Rating Agencies have provided a Ratings Confirmation. Without prejudice to the foregoing, the Bondholders are deemed to agree for the benefit of the Rating Agencies only that a credit rating is, however, an assessment of credit and does not address other matters that may be of relevance to Bondholders. The Bond Trustee and the Bondholders agree and acknowledge that being entitled to rely on the fact that the Rating Agencies have delivered a Ratings Confirmation does not impose or extend any actual or contingent liability for the Rating Agencies to the Bond Trustee, the Bondholders, any other Issuer Secured Creditor or any other person or create any legal relations between the Rating Agencies and the Bond Trustee, the Bondholders, any other Issuer Secured Creditor or any other person whether by way of contract or otherwise.

As more fully set forth in the Bond Trust Deed (and subject to the conditions and qualifications therein), the Bond Trustee may, without the consent of the Bondholders of any Sub-Class or any other Issuer Secured Creditor, also agree with the Issuer, subject, for as long as there are any Wrapped Bonds outstanding, to the prior written consent of each Relevant Financial Guarantor (in respect of which no FG Event of Default is continuing), to the substitution of another corporation in place of the Issuer as principal debtor in respect of the Bond Trust Deed and the Bonds of all Series and subject to the Class A Wrapped Bonds continuing to carry the unconditional guarantee of the Relevant Financial Guarantor.

## 16. Bond Trustee Protections

### (a) *Trustee considerations*

Subject to Condition 16(b) (*Exercise of rights by Bond Trustee*), in connection with the exercise, under these Conditions, the Bond Trust Deed, any Financial Guarantee, any LHR Bond Guarantee or Issuer Transaction Document, of its rights, powers, trusts, authorities and discretions (including any modification, consent, waiver or authorisation), the Bond Trustee shall have regard to the interests of the holders of the Most Senior Class of Bonds then outstanding provided that, if, in the Bond Trustee's opinion, there is a conflict of interest between the holders of two or more Tranches or Sub-Classes of Bonds of the same Class (or, if there are no Class A or Class B Bonds outstanding, the Subordinated Bonds), it shall have regard to the interests of the holders of the Tranche or Sub-Class of such Class (or the Subordinated Bonds, as the case may be) then outstanding with the greatest Principal Amount Outstanding and will not have regard to the consequences of such exercise for the holders of other Tranches or Sub-Classes of Bonds or for individual Bondholders, resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. The Bond Trustee shall not be entitled to require from the Issuer or any Relevant Financial Guarantor, nor shall any Bondholders be entitled to claim from the Issuer, any Relevant Financial Guarantor or the Bond Trustee, any indemnification or other payment in respect of any consequence (including any tax consequence) for individual Bondholders of any such exercise.

### (b) *Exercise of rights by Bond Trustee*

Except as otherwise provided in these Conditions, the STID and the Bond Trust Deed, when exercising any rights, powers, trusts, authorities and discretions relating to or contained in these Conditions or the Bond Trust Deed or any other Issuer Transaction Document (other than in determining or in respect of any Ordinary Voting Matter or Extraordinary Voting Matter relating to the Bonds, in respect of which the relevant Financial Guarantor shall be required to vote in accordance with the STID, or any Basic Terms Modification, which shall require the vote of the relevant Bondholders), which affect or relate to any Class A Wrapped Bonds and/or Class B Wrapped Bonds, the Bond

Trustee shall only act on the instructions of the Relevant Financial Guarantor(s) (provided no FG Event of Default has occurred and is continuing) in accordance with the provisions of the Bond Trust Deed and the Bond Trustee shall not be required to have regard to the interests of the Bondholders in relation to the exercise of such rights, powers, trusts, authorities and discretions and shall have no liability to any Bondholders as a consequence of so acting. As a consequence of being required to act only on the instructions of the Relevant Financial Guarantor(s) in the circumstances referred to in the previous sentence, the Bond Trustee may not, notwithstanding the provisions of these Conditions, be entitled to act on behalf of the holders of any Sub-Classes of Bonds.

Subject as provided in these Conditions and the Bond Trust Deed, the Bond Trustee will exercise its rights under, or in relation to, the Bond Trust Deed, the Conditions, any Financial Guarantee and any Issuer Transaction Documents in accordance with the directions of the relevant Bondholders, but the Bond Trustee shall not be bound as against the Bondholders to take any such action unless it has (i) (a) been so requested in writing by the holders of at least 25 per cent. in nominal amount of the relevant Sub-Classes of Bonds outstanding or (b) been so directed by an Extraordinary Resolution and (ii) been indemnified and/or furnished with security to its satisfaction.

**17. Notices**

Notices to holders of Registered Bonds will be posted to them at their respective addresses in the Register and deemed to have been given on the date of posting. Other notices to Bondholders will be valid if published in a leading daily newspaper having general circulation in London (which is expected to be the Financial Times). The Issuer shall also ensure that all notices are duly published in a manner which complies with the rules and regulations of the Stock Exchange. Any such notice (other than to holders of Registered Bonds as specified above) shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made. Couponholders and Receiptholders will be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Bonds in accordance with this Condition 17.

So long as any Bonds are represented by Global Bonds or Global Bond Certificates, notices in respect of those Bonds may be given only by delivery of the relevant notice to Euroclear Bank S.A./N.V. as operator of the Euroclear System or Clearstream Banking, société anonyme, DTC or any other relevant clearing system as specified in the relevant Final Terms for communication by them to entitled account holders in substitution for publication in a daily newspaper with general circulation in London. Such notices shall be deemed to have been received by the Bondholders on the day of delivery to such clearing systems.

The Bond Trustee will provide each Rating Agency, at its request, from time to time and provided that the Bond Trustee will not contravene any law or regulation in so doing, with all notices, written information and reports that the Bond Trustee makes available to the Bondholders of any Class or Sub-Class except to the extent that such notices, information or reports, contain information confidential to third parties.

**18. Indemnification Of The Bond Trustee**

(a) ***Indemnification of the Bond Trustee***

The Bond Trust Deed contains provisions for indemnification of the Bond Trustee, and for its relief from responsibility, including provisions relieving it from taking any action including taking proceedings against the Issuer, any Relevant Financial Guarantor and/or any other person unless indemnified and/or secured to its satisfaction. The Bond Trustee or any of its affiliates (as defined in Condition 7 (*Indexation*)) are entitled to enter into business transactions with the Issuer, any Relevant Financial Guarantor, the other Issuer Secured Creditors or any of their respective subsidiaries or associated companies without accounting for any profit resulting therefrom. Save as otherwise provided in these Conditions or any Issuer Transaction Document the Bond Trustee will only be required to take any action under or in relation to, or to enforce or protect the Issuer Security, or a document referred to therein, if so directed by an Extraordinary Resolution of the holders of the Most Senior Class of then outstanding Bonds or if so requested in writing by holders of at least 25 per cent. in nominal amount of the holders of the Most Senior Class of then outstanding Bonds (or in respect of the Wrapped Bonds, the relevant Financial Guarantor) and in all cases if indemnified and/or secured to its satisfaction provided that the Bond Trustee has agreed that it is indemnified to its satisfaction in respect of the OFCA Floating Security as described in the Obligor Floating Charge Agreement.

(b) ***Directions, Duties and Liabilities***

The Bond Trustee, in the absence of its own wilful misconduct, gross negligence or fraud, and in all cases when acting as directed by or subject to the agreement of the holders of the Most Senior Class of Unwrapped Bonds and in respect of the Wrapped Bonds, each relevant Financial Guarantor (and following the occurrence of an FG Event of Default which is continuing or, in respect of any direction relating to a Basic Terms Modification, the holders of the most Senior Class of Wrapped Bond, then outstanding) shall not in any way be responsible for any loss, costs, damages or

expenses or other liability, which may result from the exercise or non-exercise of any consent, waiver, power, trust, authority or discretion vested in the Bond Trustee pursuant to the Issuer Deed of Charge or any ancillary document.

**19. European Economic and Monetary Union**

(a) ***Notice of redenomination***

The Issuer may, without the consent of the Bondholders, and on giving at least 30 days' prior notice to the Bondholders, the Relevant Financial Guarantors, the Bond Trustee and the Principal Paying Agent, designate a date (the "**Redenomination Date**"), being an Interest Payment Date under the Bonds falling on or after the date on which the UK becomes a Participating Member State.

(b) ***Redenomination***

Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:

(i) the Bonds of each Sub-Class denominated in sterling (the "**Sterling Bonds**") shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a principal amount for each Bond equal to the principal amount of that Bond in sterling, converted into euro at the rate for conversion of such currency into euro established by the Council of the European Union pursuant to the Treaty establishing the European Union, as amended, (including compliance with rules relating to rounding in accordance with European Community regulations), provided, however, that, if the Issuer determines, with the agreement of the Bond Trustee, that the then current market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Bondholders, the London Stock Exchange and any stock exchange (if any) on which the Bonds are then listed and the Principal Paying Agent of such deemed amendments;

(ii) if Bonds have been issued in definitive form:

(A) all Bonds denominated in sterling will become void with effect from the date (the "**Euro Exchange Date**") on which the Issuer gives notice (the "**Euro Exchange Notice**") to the Bondholders and the Bond Trustee that replacement Bonds denominated in euro are available for exchange (provided that such Bonds are available) and no payments will be made in respect thereof;

(B) the payment obligations contained in all Bonds denominated in sterling will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Bonds in accordance with this Condition 19) shall remain in full force and effect; and

(C) new Bonds denominated in euro will be issued in exchange for Sterling Bonds in such manner as the Principal Paying Agent or the Registrar, as the case may be, may specify and as shall be notified to the Bondholders in the Euro Exchange Notice;

(iii) all payments in respect of the Sterling Bonds (other than, unless the Redenomination Date is on or after such date as sterling ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro by cheque drawn on, or by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Participating Member State; and

(iv) a Bond may only be presented for payment on a day which is a business day in the place of presentation.

(c) ***Interest***

Following redenomination of the Bonds pursuant to this Condition 19:

(i) where Sterling Bonds have been issued in definitive form, the amount of interest due in respect of the Sterling Bonds will be calculated by reference to the aggregate principal amount of the Sterling Bonds presented for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest euro 0.01; and

(ii) the amount of interest payable in respect of each Sub-Class of Sterling Bonds for any Interest Period shall be calculated by applying the Interest Rate applicable to the Sub-Class of Bonds denominated in euro ranking *pari passu* to the relevant Sub-Class.

## 20. Subordinated Bonds

The Issuer shall be at liberty, without the consent of the Bondholders, the Couponholders or the Receiptholders or any other Issuer Secured Creditor, but subject always to the provisions of these Conditions, the Issuer Deed of Charge and the Bond Trust Deed, to raise funds, from time to time, on any date through the creation and issue of subordinated bonds which rank subordinate to the Class A Bonds and the Class B Bonds provided that:

(a) the aggregate principal amount of Subordinated Bonds to be issued on such date is not less than £5,000,000 (or the Equivalent Amount);

(b) Ratings Confirmation is obtained in relation to the then ratings of the Class A Bonds and the Class B Bonds;

(c) the Subordinated Bonds shall not rank, in point of payment or security, ahead of the Subordinated Step-Up Fee Amounts, the Issuer Subordinated Hedge Amounts or the Liquidity Subordinated Amount;

(d) the Bond Trustee has received a legal opinion in form and substance satisfactory to it in relation to the enforceability and the ranking of the obligations of the Issuer under the Subordinated Bonds from a reputable London law firm; and

(e) no Bond Event of Default is outstanding or would occur as a result of such issue.

## 21. Limited Recourse

Each of the Bondholders agrees with the Issuer that notwithstanding any other provision of the Issuer Transaction Documents, all obligations of the Issuer to the Bondholders, including its obligations under the Bonds and the Issuer Transaction Documents, are limited in recourse as set out below:

(a) it will have a claim only in respect of the Issuer Charged Property;

(b) the aggregate amount of all sums due and payable to the Bondholders in respect of the Issuer's obligations to such Bondholders shall reduce by the amount by which the aggregate amount of sums due and payable to the Bondholders exceeds the aggregate amounts received, realised or otherwise recovered by or for the account of the Issuer in respect of the Issuer Charged Property (after payment of any sums which are payable by the Issuer in accordance with the Issuer Payment Priorities in priority to or *pari passu* with sums payable to such Bondholders), whether pursuant to enforcement of the Issuer Security or otherwise; and

(c) upon the Bond Trustee giving written notice to the Bondholders that it has determined in its sole opinion that there is no reasonable likelihood of there being any further realisations in respect of the Issuer Charged Property (whether arising from an enforcement of the Issuer Security or otherwise) which would be available to pay amounts outstanding under the Issuer Transaction Documents and the Bonds, the Bondholders shall have no further claim against the Issuer in respect of any such unpaid amounts and such unpaid amounts shall be discharged in full.

## 22. Miscellaneous

(a) ***Governing Law***

The Bond Trust Deed, the Issuer Deed of Charge, the Bonds, the Coupons, the Receipts, the Talons (if any), each Financial Guarantee (if any) and the other Issuer Transaction Documents are, and all matters arising from or in connection with such documents shall be governed by, and shall be construed in accordance with, English law.

(b) ***Jurisdiction***

The courts of England are to have exclusive jurisdiction to settle any dispute that may arise out of or in connection with the Bond Trust Deed, the Issuer Deed of Charge, the Bonds, the Coupons, the Receipts, the Talons, each Financial Guarantee (if any) and the other Issuer Transaction Documents and accordingly any legal action or proceedings arising out of or in connection with the Bonds, the Coupons, the Receipts, the Talons (if any) the relevant Financial Guarantee (if any) and/or the Finance Documents may be brought in such courts. The Issuer has in each of the Finance Documents to which it is a party irrevocably submitted to the jurisdiction of such courts.

(c) ***Third Party Rights***

No person shall have any right to enforce any term or condition of the Bonds or the Bond Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

(d) ***Rights Against Issuer***

Under the Bond Trust Deed, persons shown in the records of DTC and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to interests in the Bonds will (subject to the terms of the Bond Trust Deed) acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Global Bond or Global Bond Certificate became void, they had been the registered Holders of Bonds in an aggregate principal amount equal to the principal amount of Bonds they were shown as holding in the records of Euroclear, Clearstream, Luxembourg or any other relevant clearing system (as the case may be).

(e) ***Clearing System Accountholders***

References in the Conditions of the Bonds to "**Bondholder**" are references to the bearer of the relevant Global Bond or the person shown in the records of the relevant clearing system as the holder of the Global Bond Certificate.

Each of the persons shown in the records of DTC and/or Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, as the case may be, as being entitled to an interest in a Global Bond or a Global Bond Certificate (each an "**Accountholder**") must look solely to DTC and/or Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer or, in the case of Wrapped Bonds, each Relevant Financial Guarantor, to such Accountholder and in relation to all other rights arising under the Global Bond or Global Bond Certificate. The extent to which, and the manner in which, Accountholders may exercise any rights arising under a Global Bond or Global Bond Certificate will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system (as the case may be) from time to time. For so long as the relevant Bonds are represented by a Global Bond or Global Bond Certificate, Accountholders shall have no claim directly against the Issuer or, in the case of Wrapped Bonds, the Relevant Financial Guarantor in respect of payments due under the Bonds and such obligations of the Issuer and, in the case of Wrapped Bonds, the Relevant Financial Guarantor will be discharged by payment to the bearer of the Global Bond or the registered holder of the Global Bond Certificate, as the case may be.

## FORMS OF THE BONDS

Bonds may, subject to all applicable legal and regulatory requirements, be issued in Series comprising either Bonds in bearer form ("**Bearer Bonds**") or Bonds in registered form ("**Registered Bonds**"), as specified in the relevant Final Terms.

### Bearer Bonds

Each Sub-Class of Bonds initially issued in bearer form will be issued either as a temporary global bond (the "**Temporary Global Bond**"), without Receipts, Coupons or Talons attached, or a permanent global bond (the "**Permanent Global Bond**"), without Receipts, Coupons or Talons attached, in each case as specified in the relevant Final Terms. Each Temporary Global Bond or, as the case may be, Permanent Global Bond (each a "**Global Bond**") will be delivered on or prior to the Issue Date of the relevant Sub-Class of the Bonds to a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other relevant Clearing System on or about the Issue Date of the relevant Sub-Class.

The relevant Final Terms will also specify whether United States Treasury Regulation §1.163-5(c)(2)(i)(C) (the "**TEFRA C Rules**") or United States Treasury Regulation §1.163-5(c)(2)(i)(D) (the "**TEFRA D Rules**") are applicable in relation to the Bonds.

#### *Temporary Global Bond exchangeable for Permanent Global Bond*

If the relevant Final Terms specify the form of Bonds as being represented by "Temporary Global Bond exchangeable for a Permanent Global Bond", then the Bonds will initially be in the form of a Temporary Global Bond which will be exchangeable, in whole or in part, for interests in a Permanent Global Bond, without Receipts, Coupons or Talons attached, not earlier than 40 days after the Issue Date of the relevant Sub-Class of the Bonds upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Bond unless exchange for interests in the Permanent Global Bond is improperly withheld or refused. In addition, payments of interest in respect of the Bonds cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever any interest in a Temporary Global Bond is to be exchanged for an interest in a Permanent Global Bond, the Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Bond, duly authenticated, to the bearer of the Temporary Global Bond or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Bond in accordance with its terms against:

- presentation and (in the case of final exchange) surrender of the Temporary Global Bond at the specified office of the Principal Paying Agent; and
- receipt by the Principal Paying Agent of a certificate or certificates of non-U.S. beneficial ownership issued by Euroclear and/or Clearstream, Luxembourg and/or any other relevant Clearing System,

within seven days of the bearer requesting such exchange.

The principal amount of the Permanent Global Bond shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; provided, however, that in no circumstances shall the principal amount of the Permanent Global Bond exceed the aggregate initial principal amount of the Temporary Global Bond and any Temporary Global Bond representing a fungible Sub-Class of Bonds with the Sub-Class of Bonds represented by the first Temporary Global Bond.

The Permanent Global Bond will be exchangeable in whole, but not in part, for Bonds in definitive form, each a Definitive Bond:

- if Euroclear or Clearstream, Luxembourg or any other relevant Clearing System is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or
- any of the circumstances described in Condition 11(a) (*Bond Events of Default*) occurs.

Whenever the Permanent Global Bond is to be exchanged for Definitive Bonds, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Bonds, duly authenticated and with Receipts, Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Bond to the bearer of the Permanent Global Bond against the surrender of the

Permanent Global Bond at the Specified Office of the Principal Paying Agent within 30 days of the bearer requesting such exchange but not earlier than 40 days after the Issue Date of such Bonds.

***Temporary Global Bond exchangeable for Definitive Bonds***

If the relevant Final Terms specifies the form of Bonds as being "Temporary Global Bond exchangeable for Definitive Bonds" and also specifies that the TEFRA C Rules are applicable or that neither the TEFRA C Rules nor the TEFRA D Rules are applicable, then the Bonds will initially be in the form of a Temporary Global Bond which will be exchangeable, in whole but not in part, for Definitive Bonds not earlier than 40 days after the Issue Date of the relevant Sub-Class of the Bonds.

If the relevant Final Terms specifies the form of Bonds as being "Temporary Global Bond exchangeable for Definitive Bonds" and also specifies that the TEFRA D Rules are applicable, then the Bonds will initially be in the form of a Temporary Global Bond which will be exchangeable, in whole or in part, for Definitive Bonds not earlier than 40 days after the Issue Date of the relevant Sub-Class of the Bonds upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Bonds cannot be collected without such certification of non-U.S. beneficial ownership.

Whenever the Temporary Global Bond is to be exchanged for Definitive Bonds, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Bonds, duly authenticated and with Receipts, Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Temporary Global Bond so exchanged to the bearer of the Temporary Global Bond against the presentation (and in the case of final exchange, surrender) of the Temporary Global Bond at the Specified Office of the Principal Paying Agent within 30 days of the bearer requesting such exchange but not earlier than 40 days after the Issue Date of such Bonds.

***Permanent Global Bond exchangeable for Definitive Bonds***

If the relevant Final Terms specifies the form of Bonds as being "Permanent Global Bond exchangeable for Definitive Bonds" and also specifies that the TEFRA C Rules are applicable or that TEFRA does not apply, then the Bonds will initially be in the form of a Permanent Global Bond which will be exchangeable in whole, but not in part, for Definitive Bonds:

- if Euroclear or Clearstream, Luxembourg or any other relevant Clearing System is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business; or

- any of the circumstances described in Condition 11(a) (*Bond Events of Default*) occurs.

Whenever the Permanent Global Bond is to be exchanged for Definitive Bonds, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Bonds, duly authenticated and with Receipts, Coupons and Talons attached (if so specified in the relevant Final Terms), in an aggregate principal amount equal to the principal amount of the Permanent Global Bond to the bearer of the Permanent Global Bond against the surrender of the Permanent Global Bond at the Specified Office of the Principal Paying Agent within 30 days of the bearer requesting such exchange but not earlier than 40 days after the Issue Date of such Bonds.

In the event that a Global Bond is exchanged for Definitive Bonds, such Definitive Bonds shall be issued in Specified Denominations(s) only. Bondholders who hold Bonds in the relevant Clearing System in amounts that are not integral multiples of a Specified Denomination may need to purchase or sell, on or before the relevant date of exchange, a principal amount of Bonds such that their holding is an integral multiple of a Specified Denomination.

***Conditions applicable to the Bonds***

The Conditions applicable to any Definitive Bond will be endorsed on that Bond and will consist of the Conditions set out under "*Terms and Conditions of the Bonds*" above and the provisions of the relevant Final Terms which complete those Conditions.

The Conditions applicable to any Global Bond will differ from those Conditions which would apply to the Definitive Bond to the extent described under "*Provisions Relating to the Bonds while in Global Form*".

***Legend concerning United States persons***

Global Bonds and Definitive Bonds having a maturity of more than one year and any Receipts, Coupons and Talons appertaining thereto will bear a legend to the following effect unless the relevant Final Terms specifies that the TEFRA C Rules are applicable or that TEFRA does not apply:

> "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code."

The sections referred to in such legend provide that a United States person who holds a Bond, Receipt, Coupon or Talon will generally not be allowed to deduct any loss realised on the sale, exchange or redemption of such Bond, Receipt, Coupon or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

**Registered Bonds**

The Bonds of each Series sold in reliance on Regulation S under the Securities Act, as specified in the relevant Final Terms, will be represented on issue by one or more global certificates of such Class in fully registered form without interest coupons or principal receipts attached (each a "**Regulation S Global Bond Certificate**") which will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg. Beneficial interests in a Regulation S Global Bond Certificate may be held only through Euroclear or Clearstream, Luxembourg or their participants at any time. See "*Book-Entry Clearance Procedure*".

The Bonds of each series sold in reliance on Rule 144A under the Securities Act, as specified in the relevant Final Terms, will be represented on issue by one or more permanent global certificates of such Class, in fully registered form without interest coupons or principal receipts attached (each a "**Rule 144A Global Bond Certificate**") which, in the case of any Rule 144A EC Global Bond Certificates, will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or, in the case of any Rule 144A DTC Global Bond Certificates, will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC. Beneficial interests in a Rule 144A Global Bond Certificate may only be held through Euroclear, Clearstream, Luxembourg (in the case of Rule 144A EC Global Bond Certificates) or DTC (in the case of Rule 144A DTC Global Bond Certificates) or their participants at any time. See "*Book-Entry Clearance Procedure*". Beneficial interests in a Rule 144A Global Bond Certificate may only be held by persons who are QIBs that are QPs, holding their interests for their own account or for the account of one or more QIBs each of which is also a QP. By acquisition of a beneficial interest in a Rule 144A Global Bond Certificate, the purchaser thereof will be deemed to represent, among other things, that it is a QIB that is a QP and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Rule 144A Global Bond Certificate.

The Regulation S Global Bond Certificates and the Rule 144A Global Bond Certificates are referred to herein as "**Global Bond Certificates**". Beneficial interests in Global Bond Certificates will be subject to certain restrictions on transfer set out herein and in the Agency Agreement, and such Global Bond Certificates will bear the applicable legends regarding the restrictions set out in the relevant Subscription Agreement. No beneficial interest in a Regulation S Global Bond Certificate may be transferred to a person who takes delivery in the form of a beneficial interest in a Rule 144A Global Bond Certificate unless (i) a corresponding Rule 144A Global Bond Certificate is also issued in respect of such Sub-Class of Bonds (as stated in the relevant Final Terms), (ii) the transfer is to a person that is both a QIB and a QP, (iii) such transfer is made in reliance on Rule 144A, and (iv) the transferor provides the Registrar with a written certification substantially in the form set out in the Bond Trust Deed. No beneficial interest in the Rule 144A Global Bond Certificates may be transferred to a person who takes delivery in the form of a beneficial interest in a Regulation S Global Bond Certificate unless a corresponding Regulation S Global Bond Certificate is also issued in respect of such Sub-Class of Bonds (as stated in the relevant Final Terms), and in such case only if the transfer is to a person who is neither a U.S. person nor a U.S. resident, and is conducted in an offshore transaction in reliance on Regulation S and the transferor provides the Registrar with a written certification substantially in the form set out in the Bond Trust Deed.

Any beneficial interest in a Regulation S Global Bond Certificate that is transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Bond Certificate, which is possible only if a corresponding Rule 144A Global Bond Certificate is also issued in respect of such Sub-Class of Bonds (as stated in the relevant Final Terms) and subject to the limitation stated in the paragraph above, will upon transfer, cease to be an interest in such Regulation S Global Bond Certificate and become an interest in the Rule 144A Global Bond Certificate, and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in a Rule 144A Global Bond Certificate for as long as it remains such an interest. Any beneficial interest in a Rule 144A Global Bond Certificate that is transferred to a person who takes delivery in the form of an interest in a Regulation S Global Bond Certificate, which is possible only if a corresponding Regulation S Global Bond Certificate is also issued in respect of such Sub-Class of Bonds (as stated in the relevant Final Terms) and subject to the limitation stated in the paragraph above, will upon transfer, cease to be an interest in a Rule 144A Global Bond Certificate and become an interest in the

Regulation S Global Bond Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in a Regulation S Global Bond Certificate for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Bonds, but the Registrar or Transfer Agent may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Except in the limited circumstances described below, owners of beneficial interests in Global Bond Certificates will not be entitled to receive physical delivery of certificated Bonds.

***Exchange for Individual Bond Certificates***

Each Rule 144A Global Bond Certificate will be exchangeable, free of charge to the holder, on or after its Individual Exchange Date (as defined below), in whole but not in part, for certificates in individual bond certificate form ("**Rule 144A Individual Bond Certificates**") and each Regulation S Global Bond Certificate will be exchangeable, free of charge to the holder, on or after its Individual Exchange Date (as defined below), in whole but not in part, for individual bond certificates in fully registered form ("**Regulation S Individual Bond Certificates**" and, together with the Rule 144A Individual Bond Certificates, "**Individual Bond Certificates**"):

- if a Global Bond Certificate is held (directly or indirectly) on behalf of Euroclear and/or Clearstream, Luxembourg or an alternative Clearing System (other than DTC) and any such Clearing System is closed for business for a continuous period of 14 days (other than by reason of legal holidays, statutory or otherwise) or announces that it is permanently to cease business or does in fact do so; or

- if a Global Bond Certificate is held on behalf of DTC and DTC notifies the Issuer that it is no longer willing to discharge properly its responsibilities as depositary with respect to the relevant Global Bond Certificate or DTC ceases to be a "clearing agency" registered under the Exchange Act or is at any time no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice of such ineligibility on the part of DTC; or

- any of the circumstances described in Condition 11(a) (*Bond Events of Default*) occurs.

The Registrar will not register the transfer of, or exchange of interests in, a Global Bond Certificate for Individual Bond Certificates for a period of 15 calendar days ending on the date for any payment of principal or interest in respect of the relevant Class, Sub-Class or Tranche of Bonds.

If only one of the Global Bond Certificates (the "**Exchanged Global Bond Certificate**") becomes exchangeable for Individual Bond Certificates in accordance with the above paragraphs, transfers of Bonds may not take place between, on the one hand, persons holding Individual Bond Certificates issued in exchange for beneficial interests in the Exchanged Global Bond Certificate and on the other hand, persons wishing to purchase beneficial interests in the other Global Bond Certificate.

"**Individual Exchange Date**" means a day falling not less than 30 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar and any Transfer Agent is located.

In such circumstances, the relevant Global Bond Certificate shall be exchanged in full for Individual Bond Certificates and the Issuer will, at the cost of the Issuer (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Individual Bond Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Bondholders. A person having an interest in a Global Bond Certificate must provide the Registrar with (a) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Individual Bond Certificates and (b) in the case of the Rule 144A Global Bond Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a purchaser that the transferor reasonably believes to be a QIB that is a QP. Individual Bond Certificates issued in exchange for a beneficial interest in the Rule 144A Global Bond Certificate shall bear the legends applicable to transfers pursuant to Rule 144A.

***Legends and Transfers***

The holder of an Individual Bond Certificate may transfer the Bonds represented thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or any Transfer Agent,

together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of an Individual Bond Certificate bearing the legend referred to under "*Transfer Restrictions*" or upon specific request for removal of the legend on an Individual Bond Certificate, the Issuer will deliver only Individual Bond Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set out therein are required to ensure compliance with the provisions of the Securities Act and the Investment Company Act. Individual Bond Certificates for each class of Bonds for the Rule 144A Bonds will bear the same legend as the legend for the Rule 144A Global Bond Certificates for such classes set out under "*Transfer Restrictions*". The Rule 144A Individual Bond Certificates may not at any time be held by or on behalf of U.S. persons or U.S. residents that are not QIBs that are QPs. Individual Bond Certificates for each class of Bonds for the Regulation S Bonds will bear the same legend as the legend for the Regulation S Global Bond Certificates for such classes set out under "*Transfer Restrictions*".

**Provisions Relating to the Bonds while in Global Form**

Global Bonds and Global Bond Certificates will contain provisions that apply to the Bonds which they represent, some of which modify the effect of the Conditions of the Bonds as set out in this Prospectus. The following is a summary of certain of those provisions:

- *Meetings*: The holder of a Global Bond or Global Bond Certificate shall be treated as being two persons for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, the holder of a Global Bond or Global Bond Certificate shall be treated as having one vote in respect of each minimum denomination of Bonds for which such Global Bond or Global Bond Certificate may be exchanged.

- *Cancellation*: Cancellation of any Bond represented by a Global Bond or Global Bond Certificate that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the principal amount of the relevant Global Bond or Global Bond Certificate.

- *Notices*: So long as any Bonds are represented by a Global Bond or Global Bond Certificate and such Global Bond or Global Bond Certificate is held on behalf of DTC, Euroclear, Clearstream, Luxembourg or any other relevant Clearing System, notices to the Bondholders may be given, subject always to listing requirements, by delivery of the relevant notice to DTC, Euroclear, Clearstream, Luxembourg or any other relevant Clearing System for communication by it to entitled Accountholders in substitution for publication as provided in the Conditions. Such notices shall be deemed to have been received by the Bondholders on the date of delivery to such clearing systems.

## BOOK-ENTRY CLEARANCE PROCEDURE

*The information set out below has been obtained from the Clearing Systems (as defined herein) and the Issuer believes that such sources are reliable, but prospective investors are advised to make their own enquiries as to such procedures. The Issuer accepts responsibility for the accurate reproduction of such information from information published by the Clearing Systems and so far as the Issuer is aware and is able to ascertain from the information published by the Clearing Systems, no facts have been omitted which would render the reproduced information inaccurate or misleading. In particular, such information is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear or Clearstream, Luxembourg (together, the "**Clearing Systems**") currently in effect and investors wishing to use the facilities of any of the Clearing Systems are therefore advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System.*

**Euroclear, Clearstream, Luxembourg and DTC**

Custodial and depositary links have been established between Euroclear and Clearstream, Luxembourg and DTC to facilitate the initial issue of each Series of the Bonds and cross-market transfers of the Bonds associated with secondary market trading. See "*– Settlement and transfer of Bonds*" below.

**Euroclear and Clearstream, Luxembourg**

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in Global Bonds and Global Bond Certificates directly through Euroclear or Clearstream, Luxembourg if they are accountholders ("**Direct Participants**") or indirectly ("**Indirect Participants**" and together with Direct Participants, "**Participants**") through organisations which are accountholders therein.

**DTC**

DTC has advised the Issuer as follows: "DTC is a limited purpose trust company organised under the laws of the State of New York, a "banking organisation" under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic computerised book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a DTC direct participant, either directly or indirectly."

Investors may hold their interests in a Global Bond Certificate directly through DTC if they are participants ("**Direct Participants**") in the DTC system, or indirectly through organisations which are participants in such system ("**Indirect Participants**" and together with Direct Participants, "**Participants**").

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Bonds (including, without limitation, the presentation of certificates for exchange as described under "*Form of the Bonds – Registered Bonds – Exchange for Individual Bond Certificates*" above) only at the direction of one or more Participants in whose accounts with DTC interests in Global Bond Certificates are credited and only in respect of such portion of the aggregate principal amount of the relevant Global Bond Certificates as to which such Participant or Participants has or have given such direction. However, in the circumstances described under "*Form of the Bonds – Registered Bonds – Exchange for Individual Bond Certificates*" above, DTC will surrender the relevant Rule 144A DTC Global Bond Certificates for exchange for Individual Bond Certificates (which will bear the legend applicable to transfers pursuant to Rule 144A, section 3(c)(7) of the Investment Company Act or Regulation S (as applicable)).

**Book-entry ownership**

***Euroclear and Clearstream, Luxembourg***

Each Global Bond will have an ISIN and a common code and will be deposited with a common depositary on behalf of Euroclear and Clearstream, Luxembourg.

Each Regulation S Global Bond Certificate and Rule 144A EC Global Bond Certificate will have an ISIN and a common code and will be registered in the name of a common depositary on behalf of Euroclear and Clearstream, Luxembourg.

***DTC***

Each Rule 144A DTC Global Bond Certificate will have a CUSIP number, an ISIN and a common code and will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, DTC. The custodian and DTC will electronically record the principal amount of the Bonds held within the DTC system.

**Payments and relationship of participants with Clearing Systems**

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the holder of a Bond represented by a Global Bond or a Global Bond Certificate must look solely to Euroclear, Clearstream, Luxembourg or DTC (as the case may be) for his share of each payment made by the Issuer to the holder of such Global Bond or Global Bond Certificate and in relation to all other rights arising under the Global Bond or Global Bond Certificate, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or DTC (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Bonds represented by a Global Bond or a Global Bond Certificate, the common depositary by whom such Bond is held, or nominee in whose name it is registered, will immediately credit the relevant participants' or accountholders' accounts in the relevant Clearing System with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Bond or Global Bond Certificate (as the case may be) as shown on the records of the relevant Clearing System or its nominee. The Issuer also expects that payments by Direct Participants in any Clearing System to owners of beneficial interests in any Global Bond or Global Bond Certificate held through such Direct Participants in any Clearing System will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Bonds for so long as the Bonds are represented by such Global Bond or Global Bond Certificate and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Bond or Global Bond Certificate in respect of each amount so paid.

**Settlement and transfer of Bonds**

Subject to the rules and procedures of each applicable Clearing System, purchases of Bonds held within a Clearing System must be made by or through Direct Participants, which will receive a credit for such Bonds on the Clearing System's records. The ownership interest of each actual purchaser of each such Bond (the "**Beneficial Owner**") will in turn be recorded on the Direct Participant and Indirect Participant's records. Beneficial Owners will not receive written confirmation from any Clearing System of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which such Beneficial Owner entered into the transaction. Transfers of ownership interests in Bonds held within the Clearing System will be effected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial owners will not receive certificates representing their ownership interests in such Bonds, unless and until interests in any Global Bond or Global Bond Certificate held within a Clearing System are exchanged for Definitive Bonds or Individual Bond Certificates.

No Clearing System has knowledge of the actual Beneficial Owners of the Bonds held within such Clearing System and their records will reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the Clearing Systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Bond or Global Bond Certificate to such persons may be limited. The Clearing Systems can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, so the ability of a person having an interest in a Global Bond or Global Bond Certificate to pledge such interest to persons or entities that do not participate in such Clearing System, or otherwise take actions in respect of such interest, may be affected by a lack of a physical certificate in respect of such interest.

***Trading between Euroclear and/or Clearstream, Luxembourg participants***

Secondary market sales of book-entry interests in the Bonds held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Bonds held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg (subject to the transfer restrictions applicable to the Bonds described in "*Transfer Restrictions*") and will be settled using the procedures applicable to conventional Eurobonds and U.S. dollar denominated bonds.

***Trading between DTC Participants***

Secondary market sales of book-entry interests in the Bonds between DTC participants will occur in the ordinary way in accordance with DTC rules (subject to the transfer restrictions applicable to the Bonds described in "*Transfer Restrictions*") and will be settled using the procedures applicable to United States corporate debt obligations in DTC's same-day funds settlement ("**SDFS**") system in same-day funds, if payment is effected in U.S. dollars, or free of payment, if payment is not effected in U.S. dollars. Where payment is not effected in U.S. dollars, separate payment arrangements outside DTC are required to be made between the DTC Participants.

***Trading between DTC seller and Euroclear/Clearstream, Luxembourg purchaser***

When book-entry interests in Bonds are capable of being transferred (as specified in "*Transfer Restrictions*") from the account of a DTC participant holding a beneficial interest in a Global Bond Certificate to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in that Global Bond Certificate (subject to the certification procedures provided in the Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg participant. On the settlement date, the custodian of the Global Bond Certificate will instruct the Registrar to (i) decrease the amount of Bonds registered in the name of Cede & Co. and evidenced by the relevant Global Bond Certificate and (ii) increase the amount of Bonds registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the relevant Global Bond Certificate. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

***Trading between Euroclear/Clearstream, Luxembourg seller and DTC purchaser***

When book-entry interests in the Bonds are capable of being transferred (as specified in "*Transfer Restrictions*") from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC participant wishing to purchase a beneficial interest in a Global Bond Certificate (subject to the certification procedures provided in the Agency Agreement), the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7.45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the custodian of the Global Bond Certificate who will in turn deliver evidence of such book-entry interests in the Bonds free of payment to the relevant account of the DTC participant and (b) instruct the Registrar to (i) decrease the amount of Bonds registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the relevant Global Bond Certificate and (ii) increase the amount of Bonds registered in the name of Cede & Co. and evidenced by the relevant Global Bond Certificate.

Although DTC, Clearstream, Luxembourg and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in applicable Global Bond Certificates among participants and accountholders of DTC, Clearstream, Luxembourg and Euroclear, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

***Pre-issue trades settlement***

It is expected that delivery of Bonds will be made against payment therefor on each Issue Date, which could be more than three business days following the date of pricing. Under Rule 15c6-1 under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Bonds in the United States on the date of pricing or the next succeeding business days until three days prior to the Issuer Date of a series will be required, by virtue of the fact the Bonds initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any

such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Bonds may be affected by such local settlement practices and purchasers of Bonds who wish to trade Bonds between the date of pricing and the Issue Date should consult their own adviser.

**PRO FORMA FINAL TERMS**

Final Terms dated [●]

Heathrow Funding Limited

Issue of [Sub-Class [–[●]] [Aggregate Nominal Amount of Sub-Class]

[Title of Bonds]

under the Bond Programme

**PART A – CONTRACTUAL TERMS**

[Terms used herein shall be deemed to be defined as such for the purposes of the conditions set forth in the Prospectus dated [●] [and the supplement[s] to it dated [●] [and [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) as amended (which includes the amendments made by Directive 2010/73EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Bonds is only available on the basis of the combination of these Final Terms and the Prospectus [as so supplemented]. [The Prospectus [is] [and [each of] the supplement[s] are] available for viewing at http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.]]

[Terms used herein shall be deemed to be defined as such for the purposes of the conditions set forth in, and extracted from, the Prospectus dated [[14 July 2008] [20 November 2009] [18 March 2011] [16 June 2011] [14 June 2012] [16 October 2013] [16 December 2014]] which are incorporated by reference in the Prospectus dated [●]. This document constitutes the Final Terms of the Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive as amended (which includes the amendments made by Directive 2010/73EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area (the "**Prospectus Directive**") and must be read in conjunction with the Prospectus dated [●] [and the supplement[s] to it dated [●] [and [●]], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive. Full information on the Issuer and the offer of the Bonds is only available on the basis of the combination of these Final Terms and the Prospectus dated [●] [as so supplemented]. [The Prospectus [is] [and [each of] the supplement[s] are] available for viewing at http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html.]

| | | | |
|---|---|---|---|
| 1 | (i) | Issuer | Heathrow Funding Limited |
| | (ii) | Obligors: | Heathrow Airport Limited, Heathrow (SP) Limited, Heathrow (AH) Limited, Heathrow Express Operating Company Limited |
| 2 | (i) | Series Number | [●] |
| | (ii) | Sub-Class Number: | [●] |
| | (iii) | Date on which the Bonds will be considered and form a single series: | [Not Applicable]/[The Bonds shall be consolidated, form a single series and be interchangeable for trading purposes with [●] on [the Issue Date /exchange of the Temporary Global Bond for interests in the Permanent Global Bond, as referred to in paragraph 24 below, which is expected to occur on or about [●]] |
| 3 | Relevant Currency or Currencies: | | [£]/[EUR]/[USD]/[CAD]/[AUD]/[CHF]/[NOK]/[JPY] |
| 4 | Aggregate Nominal Amount of Bonds admitted to trading: | | |
| | (i) | Series: | [●] |
| | (ii) | Tranche: | [●] |
| | (iii) | Sub-Class: | [●] |
| | | | [●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] |
| 5 | (i) | Issue price: | [●] |

| | | | |
|---|---|---|---|
| 6 | (i) | Specified Denominations: | [€100,000 and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Bonds in definitive form will be issued with a denomination above [€199,000].]<br>[$200,000 and integral multiples of [$1,000] in excess thereof up to and including [$399,000]. No Bonds in definitive form will be issued with a denomination above [$399,000].]<br>[£100,000 and integral multiples of [£1,000] in excess thereof up to and including [£199,000]. No Bonds in definitive form will be issued with a denomination above [£199,000].]<br>[[CAD]/[AUD]/[CHF]/[NOK]/[JPY] [●] [and integral multiples of [●] in excess thereof up to and including [●]. No Bonds in definitive form will be issued with a denomination above [●]. |
| | (ii) | Calculation Amount: | [●] |
| 7 | (i) | Issue Date: | [●] |
| | (ii) | Interest Commencement Date (if different from the Issue Date): | [●] |
| 8 | (i) | Scheduled Redemption Date: | [Not applicable]/[●] |
| | (ii) | Maturity Date: | [●] |
| 9 | Instalment Date: | | [Not applicable/[●] |
| 10 | Interest Basis: | | [[●] per cent. Fixed Rate]<br>[[●]] +/- [●] per cent. Floating Rate]<br>[Zero Coupon]<br>[Index Linked Interest] |
| 11 | Redemption/Payment Basis: | | [Redemption at par]<br>[Index Linked Redemption]<br>[Instalment] |
| 12 | Change of Interest or Redemption/Payment Basis: | | [●] |
| 13 | Put/Call Options: | | Issuer Call Option [(further particulars specified below)] |
| 14 | Date [Board] approval for issuance of Bonds obtained: | | [●]/[Not Applicable] |

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

| | | | |
|---|---|---|---|
| 15 | Fixed Rate Bond Provisions: | | [Applicable]/[Not Applicable] |
| | | | [●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear] |
| | (i) | Interest Rate: | [●] |
| | (ii) | Screen Rate Determination: | |
| | | - Relevant Rate: | [●] month [●] [GBP LIBOR/USD LIBOR/EURIBOR/CHF LIBOR/AUD BBSW/CDOR/NIBOR/JPY LIBOR] |
| | | - Interest Determination Date(s): | [●] |
| Date(s): | | | [●] |
| | | - Page | [●] |
| | | - Relevant Time: | [●] |
| | ISDA Determination: | | |
| | | - Floating Rate Option: | [●] |
| | | - Designated Maturity: | [●] |
| | | - Specified Duration | [●] |
| | | - Reset Date: | [●] |
| | (iii) | Step-Up Fixed Fee Rate: | [●] per cent. per annum<br>[●] |
| | (iv) | Interest Determination Date: | [●] in each year [adjusted in accordance with [[●]]/not adjusted] |

| | | | |
|---|---|---|---|
| | (v) | Interest Payment Date(s): | [●] |
| | (vi) | First Interest Payment Date: | [●] |
| | (vii) | [Fixed Coupon Amount[(s)]:] | [[●] per Calculation Amount] |
| | (viii) | Broken Amount(s): | [●] |
| | (ix) | Day Count Fraction: | [Actual/Actual ICMA] [Actual/365 or Actual/Actual] [Actual/365 Fixed] [Actual/360] [30/360 or 360/360 or bond basis] [30E/360 or Eurobond Basis] [Actual/Actual Canadian Compound Method] [Australian Bond Basis] |
| | (x) | Reference Gilt: | [●]/[Not Applicable] |
| | | - [Percentage amount [over]/[under] such Reference Gilt] | [[●]] |
| | (xi) | Comparable German Bund Issue: | [●]/[Not Applicable] |
| | | - [Percentage amount [over]/[under] such Comparable German Bund Issue] | [[●]] |
| | (xii) | Comparable United States Treasury Securities | [●]/[Not Applicable] |
| | | - [Percentage amount [over]/[under] such Comparable United States Treasury Securities] | [[●]] |
| | (xiii) | Fixed Rate Bond denominated in CAD | [●]/[Not Applicable] |
| | | - [Percentage amount [over]/[under] the Government of Canada Yield] | [[●]] |
| | (xiv) | Fixed Rate Bonds denominated in AUD | [●]/[Not Applicable] |
| | | - [Premium on early redemption] | [[●]] |
| | (xiv) | Fixed Rate Bonds denominated in NOK | [●]/[Not Applicable] |
| | | - [Premium on early redemption] | [[●]] |
| 16 | Floating Rate Bond Provisions: | | [Applicable]/[Not Applicable] |
| | (i) | Specified Period(s)/Specified Interest Payment Dates: | [●] |
| | (ii) | Specified Interest Payment Dates | [●] |
| | (iii) | First Interest Payment Date | [●] |
| | (iv) | Business Day Convention: | [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other] |
| | (v) | Business Centre(s): | [●] |
| | (vi) | Manner in which the Rate(s) of Interest is/are to be determined: | [Screen Rate Determination/ISDA Determination] |
| | (vii) | Party responsible for calculating the Rate(s) of Interest, Interest Amount(s) and Redemption Amount (if not the Agent Bank): | [Not applicable/Calculation Agent] |
| | (viii) | Interest Amount | [●]/[Not Applicable] |
| | (ix) | Screen Rate Determination: | |
| | | - Relevant Rate: | [●] month [●] [GBP LIBOR/USD LIBOR/EURIBOR/CHF LIBOR/AUD BBSW/CDOR/NIBOR/JPY LIBOR] |
| | | - Interest Determination Date(s): | [●] |
| | | - Page: | [●] |
| | | - Relevant Time: | [●] |
| | (x) | ISDA Determination: | |
| | | - Floating Rate Option: | [●] |
| | | - Designated Maturity: | [●] |
| | | - Specified Duration: | [●] |
| | | - Reset Date: | [●] |
| | (xi) | Margin(s): | [+/-][●] per cent. per annum |
| | (xii) | Step-Up Floating Fee Rate: | [●] per cent. per annum |
| | (xiii) | Minimum Rate of Interest: | [Not Applicable]/[●] |
| | (xiv) | Maximum Rate of Interest: | [Not Applicable]/[●] |
| | (xv) | Day Count Fraction: | [Actual/Actual ISMA] [Actual/365 or Actual/Actual] [Actual/365 Fixed] [Actual/360] [30/360 or 360/360 |

| | | | |
|---|---|---|---|
| | | | or Bond Basis] [30E/360 or Eurobond Basis] [Actual/Actual Canadian Compound Method] [Australian Bond Basis] |
| | (xvi) | Additional Business Centre(s): | [●] |
| | (xvii) | Relevant Financial Centre: | [●] |
| | (xviii) | Representative Amount: | [●] |
| | (xix) | Reference Banks: | [●] |
| 17 | Zero Coupon Bond Provisions: | | [Applicable]/[Not Applicable] |
| | (i) | Accrual Yield: | [●] per cent. per annum |
| | (ii) | Reference Price: | [●] |
| | (iii) | Any other formula/basis of determining amount payable: | [●]<br>[Condition 8(e)] |
| | (iv) | Day Count Fraction in relation to Early Redemption Amounts and late payment for purposes of Condition 8(i) and the calculation of the Principal Amount Outstanding | [Actual/Actual ISMA] [Actual/365 or Actual/Actual] [Actual/365 Fixed] [Actual/360] [30/360 or 360/360 or Bond Basis] [30E/360 or Eurobond Basis] [Actual/Actual Canadian Compound Method] [Australian Bond Basis] |
| 18 | Indexed Bond Provisions: | | [Applicable]/[Not Applicable] |
| | (i) | Index/Formula: | [UK Retail Price Index]/[HICP] |
| | (ii) | In relation to Bonds which specify UK Retail Price Index as the relevant Index, Paragraph (i) of the definition of "Index Figures". | [Applicable]/[Not Applicable] |
| | (iii) | Interest Rate: | [●] |
| | (iv) | Interest Amount | [●]/[Not Applicable] |
| | (v) | Screen Rate Determination: | |
| | | - Relevant Rate: | [●] month [●] [GBP LIBOR/USD LIBOR/EURIBOR/CHF LIBOR/AUD BBSW/CDOR/NIBOR/JPY LIBOR] |
| | | - Interest Determination Date(s): | [●] |
| Date(s): | | | |
| | | - Page: | [●] |
| | | - Relevant Time: | [●] |
| | ISDA Determination: | | |
| | | - Floating Rate Option: | [●] |
| | | - Designated Maturity: | [●] |
| | | - Specified Duration: | [●] |
| | | - Reset Date: | [●] |
| | (vi) | Step-Up Fixed Fee Rate: | [●] per cent. per annum |
| | (vii) | Party responsible for calculating the Rate(s) of Interest, Interest Amount and Redemption Amount(s) (if not the Agent Bank): | [Not applicable/Calculation Agent] |
| | (viii) | Provisions for determining Coupon in the event of changes in circumstances, disruptions, cessation or fundamental changes to the Index: | [Applicable – Condition 7.1(b) and 7.1(d)]<br>[Applicable – Condition 7.2(b)] |
| | (ix) | Interest or calculation period(s) | [●] |
| | (x) | Interest Payment Dates: | [●] |
| | (xi) | First Interest Payment Date: | [●] |
| | (xii) | Business Day Convention: | [Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] |
| | (xiii) | Business Centre: | [●] |
| | (xiv) | Minimum Indexation Factor: | [Not Applicable]/[●] |
| | (xv) | Maximum Indexation Factor: | [Not Applicable]/[●] |
| | (xvi) | Base Index Figure/Base Index Level: | [●] |
| | (xvii) | Limited Indexation Month(s): | [●] |
| | (xviii) | Reference Gilt: | [●] |
| | (xix) | Day Count Fraction: | [Actual/Actual ISMA] [Actual/365 or Actual/Actual] [Actual/365 Fixed] [Actual/360] [30/360 or 360/360 or Bond Basis] [30E/360 or Eurobond Basis] |

**PROVISIONS RELATING TO REDEMPTION**

| | | |
|---|---|---|
| 19 | Issuer Call Option: | Applicable in accordance with Condition 8(d)<br>Any Interest Payment Date [falling on or after [●] and at a premium of [●] (delete for non-Floating Rate Bonds).] |
| | (i) Optional Redemption Date(s): | |
| | (ii) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s): | [Calculated in accordance with Condition 8(d)] |
| | (iii) If redeemable in part: | |
| | (iv) Minimum Redemption Amount: | [Not Applicable] |
| | (v) Maximum Redemption Amount: | [Not Applicable] |
| | (vi) Notice period (if other than as set out in the Conditions): | [Not Applicable] |
| 20 | Put Option: | [Not Applicable] |
| 21 | Final Redemption Amount of each Bond: | [●][Determined in accordance with Condition 8(d)] |
| | In cases where the Redemption Amount is Index-Linked or other variable-linked: | [[●] per Calculation Amount] [Not Applicable] |
| | (i) Index/Formula/variable: | [U.K. Retail Price Index] [HICP] |
| | (ii) Party responsible for calculating the Final Redemption Amount (if not the [Agent]): | [●] |
| | (iii) Provisions for determining Final Redemption Amount where calculated by reference to Index and/or Formula and/or other variable: | [●] |
| | (iv) Determination Date(s): | [●] |
| | (v) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: | [●] |
| | (vi) Payment Date: | [●] |
| | (vii) Minimum Final Redemption Amount: | [●] per Calculation Amount |
| | (viii) Maximum Final Redemption Amount: | [●] per Calculation Amount |
| 22 | **Early Redemption Amount:** | |
| | Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): | [●] |

**GENERAL PROVISIONS APPLICABLE TO THE BONDS**

| | | |
|---|---|---|
| 23 | **Form of Bonds:** | [Bearer/Registered] |
| | (i) If issued in Bearer form | [Temporary Global Bond exchangeable for a Permanent Global Bond which is exchangeable for Definitive Bonds in the limited circumstances specified in the Permanent Global Bond (TEFRA C Rules apply).]<br>[Temporary Global Bond exchangeable for a Permanent Global Bond which is exchangeable for Definitive Bonds in the limited circumstances specified in the Permanent Global Bond (TEFRA D Rules apply).]<br>[Temporary Global Bond exchangeable for a Permanent Global Bond which is exchangeable for Definitive Bonds in the limited circumstances specified in the Permanent Global Bond (Neither TEFRA C Rules nor TEFRA D Rules apply).]<br>[Temporary Global Bond exchangeable for Definitive Bonds in limited circumstances (TEFRA C Rules apply).]<br>[Temporary Global Bond exchangeable for Definitive |

| | | | |
|---|---|---|---|
| | | | Bonds in limited circumstances (TEFRA D Rules apply).]<br>[Temporary Global Bond exchangeable for Definitive Bonds in limited circumstances (Neither TEFRA C Rules nor TEFRA D Rules apply).]<br>[Permanent Global Bond exchangeable for Definitive Bonds in the limited circumstances specified in the Permanent Global Bond (TEFRA C Rules apply).]<br>[Permanent Global Bond exchangeable for Definitive Bonds in the limited circumstances specified in the Permanent Global Bond (TEFRA D Rules apply).]<br>[Permanent Global Bond exchangeable for Definitive Bonds in the limited circumstances specified in the Permanent Global Bond (Neither TEFRA C Rules nor TEFRA D Rules apply).] |
| | (ii) | If Registered Bonds: | [Regulation S Global Bond Certificate registered in the name of a common depositary for Euroclear and Clearstream, Luxembourg][Rule 144A Global Bond Certificate registered in the name of [a nominee for DTC]/[a common depositary for Euroclear and Clearstream, Luxembourg]] exchangeable for Individual Bond Certificates in the circumstances described in such [Regulation S Global Bond Certificate]/[Rule 144A Global Bond Certificate] |
| 24 | | New Global Note: | [Yes]/[No] |
| 25 | | Relevant Financial Centre(s): | [Not applicable]/[●] |
| 26 | | Talons for future Coupons or Receipts to be attached to Definitive Bonds (and dates on which such Talons mature): | [Yes]/[No] |
| 27 | | Details relating to Instalment Bonds: | [Not Applicable]/[●] |
| | (i) | Instalment Date: | [●] |
| | (ii) | Instalment Amount: | [●] |

**THIRD PARTY INFORMATION**

[[●] has been extracted from [●]. The Issuer and each Obligor confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by [●], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By:

Duly authorised

Signed on behalf of Heathrow Airport Limited:

By:

Duly authorised

Signed on behalf of Heathrow Express Operating Company Limited:

By:

Duly authorised

Signed on behalf of Heathrow (SP) Limited:

By:

Duly authorised

Signed on behalf of Heathrow (AH) Limited:

By:

Duly authorised

## PART B – OTHER INFORMATION

**1 Listing**

| | | |
|---|---|---|
| (i) | Listing | London |
| (ii) | Admission to trading: | Application [has been]/[is expected to be] made by the Issuer (or on its behalf) for the Bonds to be admitted to trading on the London Stock Exchange's regulated market and listing on the Official List of the UK Listing Authority with effect from [●]. |
| (iii) | Estimate of total expenses related to admission to trading: | [●] |

**2 Ratings** The Bonds to be issued have been rated:
[S&P: [●]]
[Fitch: [●]]

**3 [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]**

[●]/[Save as discussed in "*Subscription and Sale*"], so far as the Issuer is aware, no person involved in the offer of the Bonds has an interest material to the offer.]

**4 REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

| | | |
|---|---|---|
| (i) | [Reasons for the offer: | [●] |
| (ii) | [Estimated net proceeds: | [●] |
| (iii) | [Estimated total expenses: | [●] |

**5 [Fixed Rate Bonds only – YIELD**

Indication of yield: [●]

**6 [PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING THE UNDERLYING**

| | | |
|---|---|---|
| (i) | Name of underlying index: | [U.K. Retail Price Index (RPI) (all items) published by the Office of National Statistics]/ [non-revised Harmonised Index of Consumer Prices (HICP) (all items excluding tobacco), published by Eurostat] |
| (ii) | Information about the Index, its volatility and past and future performance can be obtained from: | Information on [RPI]/[HICP] can be found at [www.statistics.gov.uk] / [www.epp.eurostat.ec.europa.eu] |

**7 OPERATIONAL INFORMATION**

| | |
|---|---|
| Any clearing system(s) other than DTC, Euroclear Bank S.A./N.V. and Clearstream Banking Société Anonyme and the relevant identification number(s): | [Not Applicable]/[●] |
| Delivery: | Delivery [against/free of] payment |
| Names and addresses of additional Paying Agent(s) (if any): | [●] |
| ISIN Code: | Regulation S [●] Rule 144A [●] |
| Common Code: | Regulation S [●] Rule 144A [●] |
| CUSIP: | Rule 144A [●] |

## DESCRIPTION OF HEDGE COUNTERPARTIES

***Abbey National Treasury Services plc*** (***ANTS***). ANTS is incorporated in England and Wales with registration number 2338548 and acts through its office at 2 Triton Square, Regent's Place, London, NW1 3AN. ANTS is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. ANTS is a direct wholly-owned subsidiary of Santander UK plc, which has given a full and unconditional guarantee in respect of the liabilities of ANTS incurred prior to 30 June 2015. ANTS has given a reciprocal guarantee in respect of the liabilities of Santander UK plc.

***Bank of America, N.A.(BoA).*** is a national banking association organized under the laws of the United States, with its principal executive offices located in Charlotte, North Carolina. The Bank is a wholly-owned indirect subsidiary of Bank of America Corporation and is engaged in a general consumer banking, commercial banking and trust business, offering a wide range of commercial, corporate, international, financial market, retail and fiduciary banking services.

***Barclays Bank PLC (Barclays).*** Barclays is a public limited company registered in England and Wales. It has its registered head office at 1 Churchill Place, London, E14 5HP. Barclays Bank PLC and its subsidiary undertakings constitute a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services.

***The BNP Paribas Group (BNP).*** BNP, of which BNP Paribas is the parent company, has one of the largest international banking networks, a presence in 75 countries and more than 185,000 employees. BNP Paribas' principal activities are Retail Banking & Services (Domestic Markets and International Financial Services) and Corporate & Institutional Banking. Its registered office is at 16 boulevard des Italiens, 75009 Paris, France.

***Caja de Ahorros y Monte de Piedad de Madrid (Caja Madrid Group).*** Caja Madrid Group is the fourth largest financial group in the Spanish market. The Caja Madrid Group offers a comprehensive range of products and services in retail, investment and private banking in all industry segments: families, small and medium-sized businesses, large corporations and public and private institutions. The group conducts its activity through parent entity Caja Madrid and a series of subsidiary companies, held directly or via Corporación Financiera Caja Madrid, engaging in different areas of the financial business. Its registered office is at Plaza de Celenque no. 2, 28013, Madrid, Spain. Authorised by the Spanish Central Bank (Banco de España), with finance company code 2038.

***Canadian Imperial Bank of Commerce (CIBC).*** CIBC, acting through its London branch, is a Canadian bank chartered under the Bank Act (Canada) and registered in the UK under branch number BR 000397 at 150 Cheapside London EC2V 6ET. CIBC has over 40,000 employees and provides investment banking, retail and wealth management services across the globe.

***Citibank Europe plc, UK Branch*** was incorporated in Ireland on 9 June 1988 under registration number 132781, is a public company limited by shares and is authorised by the Central Bank of Ireland as a credit institution. Citibank Europe plc, is an indirect wholly-owned subsidiary of Citigroup Inc, a Delaware holding company.

Citibank Europe plc, UK branch was registered as a branch in the UK. The principal offices of the UK branch of Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB. Citibank Europe plc, UK branch is authorised by the Central Bank of Ireland and by the Prudential Regulation Authority and subject to regulation by the Central bank of Ireland, and limited regulation by the Financial Conduct Authority and the Prudential Regulation Authority. The obligations of Citibank Europe plc, UK branch under any Hedging Agreement will not be guaranteed by Citigroup or by any other affiliate.

***Citibank N.A., London Branch*** was originally organised on 16 June 1812, and now is a national banking association organised under the National Bank Act of 1864 of the United States. Citibank, N.A. is an indirect wholly-owned subsidiary of Citigroup Inc. ("Citigroup"), a Delaware holding company.

Citibank, N.A., London Branch was registered in the UK as a foreign company in July 1920. The principal offices of the London Branch are located at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, England. Citibank, N.A., London Branch is authorised by the Prudential Regulation Authority and subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority as a fully authorised commercial banking institution offering a wide range of corporate banking products conducted from its UK office. The obligations of Citibank, N.A., London Branch under any Hedging Agreement will not be guaranteed by Citigroup or by any other affiliate.

***Commonwealth Bank of Australia (CBA).*** CBA is incorporated in Australia with limited liability ABN 48 123 123 124. Registered in England No. BR250. Authorised and regulated by the Australian Prudential Regulation Authority. Authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and

limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request.

***Crédit Agricole Corporate and Investment Bank (Crédit Agricole CIB*).** Crédit Agricole CIB is the Crédit Agricole group's corporate and investment banking subsidiary. Crédit Agricole Corporate and Investment Bank is a company with limited liability whose registered office is 9 quai du Président Paul Doumer, 92920 Paris la Défense Cedex (France). Crédit Agricole Corporate and Investment Bank is a finance company authorised and supervised by the French Autorité de Contrôle Prudentiel et de Résolution and Autorité des Marchés Financiers.

***Credit Suisse International (CSI)*** was incorporated in England and Wales under the Companies Act 1985, on 9 May 1990, with registered no. 2500199 and was re-registered as an unlimited company under the name "Credit Suisse Financial Products" on 6 July 1990, and was renamed "Credit Suisse First Boston International" on 27 March 2000 and "Credit Suisse International" on 16 January 2006. CSI, a UK domiciled bank established under English law, is an indirect wholly owned subsidiary of Credit Suisse Group AG. CSI's registered head office is in London and is located at One Cabot Square, London E14 4QJ and its telephone number is +44 (0)20 7888 8888. CSI is regulated as an EU credit institution by the FCA and the PRA. The PRA has issued a scope of permission notice authorising the Issuer to carry out specified regulated investment activities.

CSI commenced business on 16 July 1990. Its principal business is banking, including the trading of derivative products linked to interest rates, foreign exchange, equities, commodities and credit. The primary objective of CSI is to provide comprehensive treasury and risk management derivative product services. CSI has established a significant presence in global derivative markets through offering a full range of derivative products and continues to develop new products in response to the needs of its customers and changes in underlying markets.

***Deutsche Bank AG, London Branch***. Deutsche Bank AG is a banking institution and a stock corporation incorporated under the laws of Germany under registration number HRB 30 000, with its registered office in Frankfurt am Main, Germany, and its head office at Taunusanlage 12, 60325 Frankfurt am Main, Germany. Deutsche Bank AG operates in the United Kingdom under branch registration number BR000005, acting through its London Branch at Winchester House, 1 Great Winchester Street, London, EC2N 2DB. Deutsche Bank is the parent company of a group consisting of banks, capital market companies, fund management companies, property finance companies, installment financing companies, research and consultancy companies and other domestic and foreign companies.

***HSBC Bank plc.*** HSBC Bank plc and its subsidiaries form a UK-based group providing a comprehensive range of banking and related financial services. HSBC Bank plc is a wholly owned subsidiary undertaking of HSBC Holdings plc, whose group head office is at 8 Canada Square, London E14 5HQ. HSBC Bank plc is regulated pursuant to the Financial Services and Markets Act 2000 and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. HSBC Bank plc's principal place of business in the UK is 8 Canada Square, London E14 5HQ.

***J.P. Morgan Securities plc.*** J.P. Morgan Securities plc is an EU credit institution incorporated in England and Wales and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Its registered office is 25 Bank Street, Canary Wharf, London E14 5JP. Its immediate parent undertaking is J.P. Morgan Chase International Holdings, incorporated in England and Wales and its ultimate parent undertaking is JPMorgan Chase & Co., a Delaware corporation. The obligations of J.P. Morgan Securities plc are guaranteed by JPMorgan Chase Bank, National Association pursuant to a guarantee dated 23 March 2007.

***Lloyds Bank plc (Lloyds).*** Lloyds, formerly Lloyds TSB Bank plc, is a wholly owned subsidiary of Lloyds Banking Group plc, a leading UK based financial services group providing a wide range of banking and financial services, primarily in the UK, to personal and corporate customers. The main business activities are retail, commercial and corporate banking, general insurance and life, pensions and investment provision. Lloyds Bank plc was incorporated in England and Wales on 20 April 1865 (registration number 2065) and its registered office is at 25 Gresham Street, London EC2V 7HN, UK.

***Merrill Lynch International Bank Limited (Merrill Lynch).*** Merrill Lynch is a private limited company incorporated in Ireland with company registration number 229165 and is registered as a licensed bank pursuant to section 9 Central Bank Act 1971. The registered office of Merrill Lynch International Bank Limited is Central Park, Leopardstown, Dublin 18. Merrill Lynch International Bank Limited is regulated by the Central Bank of Ireland. The main activities of Merrill Lynch International Bank Limited are as principal for debt derivatives and foreign exchange transactions; advisory, lending, loan trading, institutional sales activity, collateralized lending, letters of credit, guarantees and accepts deposits from its clients.

***Morgan Stanley & Co. International plc*** (***Morgan Stanley***). Morgan Stanley is an indirect wholly-owned subsidiary of Morgan Stanley and a registered U.K. broker-dealer. It was incorporated in England in 1986 and its registered address is 25 Cabot Square, Canary Wharf, London, E14 4QA. Its principal activity is the provision of financial services to

corporations, governments, financial institutions and individual investors. It is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom.

***National Australia Bank Limited (NAB).*** NAB is registered in the State of Victoria with Australian Business Number 12 004 044 937. NAB was incorporated on 23 June 1893. NAB is a public limited company incorporated in the Commonwealth of Australia and it operates under Australian legislation including the Corporations Act 2001 of Australia. Its registered office is Level 1, 800 Bourke Street, Docklands, Victoria 3008, Australia (telephone number +61 3 8872 2461). NAB and its controlled entities ("**NAB Group**") is an international financial services group, providing a comprehensive and integrated range of financial products and services, with over 12 million customers and approximately 42,000 employees, operating more than 1,500 branches and banking centres globally.

***Nomura International plc (NIP).*** NIP is the London based securities broker/dealer operating company within the Nomura Group headed by Nomura Holdings, Inc. NIP's activities include: trading and sales in fixed income and equity products, including related derivatives; investment banking services; asset and principal finance business; and corporate finance and private equity. Its registered office is 1 Angel Lane, London EC4R 3AB.

***Royal Bank of Canada (RBC)*** is a Schedule I bank under the Bank Act (Canada), which constitutes its charter and governs its operations. RBC's corporate headquarters are located at Royal Bank Plaza, 200 Bay Street, Toronto, Ontario M5J 2J5, Canada, and its head office is located at 1 Place Ville Marie, Montreal, Quebec H3C 3A9, Canada. RBC is Canada's largest bank, and one of the largest banks in the world, based on market capitalization.
RBC is one of North America's leading diversified financial services companies and provides personal and commercial banking, wealth management, insurance, investor services and capital markets products and services on a global basis. RBC and its subsidiaries employ approximately 78,000 full- and part-time employees who serve more than 16 million personal, business, public sector and institutional clients through offices in Canada, the U.S. and 37 other countries.

**The Royal Bank of Scotland Group plc (*RBS Group*)** is the holding company for a UK based financial services group. Headquartered in Edinburgh with its registered office at 36 St Andrew Square, Edinburgh, EH2 2YB, the RBS Group provides a wide range of products and services to personal, commercial and large corporate and institutional customers through its two main subsidiaries; The Royal Bank of Scotland plc and National Westminster Bank Plc as well as through a number of other well-known brands such as Ulster Bank, Coutts and Adam.***The Bank of Nova Scotia***. The Bank of Nova Scotia was granted a charter under the laws of the Province of Nova Scotia in 1832 and commenced operations in Halifax, Nova Scotia in that year. Since 1871, The Bank of Nova Scotia has been a chartered bank under the Bank Act (Canada) (the "Bank Act"). The Bank of Nova Scotia is a Schedule 1 bank under the Bank Act and the Bank Act is its charter. The head office of The Bank of Nova Scotia is located at 1709 Hollis Street, Halifax, Nova Scotia, B3J 3B7 and its executive offices are at Scotia Plaza, 44 King Street West, Toronto, Ontario, M5H 1H1. A copy of The Bank of Nova Scotia's by-laws is available on www.sedar.com. The Bank of Nova Scotia is Canada's international bank and a leading financial services provider in North America, Latin America, the Caribbean and Central America, and parts of Asia. The Bank of Nova Scotia is dedicated to helping our 23 million customers become better off through a broad range of advice, products and services, including personal and commercial banking, wealth management and private banking, corporate and investment banking, and capital markets. With a team of approximately 90,000 employees and assets of C$856 billion (as at October 31, 2015), Scotiabank trades on the Toronto (TSX: BNS) and New York Exchanges (NYSE: BNS).

***The Toronto-Dominion Bank (TDB).*** TDB, collectively with its subsidiaries known as TD Bank Group, is a Canadian chartered bank subject to the provisions of the Bank Act and was formed through the amalgamation on February 1, 1955 of The Bank of Toronto (chartered in 1855) and The Dominion Bank (chartered in 1869).TDB's registered office is at 66 Wellington Street West, TD Bank Tower, Toronto-Dominion Centre, Toronto, Ontario, M5K 1A2, Canada. The telephone number of the Bank is (+1 416) 982-8222. TD Bank Group is the sixth largest bank in North America by branches and serves more than 24 million customers in three key businesses operating in a number of locations in financial centres around the globe: Canadian Retail, U.S. Retail, and Wholesale Banking. TD Bank Group also ranks among the world's leading online financial services firms with approximately 10 million active online and mobile customers.

***UBS AG, London Branch (UBS).*** UBS, a company incorporated with limited liability in Switzerland on 28 February 1978 registered at the Commercial Registry Office of the Canton of Zurich and the Commercial Registry Office of the Canton of Basel-City with Identification No: CH-270.3.004.646-4 having its registered offices at Bahnhofstrasse 45, 8001 Zurich and Aeschenvorstadt 1, 4051 Basel, Switzerland and having established in the UK a branch office situated at 1 Finsbury Avenue, London EC2M 2PP registered at Companies House, Cardiff, as a UK Establishment pursuant to Part 34 (Sections 1044 to 1052) of the Companies Act 2006 and the Overseas Companies Regulations 2009 SI 2009/1801 (being successor legislation to Schedule 21A to the Companies Act 1985 under which that branch office was originally registered on 16 June 1998) with Company No: FC021146 and UK Establishment (formerly referred to as Branch) No: BR004507 ('UBS AG London Branch') acting through, and by, UBS AG London Branch.

## TAX CONSIDERATIONS

### UNITED KINGDOM TAXATION

**The following is a summary of the UK withholding taxation treatment in relation to payments of interest and certain types of principal in respect of the Bonds based on current law and published practice in the UK as at the date of this Prospectus. The comments do not purport to be a complete analysis of all tax considerations relating to the Bonds, and do not deal with other UK tax aspects of acquiring, holding or disposing of the Bonds. The comments relate only to the position of persons who are absolute beneficial owners of the Bonds. The summary set out below is a general guide and should be treated with appropriate caution. Prospective purchasers who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK should consult their professional advisors. In particular, Bondholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Bonds even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the UK.**

***UK Withholding Tax on UK source interest***

The Bonds issued by the Issuer will constitute "quoted Eurobonds" within the meaning of section 987 of the Income Tax Act 2007 provided they carry a right to interest and they are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The London Stock Exchange has been designated as a recognised stock exchange for these purposes. The Bonds will be treated as listed on the London Stock Exchange if they are admitted to the Official List of the UK Listing Authority and are admitted to trading on the London Stock Exchange. While the Bonds are and continue to be quoted Eurobonds, payments of interest on the Bonds may be made without withholding or deduction for or on account of UK income tax.

In cases falling outside the exemption described above, interest on the Bonds will be paid under deduction of UK income tax at the basic rate (currently 20 per cent.) subject to such relief as may be available under the provisions of any applicable double taxation treaty or, in certain circumstances, where an exemption for payments between certain UK companies, non-UK companies carrying on a trade in the UK through a permanent establishment, and partnerships contained in section 930 of the Income Tax Act 2007 applies.

However, this withholding will not apply if the relevant interest is paid on Bonds with a maturity of less than one year from the date of issue and which are not issued under arrangements the intention of which is to render such Bonds part of a borrowing with a total term of a year or more.

If UK withholding tax is imposed, then neither the Issuer nor any Paying Agent nor any other person will pay additional amounts in respect of the Bonds.

***Payments by each Relevant Financial Guarantor under the Financial Guarantees***

Depending on the correct legal analysis of payments made by any Relevant Financial Guarantor as a matter of UK tax law, it is possible that payments by such Relevant Financial Guarantor would be subject to withholding on account of UK tax, subject to any claim which could be made under applicable double tax treaties and except that any withholding would be disapplied in respect of payments to recipients who such Relevant Financial Guarantor reasonably believes are either a UK resident company or a non resident company carrying on a trade through a permanent establishment which is within the charge to corporation tax, or fall within various categories enjoying a special tax status (including charities and pension funds), or are partnerships consisting of such persons (unless HM Revenue & Customs direct otherwise).

***Other Rules relating to UK Withholding Tax***

Bonds may be issued at an issue price of less than 100 per cent. of their principal amount. Any discount element on any such Bonds will not be subject to any UK withholding tax pursuant to the provisions mentioned in "*– UK Withholding Tax on UK source interest*" above.

Where Bonds are issued with a redemption premium, as opposed to being issued at a discount, then any element of such premium may constitute a payment of interest. Payments of interest are subject to UK withholding tax and reporting requirements as outlined above.

Where interest has been paid under deduction of UK income tax, Bondholders who are not resident in the UK may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.

The references to "interest" above mean "interest" as understood in UK tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Bonds or any related documentation.

The above description of the UK withholding tax position assumes that there will be no substitution of the Issuer pursuant to Condition 15(d) (*Modification, Waiver and Substitution*) of the Bonds and does not consider the tax consequences of any such substitution.

**JERSEY TAXATION**

The following summary of Jersey taxation law in relation to the holding, sale or other disposition of Bonds by holders of Bonds (other than Jersey residents) and the payment of interest in respect of the Bonds to holders of Bonds (other than residents of Jersey) is based on Jersey taxation law as it is understood to apply at the date of this Prospectus. It does not constitute legal or tax advice. Holders of Bonds should consult their professional advisers on the implications of acquiring, buying, holding, selling or otherwise disposing of Bonds under the laws of the jurisdictions in which they may be liable to taxation. Holders of Bonds should be aware that tax laws, rules and practice and their interpretation may change.

Under the Income Tax (Jersey) Law 1961 (the "**Jersey Income Tax Law**"), the Issuer will be regarded as not resident in Jersey under Article 123(1) of the Jersey Income Tax Law provided that (and for so long as) it satisfies the conditions set out in that provision in which case the Issuer will not (except as noted below) be liable to Jersey income tax.

If the Issuer derives any income from the ownership or disposal of land in Jersey, such income will be subject to tax at the rate of 20%. It is not expected that the Issuer will derive any such income.

The Issuer will be able to pay interest in respect of the Bonds without any withholding or deduction for or on account of Jersey tax. Holders of any Bonds issued by the Issuer (other than residents of Jersey) will not be subject to any Jersey tax in respect of the holding, sale or other disposition of such Bonds.

***Goods and Services Tax***

The Issuer is an "international services entity" for the purposes of the Goods and Services Tax (Jersey) Law 2007 (the "**GST Law**"). Consequently, the Issuer is not required to:

(a) register as a taxable person pursuant to the GST Law;

(b) charge goods and services tax in Jersey in respect of any supply made by it; or

(c) (subject to limited exceptions that are not expected to apply to the Issuer) pay goods and services tax in Jersey in respect of any supply made to it.

***Jersey and European Union Directive on the Taxation of Savings Income***

A paying agent established in Jersey that makes interest payments (as defined in the Taxation (Agreements with European Union Member States) (Jersey) Regulations 2005 (the "**Regulations**")) to an individual beneficial owner resident in an EU Member State that is a contracting party (as defined in the Regulations) is obliged to communicate details of such payments to the Comptroller of Taxes in Jersey who will pass on such details to the tax authorities of the EU Member State in which the beneficial owner is resident.

The system of automatic exchange of information regarding interest payments is implemented in Jersey by means of bilateral agreements with each of the EU Member States, the Regulations and Guidance Notes issued by the States of Jersey. Based on the bilateral agreements and what is understood to be the current practice of the Jersey tax authorities, providing the Issuer does not appoint a paying agent established in Jersey to make payments to any individual holder of Bonds, neither the Issuer nor any paying agent appointed by it in Jersey is obliged to communicate information to the Comptroller of Taxes in Jersey under these provisions in respect of such payments.

***Stamp Duty***

Stamp duty of up to 0.75 per cent. is payable on the grant of probate or letters of administration in Jersey in respect of a deceased natural person (i) who died domiciled in Jersey, on the value of the entire estate (including any Bonds or interests therein) and (ii) otherwise, on the value of so much of the estate (including any Bonds or interests therein) if any, as is situate in Jersey.

## UNITED STATES TAXATION

The following discussion is a summary based upon present law of certain U.S. federal income tax considerations for prospective purchasers of Registered Bonds. This discussion addresses only U.S. Holders (as defined below) purchasing Registered Bonds in an original offering at the original offering price that will hold Registered Bonds as capital assets and use the U.S. dollar as their functional currency. This discussion is a general summary. It is not a substitute for tax advice. This discussion does not address the tax treatment of prospective purchasers subject to special rules, such as financial institutions, insurance companies, tax-exempt entities, dealers in securities or foreign currencies, traders in securities that elect to mark-to-market, prospective purchasers liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, persons holding 10 per cent. or more of the Bonds of a particular Series or persons holding the Bonds as part of a hedge, straddle, conversion, or other integrated financial transaction. This summary does not address the tax laws of any state, local or foreign government and does not address U.S. federal taxes other than income tax (such as estate or gift tax). This summary does not address the U.S. federal income tax consequences to prospective purchasers of Bearer Bonds or Subordinated Bonds, therefore, the term Bonds, as used throughout this summary, refers to Registered Bonds other than Subordinated Bonds.

For the purposes of this discussion, a "**U.S. Holder**" means a beneficial owner of Registered Bonds that is (i) a citizen or individual resident of the United States for U.S. federal income tax purposes, (ii) a corporation organised in or under the laws of the United States or its political subdivisions, (iii) a trust subject to the control of a U.S. person and the primary supervision of a U.S. court or (iv) an estate the income of which is subject to U.S. federal income taxation regardless of its source.

The U.S. federal income tax treatment of a partner in a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) that holds Bonds generally will depend on the status of the partner and the activities of the partnership. Partners of a partnership holding Bonds are urged to consult their own tax advisers regarding the specific tax consequences to them of the partnership purchasing, owning and disposing of such Bonds.

### *Characterisation of Bonds*

The Issuer expects that the Bonds generally should be characterised as debt for U.S. federal income tax purposes. The tax characterisation of Bonds in any particular Series will depend, however, on the Final Terms of the Series. Assuming that the Bonds are characterised as debt for U.S. federal income tax purposes, the Bonds should be treated as obligations of Heathrow (SP) Limited for such purposes because the Issuer has elected to be treated as an entity disregarded from its sole shareholder, Heathrow (SP) Limited, for such purposes.

Although the proper characterisation of the Bonds for U.S. federal income tax purposes is not entirely free from doubt, the Issuer and Heathrow (SP) Limited intend to treat the Bonds as indebtedness for such purposes. This characterisation is binding on all U.S. Holders unless the holder discloses on its own U.S. federal income tax return that it is treating the Bonds in a manner inconsistent with that characterisation. However, the Issuer's and Heathrow (SP) Limited's characterisation of the Bonds as indebtedness is not binding on the U.S. Internal Revenue Service (the "**IRS**") or the courts, and no ruling is being requested or could be obtained from the IRS with respect to the proper characterisation of the Bonds for U.S. federal income tax purposes. No assurance can be given that the IRS will not assert that the Bonds, particularly the Subordinated Bonds, if any, or the Class B Bonds, should be treated as equity interests in the Issuer rather than indebtedness for U.S. federal income tax purposes. While the following discussion generally assumes that the Bonds will be characterised as indebtedness for U.S. federal income tax purposes, U.S. Holders must consider any supplemental tax disclosure on the treatment of particular Bonds and consult their own tax advisors about the proper tax characterisation of the Bonds and the consequences to them if the Bonds were to be characterised as equity interests in the Issuer for U.S. federal income tax purposes.

The consequences to a U.S. Holder of purchasing Bonds in the original offering and holding Bonds that are treated as debt for U.S. federal income tax purposes generally would be as described below.

*Interest*

Except as discussed below under "Original Issue Discount" and "Contingent Debt Obligations", interest on the Bonds will be includible in the income of a U.S. Holder as ordinary income from sources outside the United States according to such U.S. Holder's regular method of accounting for tax purposes. Interest on the Floating Rate Bonds and Indexed Bonds will generally accrue at a hypothetical fixed rate equal to the rate at which the Bonds bore interest on their issue date. The amount of interest actually recognised for any accrual period will increase (or decrease) if the interest actually paid during the period is more (or less) than the amount accrued at the hypothetical rate. U.S. Holders of the Floating Rate Bonds and Indexed Bonds, therefore, generally will recognise income for each period equal to the amount paid during that period.

A cash basis U.S. Holder receiving interest denominated in a currency other than U.S. dollars must include a U.S. dollar amount in income based on the spot exchange rate on the date of receipt whether or not the payment is converted to U.S. dollars. An accrual basis U.S. Holder (or a cash basis U.S. Holder in the case of interest, such as original issue discount, that must be accrued prior to receipt) receiving interest denominated in a currency other than U.S. dollars must include in income a U.S. dollar amount based on the average exchange rate during the accrual period (or, if an accrual period spans two taxable years, the partial period within the taxable year). Upon receipt of an interest payment in currency other than U.S. dollars, U.S. Holders that have accrued interest will recognise exchange gain or loss equal to the difference, if any, between the U.S. dollar amount of interest previously accrued and the U.S. dollar value of the payment received determined at the spot exchange rate on the date of receipt. Such exchange gain or loss will be U.S. source ordinary income or loss and generally will not be considered additional interest income or expense.

An accrual basis U.S. Holder may elect to translate accrued interest into U.S. dollars at the spot exchange rate on the last day of the accrual period (or, if an accrual period spans two taxable years, at the exchange rate on the last day of the first taxable year for the interest accrued through that date). If accrued interest actually is received within five business days of the last day of the accrual period (or the taxable year, in the case of a partial accrual period), an electing accrual basis U.S. Holder instead may translate the accrued interest at the spot exchange rate on the date of actual receipt for the purposes of translating accrued interest income into U.S. dollars (in which case no exchange gain or loss will be taken into account upon receipt). Any currency translation elections will apply to all debt instruments that the electing U.S. Holder holds or acquires as of the beginning of that taxable year. A U.S. Holder may not revoke this election without the consent of the IRS.

For the purposes of this discussion, the "**spot exchange rate**" generally means a rate that reflects a fair market rate of exchange available to the public for currency under a "spot contract" in a free market and involving representative amounts. A "**spot contract**" is a contract to buy or sell a currency other than the U.S. dollar on or before two business days following the date of the execution of the contract. If such a spot rate cannot be demonstrated, the IRS has the authority to determine the spot rate. The "**average rate**" for an accrual period (or partial period) is the average of the spot exchange rates for each business day of such period or other average exchange rate for the period reasonably derived and consistently applied by a U.S. Holder.

If you are a non-corporate U.S. Holder whose income exceeds certain thresholds, interest received generally will be includable in "net investment income" for the purposes of the 3.8% Medicare contribution surtax on net investment income.

*Receipt of Foreign Currency*

The tax basis of currency other than U.S. dollars received by a U.S. Holder generally will equal the U.S. dollar equivalent of such foreign currency at the spot rate on the date it is received. Upon the subsequent exchange of such foreign currency for U.S. dollars, another currency, or property, a U.S. Holder generally will recognise exchange gain or loss equal to the difference between the U.S. Holder's tax basis in the foreign currency and the U.S. dollars received or the U.S. dollar value of the other currency (at the spot rate on the date of exchange) or property. Such gain or loss will be U.S. source ordinary gain or loss.

*Original Issue Discount*

Some or all of the Bonds may be issued with original issue discount ("**OID**") for U.S. federal income tax purposes. A Bond will have OID to the extent that the Bond's "stated redemption price at maturity" exceeds its "issue price". A Bond generally will not have OID if such excess is less than 1/4 of 1 per cent. of the Bond's stated redemption price at maturity multiplied by the number of complete years to maturity or, in the case of a Bond payable in instalments, the weighted average maturity ("**de minimis OID**").

The issue price of a Bond is the initial offering price at which a substantial amount of the Bonds are sold (excluding sales to underwriters, brokers or similar persons). The stated redemption price at maturity of a Bond is the total of all payments on the Bond other than payments of "qualified stated interest". Qualified stated interest means, in general, stated interest that is payable unconditionally in cash or in property at least annually at a single fixed rate (or at certain floating rates) that appropriately takes into account the length of the interval between stated interest payments.

A U.S. Holder of a Bond issued with OID and having a maturity in excess of one year must include OID in income over the term of the Bond. An initial U.S. Holder generally must include in gross income the sum of the daily portions of OID that accrue on the Bond for each day during the taxable year in which such U.S. Holder held the Bond. To determine the daily portion of OID, OID accruing during an accrual period (generally the period not exceeding one year between dates on which interest is paid) is divided by the number of days in the accrual period.

The amount of OID accruing during an accrual period is determined by using a constant yield to maturity method. For any accrual period, the OID allocable to the accrual period is the excess of (i) the product of the Bond's adjusted issue

price at the beginning of the accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted for the length of the accrual period) over (ii) the sum of any qualified stated interest payments allocable to the accrual period. A Bond's adjusted issue price generally equals the issue price of the Bond increased by the aggregate amount of OID accrued on a Bond in all prior accrual periods (determined without regard to the amortisation of any acquisition premium, as discussed below, or bond premium, as discussed below) and reduced by the amount of projected payments previously received (other than payments of qualified stated interest).

As described below in "*Optional Redemption*", certain of the Bonds may be subject to special redemption features. These features may affect the determination of whether a Bond has a maturity of one year or less and thus is a Short-Term Bond, as discussed below.

Floating rate Bonds, including Floating Rate Bonds and Indexed Bonds, are subject to special OID rules. In the case of a floating rate Bond, both the yield to maturity and qualified stated interest will be determined as though the Bond will bear interest in all periods at a fixed rate generally equal to the rate that would be applicable on the date of issue or, in the case of certain floating rate Bonds, the rate that reflects the yield to maturity that is reasonably expected for the Bond. In certain cases, floating rate Bonds that bear stated interest and are issued at par may have OID, with the result that the inclusion of interest in income may vary from the actual cash payments of interest made on such Bonds.

OID on a Bond that is denominated in a single currency other than U.S. dollars will be determined for any accrual period in the applicable currency and then translated into U.S. dollars in the same manner as other interest income accrued by an accrual method U.S. Holder, as described above under "*Interest*". A U.S. Holder will recognise exchange gain or loss when OID is paid to the extent of the difference between the U.S. dollar value of the accrued OID and the U.S. dollar value of the currency received at the spot rate on the date of receipt. For this purpose, all payments (other than qualified stated interest) on a Bond will first be viewed as payments of previously accrued OID, with payments considered made for the earliest accrual periods first.

A U.S. Holder may elect to treat all interest on a Bond as OID applying the constant yield method described above to accrue such interest, with the modifications described below. For the purposes of this election, interest includes stated interest, OID, de minimis OID, acquisition discount, and unstated interest, as adjusted by any amortisable bond premium or acquisition premium. In applying the constant yield method to a Bond with respect to which this election has been made, the issue price of a Bond will equal the electing U.S. Holder's adjusted basis in the Bond immediately after its acquisition, the issue date of the Bond will be the date of its acquisition by the electing U.S. Holder, and no payments on the Bond will be treated as payments of qualified stated interest. If a U.S. Holder makes this election, it will apply only to the Bond with respect to which it is made and the U.S. Holder may not revoke it. A U.S. Holder making this election with respect to a Bond with bond premium will be deemed to have made the elections (discussed below in "*Bond Premium*") to amortise bond premium currently with respect to all debt instruments with bond premium held or acquired by such U.S. Holder as of the beginning of that taxable year.

*Short-Term Bonds*

A U.S. Holder of a Bond with a maturity of one year or less (a "**Short-Term Bond**") will be subject to special rules. The OID rules do not treat interest payments on a Short-Term Bond as qualified stated interest, but instead treat a Short-Term Bond as having OID determined by including stated interest payments in a Short-Term Bond's stated redemption price at maturity. Except as noted below, a cash-basis U.S. Holder of a Short-Term Bond generally will not be required to accrue OID currently, but will be required to treat any gain realised on a sale or other disposition of a Short-Term Bond as ordinary income to the extent such gain or loss does not exceed the OID accrued with respect to the Short-Term Bond during the period the U.S. Holder held it. Accrual basis (and electing cash-basis) U.S. Holders will include OID on a Short-Term Bond in income on a current basis.

A U.S. Holder will accrue OID on a Short-Term Bond on a straight-line method unless it elects a constant yield method. If a U.S. Holder makes this election, it will apply only to the Short-Term Bond with respect to which it is made, and the U.S. Holder may not revoke it. Furthermore, unless a U.S. Holder elects to include OID into income on a current basis as described above, a U.S. Holder of a Short-Term Bond having OID may be required to defer the deduction of all or a portion of the interest expense on any debt incurred or maintained to purchase or carry such Short-Term Bond.

*Contingent Debt Obligations*

Some or all of the Bonds may provide for contingent payments ("**Contingent Debt Obligations**"). Special rules govern the tax treatment of Contingent Debt Obligations. These rules generally require a U.S. Holder to treat all interest as OID and to accrue OID at a rate equal to the comparable yield on a non-contingent fixed rate debt instrument of the Issuer with similar terms and conditions and a projected payment schedule that provides such comparable yield. The amount of OID will then be allocated on a rateable basis to each day in the period that the U.S. Holder holds the Contingent Debt Obligation. The OID would be ordinary income from sources outside of the United States. If the actual payments

made on a Contingent Debt Obligation in a year differ from the projected contingent payments, U.S. Holders will recognise additional interest income or ordinary loss (after offsetting and reducing OID for such periods). U.S. Holders therefore might be required to recognise income greater or less than the interest and other cash payments on the Contingent Debt Obligations. The OID rules do not treat Bonds as having OID by reason of the contingent U.S. dollar values of payments on Bonds denominated in a single currency other than U.S. dollars. U.S. Holders of Contingent Debt Obligations denominated in a single currency other than U.S. dollars generally are required to accrue interest at a comparable yield in units of foreign currency and translate OID into U.S. dollars in accordance with the rules for accrual basis taxpayers. Special rules apply to the conversion of adjustments.

Gain on the sale or other disposition of a Contingent Debt Obligation generally will be treated as ordinary income from sources outside of the United States. Loss will be treated as ordinary loss to the extent of prior net interest inclusions and capital loss to the extent of any excess. Loss generally would be treated as arising from U.S. sources.

*Optional Redemption*

If the Issuer has an option to redeem a Bond or a U.S. Holder has an option to cause a Bond to be repurchased prior to the Bond's stated maturity, the option will be presumed to be exercised if, utilising an early redemption or repurchase date and the amount payable on such date, the yield on the Bond would (i) in the case of an option of the Issuer, be lower than its yield to stated maturity, or (ii) in the case of an option of the U.S. Holder, be higher than its yield to stated maturity. A determination of the payment schedule most likely to occur is binding upon all U.S. Holders of the Bonds except for a U.S. Holder that explicitly discloses on its U.S. federal income tax return for the taxable year in which it acquired the Bond that it has determined the yield and maturity of the Bond on a different basis. If the option is not exercised when presumed to be exercised, for the purposes of computing future accruals of OID, the Bond would be treated as if it were repurchased or redeemed and a new Bond were issued on the presumed exercise date for an amount equal to the Bond's adjusted issue price on that date.

*Bond Premium*

A U.S. Holder that has a tax basis in a Bond that is greater than its principal amount may elect to treat the excess as amortisable bond premium. If a U.S. Holder makes this election, it will reduce the amount required to be included in income each year with respect to interest on the Bond by the amount of amortisable bond premium allocable to that year. If a U.S. Holder makes an election to amortise bond premium, it will apply to all the debt instruments of a U.S. Holder with bond premium that the electing U.S. Holder holds or acquires as of the beginning of that taxable year. A U.S. Holder may not revoke this election without the consent of the IRS.

In the case of a Bond denominated in a currency other than U.S. dollars, bond premium is computed in units of the relevant foreign currency and amortisable bond premium reduces interest income in units of such foreign currency. At the time amortised bond premium offsets interest income, foreign currency exchange gain or loss (taxable as ordinary income or loss, but not generally as interest income or expense) is realised based on the difference between spot rates at that time and at the time of the acquisition of the Bond.

If a Bond can be optionally redeemed after the U.S. Holder acquires it at a price in excess of its principal amount, special rules would apply that could result in a deferral of the amortisation of some bond premium until later in the term of the Bond.

With respect to a holder that does not elect to amortise bond premium, the amount of bond premium constitutes a capital loss when the bond matures. In the case of a Bond denominated in a currency other than U.S. dollars, foreign currency exchange gain or loss with respect to the premium is realised based on the difference between the spot rates on the sale or other disposition of the Bond and at the time of the acquisition of the Bond. In such case, the amount of capital loss relating to the premium may be offset or eliminated by exchange gain.

Special rules apply to Bonds issued with OID that are purchased at a premium to their adjusted issue price.

*Fungible Further Issue of Bonds of a Sub-Class*

The Issuer may create and issue further Bonds having the same terms and conditions as the Bonds of a Sub-Class in all respects (or in all respects except for the first payment of interest). While a further issue of the same Sub-Class will be consolidated and form a Series with the prior issues of that Sub-Class, these additional Bonds may not be fungible with other Bonds in the same Sub-Class for U.S. federal income tax purposes. Whether such additional Bonds would be fungible depends on whether the issuance of additional Bonds would be treated as a qualified reopening of the initial offering of Bonds with respect to that Sub-Class. This determination will depend on the date when the additional Bonds are issued, the yield of the Bonds at that time (based on their fair market value), whether the first issued Bonds of that Sub-Class were issued with OID and whether the Bonds are publicly traded or quoted at the time of the additional Bond issuance. If issuance of any additional Bonds which are otherwise fungible with other Bonds in a Sub-Class is not a

qualified reopening, the additional Bonds may have OID (or a greater amount of OID), which may adversely affect the market value of the earlier issued Bonds.

*Disposition of Bonds*

A U.S. Holder generally will recognise capital gain or loss upon a sale or other disposition of a Bond in an amount equal to the difference between the amount realised from such disposition (less any accrued unpaid qualified stated interest) and the U.S. Holder's adjusted tax basis in the Bond. Gain or loss on the sale or other disposition of the Bond generally will be long-term capital gain or loss if the Bond has been held for more than a year. Special rules apply to gains or losses on Contingent Debt Obligations as described above.

A U.S. Holder's adjusted tax basis in a Bond generally will equal the U.S. Holder's cost of the Bond, increased by any OID included in income and decreased by the amount of any amortised bond premium or payment (other than qualified stated interest) received with respect to the Bond. The cost of a Bond denominated in a currency other than U.S. dollars will be the U.S. dollar value of the currency on the date of purchase determined at the spot rate.

A U.S. Holder that receives currency other than U.S. dollars upon sale or other disposition of the Bonds will realise an amount equal to the U.S. dollar value of the currency on the date of sale. If the Bonds are traded on an established securities market, a cash basis U.S. Holder or electing accrual basis taxpayer will determine the amount realised on the settlement date. A U.S. Holder will have a tax basis in the currency equal to the U.S. dollar amount realised. Any gain or loss realised by a U.S. Holder on a subsequent conversion of currency for U.S. dollars will be U.S. source ordinary income or loss.

The election available to accrual basis U.S. Holders in respect of the sale of Bonds traded on an established securities market must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS.

In the case of a Bond denominated in a currency other than U.S. dollars, to the extent recognised gain or loss is attributable to changes in the exchange rates with respect to the relevant foreign currency between the date of acquisition and disposition of the Bond, the exchange gain or loss will be treated as U.S. source ordinary income or loss and generally will not be considered additional interest income or expense. However, exchange gain or loss is taken into account only to the extent of total gain or loss realised on the transaction. Generally, any gain or loss realised on the transaction in excess of such exchange gain or loss will be U.S. source capital gain or loss and will be long-term capital gain or loss if the Bond has been held for more than one year.

If you are a non-corporate U.S. Holder whose income exceeds certain thresholds, gain or loss realised on the disposition of Bonds generally will be includable in "net investment income" for the purposes of the 3.8% Medicare contribution surtax on net investment income.

**Information Reporting and Backup Withholding**

Payments of interest (including OID, if any), principal, premium, or the proceeds from sale of Bonds that are made within the United States or through certain U.S. related financial intermediaries may be reported to the IRS unless the U.S. Holder is a corporation or otherwise establishes a basis for exemption. Backup withholding tax may apply to amounts subject to reporting if the U.S. Holder fails to provide an accurate taxpayer identification number or otherwise establish a basis for exemption or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. A U.S. Holder can claim a credit against U.S. federal income tax liability for amounts withheld under the backup withholding rules, and it can claim a refund of amounts in excess of its liability by providing required information to the IRS. Prospective investors should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for establishing an exemption.

Certain non-corporate U.S. Holders are required to report information with respect to their investment in the Bonds not held through an account with a U.S. financial institution to the IRS. Investors who fail to report required information could become subject to substantial penalties. Potential investors are encouraged to consult with their own tax advisors regarding the possible implications of this legislation on their investment in the Bonds.

**THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE IMPORTANT TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE BONDS.**

## SUBSCRIPTION AND SALE

***Dealership Agreement***

Bonds may be sold from time to time by the Issuer to any dealer appointed from time to time (the "**Dealers**") in each case acting as principal or to subscribers from whom subscriptions have been procured by the Dealers, in each case pursuant to the dealership agreement dated 3 December 2009 made between, among others, the Issuer, the Obligors, and the Dealers (the "**Dealership Agreement**"). The arrangements under which a particular Sub-Class of Bonds may from time to time be agreed to be sold by the Issuer to, and purchased by, Dealers or subscribers are set out in the Dealership Agreement and the Subscription Agreements relating to each Sub-Class of Bonds. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Bonds, the price at which such Bonds will be purchased by the Dealers or subscribers and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Dealership Agreement makes provision for the resignation or termination of appointment of existing Dealers and for the appointment of additional or other Dealers either generally in respect of the Programme or in relation to a particular Series, Class or Sub-Class of Bonds.

In the Dealership Agreement, the Issuer, failing whom Heathrow, have each agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and maintenance of the Programme and the issue of Bonds under the Dealership Agreement and each of the Obligors has agreed to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

***United States of America***

The Bonds and any guarantees in respect thereof have not been and will not be registered under the Securities Act or the securities laws of any other jurisdiction and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act and, in each case, in circumstances that will not require the Issuer to register under the Investment Company Act. Terms used in this paragraph have the meaning given to them in Regulation S.

Bearer Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and Treasury regulations promulgated thereunder.

Unless otherwise provided in the relevant Final Terms, the Bonds will be offered, sold and delivered only (i) outside the United States, to persons who are neither U.S. persons nor U.S. residents, in offshore transactions in reliance on Regulation S, and (ii) within the United States, in reliance on Rule 144A, to persons that are both QIBs and QPs, acting for their own account, or for the account of another QIB that is also a QP. In connection with each such sale of Bonds pursuant to Rule 144A under the Securities Act, neither the relevant Dealer nor any person acting on its behalf will engage in any form of general solicitation or general advertising (as those terms are used in Rule 502(c) under the Securities Act).

Each Dealer has agreed that it has offered and sold, and it will offer and sell, Regulation S Bonds of any Series (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of which such Regulation S Bonds are a part, as determined and certified to the Principal Paying Agent by the relevant Dealer (or in the case of a sale of an identifiable tranche of Regulation S Bonds to or through more than one relevant Dealer, by each of such relevant Dealers as to the Regulation S Bonds of such identifiable tranche purchased by or through it, in which case the Principal Paying Agent shall notify each such relevant Dealer when all such relevant Dealers have so certified), only in accordance with Rule 903 of Regulation S. Accordingly, neither it, its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts in the United States with respect to Regulation S Bonds, and it and they have complied and will comply with the offering restrictions requirement of Regulation S. Each Dealer and its affiliates will also agree that, at or prior to confirmation of sale of Regulation S Bonds to a distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Regulation S Bonds from it during the distribution compliance period it will send to such purchaser a confirmation or notice stating that such purchaser is subject to the foregoing restrictions on offers and sales. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds comprising any Sub-Class, any offer or sale of Bonds within the United States by any dealer (whether or not participating in the offering) other than pursuant to Rule 144A may violate the registration requirements of the Securities Act.

Due to the restrictions set forth above and in the relevant Final Terms, purchasers of the Bonds are advised to consult legal counsel prior to making an offer to purchase or to re-sell, pledge or otherwise transfer the Bonds.

Purchasers of Bonds shall be deemed to have made the representations set forth under "*Transfer Restrictions*".

***European Economic Area***

In relation to each Member State of the European Economic Area which has implemented Directive 2003/71/EC (the "**Prospectus Directive**") (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Bonds which are the subject of the offering contemplated by this Prospectus as completed by the applicable Final Terms in relation thereto to the public in that Relevant Member State, except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Bonds to the public in that Relevant Member State:

(a) if the applicable Final Terms in relation to the Bonds specify that an offer of those Bonds may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "Non-exempt Offer"), following the date of publication of a prospectus in relation to such Bonds which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the applicable Final Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or such Final Terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) at any time to fewer than 100, or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Bonds referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Bonds to the public" in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State.

***United Kingdom***

Each Dealer has represented, warranted and agreed that:

(a) ***No deposit-taking***: in relation to any Bonds having a maturity of less than one year:

(i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and

(ii) it has not offered or sold and will not offer or sell any Bonds other than to persons:

(A) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or

(B) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses,

where the issue of the Bonds would otherwise constitute a contravention of section 19 of the FSMA by the Issuer;

(b) ***Financial Promotion:*** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Bond Guarantor; and

(c) ***General Compliance:*** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Bonds in, from or otherwise involving the UK.

***Canada***

The Bonds have not been, and will not be, qualified for sale under the securities laws of Canada or any province or territory thereof. In respect of any issue of Bonds denominated in CAD, each Dealer and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold, distributed, or delivered, and that it will not offer, sell, distribute, or deliver, any Bonds, directly or indirectly, in Canada or to, or for the benefit of, any resident thereof in contravention of the securities laws of Canada or any province or territory thereof and also without the consent of the Issuer. Each Dealer will be required to agree, and each further Dealer appointed under the Programme may be required to agree, not to distribute or deliver this Prospectus, or any other offering material relating to the Bonds, in Canada in contravention of the securities laws of Canada or any province or territory thereof and also without the consent of the Issuer. If the Bonds may be offered, sold or distributed in Canada, the issue of the Bonds will be subject to such additional selling restrictions as the Issuer and the relevant Dealer(s), and each further Dealer appointed under the Programme, may agree. Each Dealer, and each further Dealer appointed under the Programme, will be required to agree that it will offer, sell and distribute such Bonds only in compliance with such additional Canadian selling restrictions.

***Japan***

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended; the FIEA) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Bonds, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

***General***

Each Dealer acknowledges that other than having obtained the approval of the Prospectus by the UKLA in accordance with Part VI of the FSMA for the Bonds to be admitted to listing on the Official List of the UKLA and to trading on the Market of the London Stock Exchange and the obtaining of the consent of the Jersey registrar of companies in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002, no action has been or will be taken in any jurisdiction by the Issuer or any of the other parties that would permit a public offering of Bonds, or possession or distribution of the Prospectus or any other offering material, in any jurisdiction where action for that purpose is required. Each Dealer shall to the best of its knowledge comply with all applicable laws and regulations in each jurisdiction in or from which they purchase, offer, sell or deliver Bonds or have in their possession or distribute the Prospectus or any other offering material, in all cases at their own expense.

The Dealership Agreement provides that the Dealers shall not be bound by any of the restrictions relating to any specific country or jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) in the official interpretation, after the date of the Dealership Agreement, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Dealers described in the paragraph above.

Selling restrictions may be supplemented or modified with the agreement of the Issuer. Any such supplement or modification will be set out in the relevant Subscription Agreement (in the case of a supplement or modification relevant only to a particular Sub-Class of Bonds).

## TRANSFER RESTRICTIONS

The Bonds and any guarantees in respect thereof have not been, and will not be, registered under the Securities Act or the securities laws of any other jurisdiction, and the Issuer has not registered and does not intend to register as an investment company under the United States Investment Company Act of 1940, as amended (the "**Investment Company Act**"). Accordingly, to ensure compliance with applicable laws, including the Securities Act and the Investment Company Act, transfers of the Bonds (or beneficial interests therein) will be subject to restrictions and to certification requirements as set forth below (as the same may be amended, supplemented or modified in respect of a particular Series pursuant to the relevant Final Terms).

### General

Global Bond Certificates other than a Rule 144A DTC Global Bond Certificate may be transferred only to a common depositary for Euroclear and Clearstream, Luxembourg; Rule 144A DTC Global Bond Certificates may be transferred only to a custodian for DTC or DTC's nominee.

On or prior to the 40th day after the later of the commencement of the offering and the relevant Issue Date, ownership of interests in a Regulation S Global Bond Certificate will be limited to persons who have accounts with Euroclear or Clearstream, Luxembourg, or persons who hold interests through Euroclear or Clearstream, Luxembourg and any sale or transfer of such interests to U.S. persons shall not be permitted during such period unless such resale or transfer is made pursuant to Rule 144A as provided below.

Interests in a Regulation S Global Bond Certificate may be transferred at any time to a person who wishes to hold such interests through a Rule 144A Global Bond Certificate of the same Sub-Class of Bonds only if a corresponding Rule 144A Global Bond Certificate has been issued in respect of such Sub-Class of Bonds (as stated in the relevant Final Terms) and, in each case, only upon receipt by the Registrar of a written certification from the transferor (in substantially the form set out in the Bond Trust Deed) to the effect that such transfer is being made to a person who is both a QIB and a QP, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States.

Interests in a Rule 144A Global Bond Certificate may be transferred to a person who wishes to hold such interests through a Regulation S Global Bond Certificate of the same Sub-Class of Bonds, only if a corresponding Regulation S Global Bond Certificate has been issued in respect of such Sub-Class of Bonds (as stated in the relevant Final Terms) and, in each case, only upon receipt by the Registrar of a written certification from the transferor (in substantially the form set out in the Bond Trust Deed) to the effect that such transfer is being made to a person who is neither a U.S. person nor a U.S. resident and is being made outside the United States in accordance with Regulation S under the Securities Act. Neither U.S. persons nor U.S. residents may hold an interest in a Regulation S Global Bond Certificate at any time.

Any interest in (i) a Rule 144A Global Bond Certificate that is transferred to a person who takes delivery in the form of an interest in a Regulation S Global Bond Certificate, or (ii) a Regulation S Global Bond Certificate that is transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Bond Certificate will, in each case, upon transfer, cease to be an interest in the first Global Bond Certificate and will become an interest in the other Global Bond Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to an interest in such other Global Bond Certificate.

### Rule 144A Bonds

Each purchaser or transferee of a Rule 144A Bond (or beneficial interests therein), by accepting delivery of such Rule 144A Bond or beneficial interest therein, will be deemed to have represented and agreed for the benefit of the Issuer and the Bond Trustee (and, in the case of a purchaser or transferee acquiring a Rule 144A Bond from a Dealer, for the benefit of such Dealers) as follows:

1. It and each person for which it is acting (a) is a QIB and a QP, (b) is aware that the sale of such Rule 144A Bond (or beneficial interests therein) to it is being made in reliance on Rule 144A, (c) is acquiring such Bond (or beneficial interests therein) for its own account or for the account of one or more QIBs each of which is also a QP as to which the purchaser exercises sole investment discretion and such purchaser or transferee has full power to make the acknowledgements, representations and agreements on behalf of each such account contained in (2) through (9) herein, and in a principal amount of not less than the principal amount of the Rule 144A Bonds for the purchaser and for each such account, (d) will provide notice of the transfer restrictions described in this section "*Transfer Restrictions*" to any subsequent transferees and (e) is not purchasing such Rule 144A Bond (or beneficial interests therein) with the intention of evading, either alone or in conjunction with any other person, the requirements of the Investment Company Act.

2. It understands and agrees that such Rule 144A Bond (or beneficial interests therein) have not been and will not be registered under the Securities Act, that the Issuer has not registered and does not intend to register under the Investment Company Act and that such Rule 144A Bond may be reoffered, resold, pledged or otherwise transferred only (a) to the Issuer; (b) within the United States, or to or for the account of a U.S. person (as defined in Regulation S under the Securities Act) or a U.S. resident (as determined for the purposes of the Investment Company Act), to a QP who the seller reasonably believes is a QIB purchasing for its own account or for the account of one of more QIBs each of which is also a QP as to which the purchaser exercises sole investment discretion in a transaction meeting the requirements of Rule 144A; or (c) outside the United States, to a person who is neither a U.S. person nor a U.S. resident in an offshore transaction (and not to or for the account or benefit of a U.S. person or a U.S. resident) complying with Rule 903 or Rule 904 of Regulation S; and in the case of (b) and (c) above, in accordance with all applicable securities laws including the securities laws of any state of the United States. It understands and agrees that before any interest in a Rule 144A Bond may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Bonds, the Registrar is required to receive a written certification (in substantially the form provided in the Bond Trust Deed) as to compliance with the transfer restrictions described herein.

3. It and each account for which it is purchasing is acquiring such Rule 144A Bond (or beneficial interest therein) for its own account for investment purposes and not for sale in connection with any distribution thereof. It and each person for which it is acting (a) was not formed for the purpose of investing in such Rule 144A Bond (or beneficial interest therein), except when each beneficial owner of the purchaser and each person for which it is acting is a QP for the purposes of section 3(c)(7) of the Investment Company Act, (b) to the extent the purchaser or any person for which it is acting is a private investment company formed on or before 30 April 1996, the purchaser has received the necessary consent to its being treated as a QP from its beneficial owners who acquired their interests on or before 30 April 1996, (c) is not a participant-directed employee plan, such as a 401 (k) plan or any other type of plan referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A, or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such a plan, unless investment decisions with respect to the plan are made solely by the fiduciary, trustee or sponsor of such plan, (d) is not a broker-dealer that owns and invests on a discretionary basis less than U.S.$25,000,000 in securities of unaffiliated issuers and (e) understands that the Issuer may receive a list of participants holding positions in securities from one or more book-entry depositaries.

4. It understands and agrees that: (a) any purported transfer of such Rule 144A Bond (or a beneficial interest therein) to a purchaser that does not comply with the requirements of the transfer restrictions herein will be of no force and effect and will be void ab initio; (b) the Issuer has the power to compel any beneficial owner of Rule 144A Bonds that is not both a QIB and a QP to sell its interest in the Rule 144A Bonds, or may sell such interest on behalf of such owner, as described in the securities legend contained in paragraph 8 below; and (c) the Issuer has the right to refuse to honour the transfer of an interest in Rule 144A Bonds to a person who is not both a QIB and a QP.

5. It shall not resell or otherwise transfer such Rule 144A Bonds (or beneficial interest therein) except (a) to the Issuer, (b) in the United States, to a person that is both a QIB and a QP in a transaction meeting the requirements of Rule 144A under the Securities Act, or (c) in a transaction outside the United States and not to, or for the account or benefit of, a U.S. person or a U.S. resident, in accordance with Regulation S under the Securities Act. It understands that an investment in Rule 144A Bonds involves certain risks, including the risk of loss of its entire investment in such Rule 144A Bonds. It has had access to such financial and other information concerning the Issuer and the Rule 144A Bonds as it deemed necessary or appropriate in order to make an informed investment decision with respect to its purchase of the Rule 144A Bonds, including an opportunity to ask questions of, and request information from, the Issuer.

6. In connection with its purchase of such Rule 144A Bond (or beneficial interest therein) (a) none of the Issuer, the Dealers, the Bond Trustee, or any affiliates thereof, or any person acting on behalf of the foregoing, is acting as such purchaser's or transferee's fiduciary or financial or investment advisor; (b) such purchaser or transferee is not relying (for the purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Issuer, or the Dealers or any affiliate thereof, the Bond Trustee, or any person acting on behalf of the foregoing, other than in the Final Terms and the Prospectus and any representations expressly set forth in a written agreement with such party; (c) none of the Issuer, or the Dealers or any affiliate thereof, the Bond Trustee, or any person acting on behalf of the foregoing, has given to such purchaser or transferee (directly or indirectly through any other person) any assurance, guarantee or representation whatsoever as to the expected or projected success, profitability, return, performance, result, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting or otherwise) as to an investment in such Rule 144A Bond (or beneficial interest therein); (d) such purchaser or transferee has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors to the extent it has deemed necessary, and it has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the Bond Trust Deed) based upon its own

judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the Issuer, or the Dealers or any affiliate thereof, the Bond Trustee, or any person acting on behalf of the foregoing; (e) such purchaser or transferee has evaluated the rates, prices or amounts and other terms and conditions of the purchase and sale of such Rule 144A Bond with a full understanding of all of the risks thereof (economic and otherwise), and it is capable of assuming and willing to assume (financially and otherwise) those risks; (f) such purchaser or transferee is a sophisticated investor; and (g) such purchaser or transferee understands that these acknowledgements, representations, and agreements are required in connection with U.S. securities laws and agrees to indemnify and hold harmless each of the Issuer, the Dealers, the Bond Trustee and any affiliates thereof from and against all losses, liabilities, claims, costs, charges and expenses incurred by each of them by reason of such purchaser's or transferee's failure to fulfil any of the terms, conditions or agreements set forth above or by reason of any breach of its representations and warranties herein.

7. With respect to such Rule 144A Bond (or beneficial interest therein), either (a) such purchaser or transferee is not, and for so long as such Rule 144A Bond (or beneficial interest therein) is held will not be (i) an "employee benefit plan" as defined in section 3(3) of the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") that is subject to Title I of ERISA, (ii) a "plan" that is subject to section 4975 of the Code or (iii) any entity whose underlying assets include (or are deemed for the purposes of ERISA or Section 4975 to include) "plan assets" by reason of such plan investment in the entity (an "**ERISA plan**"), or (b) such purchaser's or transferee's purchase and holding of such Rule 144A Bond will not constitute or result in a prohibited transaction under section 406 of ERISA or section 4975 of the Code for which an exemption is not available. Any purported transfer of a Rule 144A Bond (or beneficial interest therein) to a purchaser that does not comply with the requirements of this paragraph (7) will be of no force and effect, will be void ab initio and the Issuer will have the right to direct the purchaser to transfer such Rule 144A Bond (or beneficial interest therein), as applicable, to a person who meets the foregoing criteria.

8. It understands that each certificate representing such Rule 144A Bond (or beneficial interests therein), including a Rule 144A Global Bond Certificate, will bear the following legend and may not be reoffered, resold, pledged or otherwise transferred except in accordance with such legend:

THE BOND REPRESENTED HEREBY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), AND THE ISSUER THEREOF HAS NOT AND DOES NOT INTEND TO REGISTER UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"). THIS BOND (AND ANY BENEFICIAL INTEREST THEREIN) MAY NOT BE REOFFERED, RESOLD, PLEDGED, EXCHANGED OR OTHERWISE TRANSFERRED EXCEPT IN A TRANSACTION EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT UNDER CIRCUMSTANCES THAT WOULD NOT REQUIRE THE ISSUER TO REGISTER AS AN INVESTMENT COMPANY UNDER THE INVESTMENT COMPANY ACT AND IN COMPLIANCE WITH ANY OTHER APPLICABLE SECURITIES LAWS.

EACH PERSON WHO PURCHASES OR OTHERWISE ACQUIRES THIS BOND (OR A BENEFICIAL INTEREST THEREIN) BY ACCEPTING DELIVERY HEREOF (OR OF AN INTEREST HEREIN) IS DEEMED TO REPRESENT, WARRANT, ACKNOWLEDGE AND AGREE FOR THE BENEFIT OF THE ISSUER AND THE BOND TRUSTEE THAT IT, AND EACH PERSON FOR WHICH IT IS ACTING, WILL NOT REOFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THIS BOND OR ANY BENEFICIAL INTEREST HEREIN EXCEPT IN COMPLIANCE WITH THE SECURITIES ACT AND OTHER APPLICABLE LAWS AND EXCEPT: (1) TO THE ISSUER; (2) IN THE UNITED STATES, OR TO OR FOR THE ACCOUNT OF A U.S. PERSON (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**"), OR A U.S. RESIDENT (AS DETERMINED FOR PURPOSES OF THE INVESTMENT COMPANY ACT), ONLY TO A PERSON WHO IS A QUALIFIED PURCHASER WITHIN THE MEANING OF SECTION 2(a)(51) OF THE INVESTMENT COMPANY ACT (A "**QP**") WHO THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (A "**QIB**") WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBs EACH OF WHICH IS ALSO A QP AS TO WHICH THE PURCHASER EXERCISES SOLE INVESTMENT DISCRETION IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A; OR (3) OUTSIDE THE UNITED STATES, TO A PERSON WHO IS NEITHER A U.S. PERSON (AS DEFINED IN REGULATION S) NOR A U.S. RESIDENT (AS DETERMINED FOR PURPOSES OF THE INVESTMENT COMPANY ACT) IN AN OFFSHORE TRANSACTION (AS DEFINED IN REGULATION S) PURSUANT TO RULE 903 OR RULE 904 OF REGULATION S; AND IN EACH CASE IN A PRINCIPAL AMOUNT (FOR THE PURCHASER AND FOR EACH ACCOUNT FOR WHICH SUCH PURCHASER IS ACTING) OF NOT LESS THAN THE MINIMUM DENOMINATION SPECIFIED FOR THIS BOND PURSUANT TO THE BOND TRUST DEED.

EACH TRANSFEREE WHO PURCHASES OR OTHERWISE ACQUIRES THIS RULE 144A BOND (OR A BENEFICIAL INTEREST THEREIN), BY PURCHASING OR OTHERWISE ACQUIRING SUCH INTEREST, IS DEEMED TO REPRESENT, WARRANT, ACKNOWLEDGE AND AGREE FOR THE BENEFIT OF THE ISSUER AND THE BOND TRUSTEE THAT:

(A) IT, AND EACH PERSON FOR WHICH IT IS ACTING, (I) IS A QIB THAT IS A QP, (II) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THIS BOND (EXCEPT WHEN EACH BENEFICIAL OWNER OF THE PURCHASER AND EACH PERSON FOR WHICH IT IS ACTING IS A QP), (III) HAS RECEIVED THE NECESSARY CONSENT TO BE TREATED AS A QP FROM ALL BENEFICIAL OWNERS WHO ACQUIRED THEIR INTERESTS ON OR BEFORE 30 APRIL 1996, WHEN THE PURCHASER OR ANY PERSON FOR WHICH IT IS ACTING IS A PRIVATE INVESTMENT COMPANY FORMED BEFORE 30 APRIL 1996, (IV) IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS, (V) IS NOT A PARTICIPANT DIRECTED EMPLOYEE PLAN, SUCH AS A 401(k) PLAN OR ANY OTHER TYPE OF PLAN REFERRED TO IN PARAGRAPH (a)(1)(i)(D) OR (a)(1)(i)(E) OF RULE 144A, OR A TRUST FUND REFERRED TO IN PARAGRAPH (a)(1)(i)(F) OF RULE 144A THAT HOLDS THE ASSETS OF SUCH PLAN, UNLESS INVESTMENT DECISIONS WITH RESPECT TO THE PLAN ARE MADE SOLELY BY THE FIDUCIARY, TRUSTEE OR SPONSOR OF SUCH PLAN, (VI) UNDERSTANDS THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOK-ENTRY DEPOSITORIES AND (VII) IS ACTING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBs EACH OF WHICH IS ALSO A QP AS TO WHICH THE PURCHASER EXERCISES SOLE INVESTMENT DISCRETION AND HAS FULL POWER TO MAKE THE ACKNOWLEDGEMENTS, REPRESENTATIONS AND AGREEMENTS ON BEHALF OF EACH SUCH ACCOUNT CONTAINED IN THIS LEGEND;

(B) ANY RESALE OR OTHER TRANSFER OF THIS BOND (OR BENEFICIAL INTEREST THEREIN) WHICH IS NOT MADE IN COMPLIANCE WITH THE RESTRICTIONS SET FORTH HEREIN WILL BE OF NO FORCE AND EFFECT, WILL BE NULL AND VOID AB INITIO AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER, THE BOND TRUSTEE OR ANY INTERMEDIARY;

(C) IN THE EVENT OF A TRANSFER OF THIS BOND (OR BENEFICIAL INTEREST THEREIN) TO A U.S. PERSON (WITHIN THE MEANING OF REGULATION S) OR A U.S. RESIDENT (AS DETERMINED FOR PURPOSES OF THE INVESTMENT COMPANY ACT) THAT IS NOT BOTH A QIB AND A QP, THE ISSUER MAY, IN ITS DISCRETION, EITHER (A) COMPEL SUCH TRANSFEREE TO SELL THIS BOND OR ITS INTEREST THEREIN TO A PERSON WHO EITHER (I) IS A U.S. PERSON WHO IS BOTH A QIB AND A QP THAT IS OTHERWISE QUALIFIED TO PURCHASE THIS BOND OR INTEREST THEREIN IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OR (II) IS NEITHER A U.S. PERSON (WITHIN THE MEANING OF REGULATION S) NOR A U.S. RESIDENT (AS DETERMINED FOR PURPOSES OF THE INVESTMENT COMPANY ACT) IN A TRANSACTION EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, OR (B) ON BEHALF OF SUCH TRANSFEREE (AND SUCH TRANSFEREE BY ITS ACCEPTING DELIVERY OF THIS BOND OR A BENEFICIAL INTEREST HEREIN IRREVOCABLY GRANTS TO THE ISSUER AND THE ISSUER'S AGENTS FULL POWER AND AUTHORITY TO, ON BEHALF OF SUCH TRANSFEREE), SELL THIS BOND OR SUCH TRANSFEREE'S INTEREST HEREIN TO A PERSON DESIGNATED BY OR ACCEPTABLE TO THE ISSUER AT A PRICE EQUAL TO THE LEAST OF (1) THE PURCHASE PRICE THEREFORE PAID BY THE ORIGINAL TRANSFEREE, (2) 100 PER CENT. OF THE PRINCIPAL AMOUNT THEREOF AND (3) THE FAIR MARKET VALUE THEREOF;

(D) THE ISSUER HAS THE RIGHT TO REFUSE TO HONOUR A TRANSFER OF THIS BOND OR INTEREST THEREIN TO A U.S. PERSON (AS DEFINED IN REGULATION S) OR A U.S. RESIDENT (AS DETERMINED FOR PURPOSES OF THE INVESTMENT COMPANY ACT) WHO IS NOT BOTH A QIB AND A QP; AND

(E) SUCH TRANSFEREE WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN AND IN THE AGENCY AGREEMENT TO ANY SUBSEQUENT TRANSFEREE.

THE PURCHASER OF THIS BOND OR ANY INTEREST THEREIN SHALL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND AGREED EITHER THAT (I) IT IS NOT, AND FOR SO LONG AS IT HOLDS THIS BOND OR ANY INTEREST IN THIS BOND IT WILL NOT BE, (A) AN "EMPLOYEE BENEFIT PLAN" AS DEFINED IN SECTION 3(3) OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") THAT IS SUBJECT TO TITLE I OF ERISA, (B) A "PLAN" THAT IS SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**"), OR (C) ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE (OR ARE DEEMED FOR PURPOSES OF ERISA OR SECTION 4975 TO INCLUDE) "PLAN ASSETS" BY REASON OF SUCH PLAN INVESTMENT IN THE ENTITY, OR (II) ITS PURCHASE AND HOLDING OF THIS BOND WILL NOT CONSTITUTE OR RESULT IN A PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE FOR WHICH AN EXEMPTION IS NOT AVAILABLE.

In addition, each Rule 144A Bond Certificate issued with more than a de minimis amount of original issue discount shall bear the following legend:

THIS BOND HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT (OID) FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. THE ISSUE PRICE, AMOUNT OF OID, ISSUE DATE AND YIELD TO MATURITY OF THIS BOND MAY BE OBTAINED BY WRITING TO: [***address of Issuer's representative responsible for OID calculation***].

9. It acknowledges that the Issuer, the Registrar, the Bond Trustee, their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Rule 144A Bonds is no longer accurate, it shall promptly notify the Issuer, the Registrar, the Bond Trustee, and the Dealers.

Prospective purchasers or transferees are hereby notified that sellers of the Bonds may be relying on the exemption from the provisions of section 5 of the Securities Act provided by Rule 144A.

A transferor or seller who transfers or sells an interest in the Rule 144A Global Bond Certificate to a transferee or purchaser who will hold the interest in the same form is not required to provide any additional written certification.

**Regulation S Bonds**

Each purchaser or transferee of any Bonds (or beneficial interest therein) will be deemed to have represented, warranted, acknowledged and agreed for the benefit of the Issuer and the Bond Trustee as follows:

1. In connection with the purchase of the Bonds (a) none of the Issuer, the Co- Arrangers, the Dealers, the Bond Trustee, or any affiliate thereof or any person acting on behalf of the foregoing, is acting as a fiduciary or financial or investment advisor for the purchaser; (b) the purchaser is not relying (for the purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of the Issuer, or the Dealers or any affiliate thereof, the Bond Trustee, or any person acting on behalf of the foregoing, other than in the Final Terms and the Prospectus and any representations expressly set forth in a written agreement with such party; (c) none of the Issuer, or the Dealers or any affiliate thereof, the Bond Trustee, or any person acting on behalf of the foregoing, has given to the purchaser (directly or indirectly through any other person) any assurance, guarantee or representation whatsoever as to the expected or projected success, profitability, return, performance, result, effect, consequence or benefit (including legal, regulatory, tax, financial, accounting or otherwise) as to an investment in the Bonds; (d) the purchaser has consulted with its own legal, regulatory, tax, business, investment, financial and accounting advisors to the extent it has deemed necessary, and it has made its own investment decisions (including decisions regarding the suitability of any transaction pursuant to the Bond Trust Deed) based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the Issuer, or the Dealers or any affiliate thereof, the Bond Trustee, or any person acting on behalf of the foregoing; (e) the purchaser has evaluated the rates, prices or amounts and other terms and conditions of the purchase and sale of the Bonds with a full understanding of all of the risks thereof (economic and otherwise), and it is capable of assuming and willing to assume (financially and otherwise) those risks; (f) the purchaser is a sophisticated investor; and (g) the purchaser understands that these acknowledgements, representations, and agreements are required in connection with U.S. securities laws and it agrees to indemnify and hold harmless the Issuer, the Dealers, the Bond Trustee and any affiliates thereof from and against all losses, liabilities, claims, costs, charges and expenses which they may incur by reason of its failure to fulfil any of the terms, conditions or agreements set forth above or by reason of any breach of its representations and warranties herein.

2. It is, and the person, if any, for whose account it is acquiring the Bonds is, located outside the United States and is neither a U.S. person nor a U.S. resident and is purchasing for its own account or one or more accounts, each of which is neither a U.S. person nor a U.S. resident and as to each of which the purchaser exercises sole investment discretion, in an offshore transaction in accordance with Regulation S, and is aware that the sale of the Bonds to it is being made in reliance on the exemption from registration provided by Regulation S.

3. It understands that unless the Issuer determines otherwise in compliance with applicable law, such Bonds will bear a legend to the effect set forth in the first two paragraphs of the legend set forth in paragraph 8 under "*Rule 144A Bonds*" above.

4. It understands that these acknowledgements, representations, and agreements are required in connection with U.S. securities laws and it agrees to indemnify and hold harmless the Issuer, the Dealers, the Bond Trustee and any affiliates thereof from and against all losses, liabilities, claims, costs, charges and expenses which they may incur by reason of its failure to fulfil any of the terms, conditions or agreements set forth above or by reason of any breach of its representations and warranties herein.

5. It understands that the Bonds have not been and will not be registered under the Securities Act and that the Issuer has not registered and will not register under the Investment Company Act. It agrees, for the benefit of the Issuer and the Bond Trustee that, if it decides to resell, pledge or otherwise transfer such Bonds (or any beneficial interest or participation therein) purchased by it, unless otherwise specified in the relevant Final Terms, any offer, sale or transfer of such Bonds (or any beneficial interest therein) will be made in compliance with the Securities Act and only (i) within the United States, or to or for the account of a U.S. person (as defined in Regulation S under the Securities Act) or a U.S. resident (as determined for the purposes of the Investment Company Act), to a QP who the seller reasonably believes is a QIB purchasing for its own account or for the account of one of more QIBs each of which is also a QP as to which the purchaser exercises sole investment discretion in a transaction meeting the requirements of Rule 144A; or (ii) outside the United States, to a person who is neither a U.S. person nor a U.S. resident in an offshore transaction (and not to or for the account or benefit of a U.S. person or a U.S. resident) complying with Rule 903 or Rule 904 of Regulation S; and in the case of (i) and (ii) above, in accordance with all applicable securities laws including the securities laws of any state of the United States.

6. It understands that before any interest in a Global Bond Certificate may be offered, resold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Bond Certificate, the transferor and/or transferee, as applicable, will be required to provide the Registrar with a written certification substantially in the form set out in the Bond Trust Deed as to compliance with the transfer restrictions described herein.

7. It acknowledges that the Issuer, the Registrar, the Bond Trustee and the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, it hereby consents to such reliance, and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Regulation S Bonds is no longer accurate, it shall promptly notify the Issuer, the Registrar, the Bond Trustee and the Dealers.

## ERISA CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), imposes certain requirements on "employee benefit plans" (as defined in section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "**ERISA Plans**") and on those persons who are fiduciaries with respect to ERISA Plans.

Section 406 of ERISA and section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), which are among the ERISA and Code fiduciary provisions governing plans, prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to ERISA but which are subject to section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "**Plans**")) and certain persons (referred to as "**parties in interest**" or "**disqualified persons**") having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. Prohibited transactions within the meaning of section 406 of ERISA or section 4975 of the Code may arise if any Bonds are acquired by a Plan with respect to which any of the Issuer, the Dealers or the Bond Trustee or any of their respective affiliates are a party in interest or a disqualified person. Certain exemptions from the prohibited transaction provisions of section 406 of ERISA and section 4975 of the Code may be applicable, however, depending in part on the type of Plan fiduciary making the decision to acquire Bonds and the circumstances under which such decision is made. There can be no assurance that any exemption will be available with respect to any particular transaction involving the Bonds, or that, if an exemption is available, it will cover all aspects of any particular transaction. By its purchase of any Bonds (or any interest in a Bond), each purchaser (whether in the case of the initial purchase or in the case of a subsequent transfer) will be deemed to have represented and agreed either that (i) it is not and for so long as it holds a Bond (or any interest therein) will not be an ERISA Plan or other Plan, or an entity whose underlying assets include the assets of any such ERISA Plan or other Plan or (ii) its purchase and holding of the Bonds will not result in a prohibited transaction under section 406 of ERISA or section 4975 of the Code for which an exemption is not available.

Governmental plans and certain church and other U.S. plans, while not subject to the fiduciary responsibility provisions of ERISA or the provisions of section 4975 of the Code, may nevertheless be subject to state or other federal laws that are substantially similar to ERISA and the Code. Fiduciaries of any such plans should consult with their counsel before purchasing any Bonds.

The foregoing discussion is general in nature and not intended to be all-inclusive. Any Plan fiduciary who proposes to cause a Plan to purchase any Bonds should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and section 4975 of the Code to such an investment, and to confirm that such investment will not constitute or result in a prohibited transaction or any other violation of an applicable requirement of ERISA.

The sale of Bonds to a Plan is in no respect a representation by the Issuer, the Obligors, the Financial Guarantors, the Bond Guarantor or the Dealers that such an investment meets all relevant requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

## GENERAL INFORMATION

### Authorisation

The establishment of the Programme and the issue of Bonds thereunder have been duly authorised by resolutions of the Board of Directors of the Issuer passed at a meeting of the Board held on 9 July 2008. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds.

### Listing of Bonds

It is expected that each Sub-Class of Bonds admitted to the Official List and to trading on the Market will be admitted separately as and when issued, subject only to the issue of a Global Bond or Bonds initially representing the Bonds of such Sub-Class. The listing of the Programme in respect of Bonds is expected to be granted on 26 January 2016.

### Documents Available

For so long as the Programme remains in effect or any Bonds shall be outstanding, copies of the following documents 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:

(a) the Memorandum and Articles of Association of each of the Issuer and the Obligors;

(b) the audited financial statements of the Issuer and the Obligors for the year ended 31 December 2012, the year ended 31 December 2013 and the year ended 31 December 2014;

(c) the unaudited condensed interim consolidated financial statements of Heathrow (SP) Limited for the nine months ended 30 September 2015;

(d) a copy of this Prospectus, including all documents incorporated by reference herein;

(e) each Final Terms relating to Bonds;

(f) each Investor Report; and

(g) the Bond Trust Deed.

### Clearing Systems

The Bonds have been accepted for clearance through Euroclear, Clearstream, Luxembourg and (in the case of Rule 144A Bonds) DTC as specified in the relevant Final Terms. The appropriate Common Code and ISIN for each Sub-Class of Bonds allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms together with the CUSIP number (if applicable). If the Bonds are to clear through an additional or alternative clearing system (including Sicovam) the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium; the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg; and the address of DTC is 55 Water Street, New York, NY 10041, USA. The address of any alternative clearing system will be specified in the applicable Final Terms.

### Significant or Material Change

There has been no material adverse change in the financial position or prospects of the Issuer since 31 December 2014.

There has been no significant change in the financial or trading position of the Group since 30 September 2015.

There has been no material adverse change in the prospects of Heathrow (SP) since 31 December 2014.

There has been no significant change in the financial or trading position of Heathrow since 31 December 2014.

There has been no material adverse change in the prospects of Heathrow since 31 December 2014.

There has been no significant change in the financial or trading position of Heathrow Express Operating Company Limited since 31 December 2014.

There has been no material adverse change in the prospects of Heathrow Express Operating Company Limited since 31 December 2014.

**Yields**

The yield for any particular Tranche of Bonds will be specified in the applicable Final Terms and will be calculated at the Issue Date on the basis of the Issue Price. The applicable Final Terms in respect of any Floating Rate Bonds will not include any indication of yield. The yield specified in the applicable Final Terms in respect of a Tranche of Bonds will not be an indication of future yield.

**Litigation**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) within a period of 12 months preceding the date of this Prospectus which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Issuer.

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Heathrow is aware) within a period of 12 months preceding the date of this Prospectus which may have, or have had in the recent past, a significant effect on the financial position or profitability of Heathrow or its subsidiaries.

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Group is aware) within a period of 12 months preceding the date of this Prospectus which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Group.

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Heathrow (AH) Limited is aware) within a period of 12 months preceding the date of this Prospectus which may have, or have had in the recent past, a significant effect on the financial position or profitability of Heathrow (AH) Limited.

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Heathrow Express is aware) within a period of 12 months preceding the date of this Prospectus which may have, or have had in the recent past, a significant effect on the financial position or profitability of Heathrow Express.

**Availability of Financial Statements**

The audited annual financial statements of the Issuer and each Obligor will be prepared as of 31 December in each year. The Issuer and Heathrow (SP) Limited provide semi-annual unaudited financial information to various parties under the terms of the Common Terms Agreement. The unaudited interim financial information of the Issuer and Heathrow (SP) Limited will be prepared as of 30 June in each year. All future audited annual financial statements (and any published interim financial information) of the Issuer and Heathrow will be available free of charge in accordance with "*Documents Available*" above.

**Auditors**

The financial statements as at and for the years ended 31 December 2012, 31 December 2013 and 31 December 2014 incorporated by reference in this Prospectus have been audited by Deloitte LLP.

**Legend**

Bearer Bonds, Receipts, Talons and Coupons appertaining thereto will bear a legend substantially to the following effect: "**Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code**." The sections referred to in such legend provide that a United States person who holds a Bearer Bond, Coupon, Receipt or Talon generally will not be allowed to deduct any loss realised on the sale, exchange or redemption of such Bearer Bond, Coupon, Receipt or Talon and any gain (which might otherwise be characterised as capital gain) recognised on such sale, exchange or redemption will be treated as ordinary income.

**Information in respect of the Bonds**

The issue price and the amount of the relevant Bonds will be determined, before filing of the relevant Final Terms of each Tranche, based on then prevailing market conditions. The Issuer does not intend to provide any post-issuance information in relation to any issues of Bonds, but LHR Airports as Security Group Agent (on behalf of the Group) is required to produce an Investor Report semi-annually.

**Material Contracts**

None of Heathrow, Heathrow (SP) Limited, Heathrow (AH) Limited or Heathrow Express Operating Company Limited has entered into contracts outside the ordinary course of its business, which could result in Heathrow, Heathrow (SP) Limited, Heathrow (AH) Limited or Heathrow Express Operating Company Limited or any member of its group being under an obligation or entitlement that is material to the ability of Heathrow to meet its obligation to the Issuer under the Borrower Loan Agreement.

**Third party information**

Third party information referred to in the sections entitled "*Overview*", "*Business*" and "*Description of Hedge Counterparties*" has been accurately reproduced and as far as the Issuer and each Obligor are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## PROGRAMME INFORMATION

The Issuer is a special purpose financing entity established for the purpose of issuing asset backed securities, in particular, Bonds. Under the Programme the Issuer may, subject to all applicable legal and regulatory requirements, from time to time issue Bonds in bearer and/or registered form (respectively "**Bearer Bonds**" and "**Registered Bonds**"). Copies of each Final Terms (as defined below) will be available (in the case of all Bonds) from the specified office set out below of Deutsche Trustee Company Limited as bond trustee (the "**Bond Trustee**"), (in the case of Bearer Bonds) from the specified office set out below of each of the Paying Agents and (in the case of Registered Bonds) from the specified office set out below of each of the Registrar and the Transfer Agent (each as defined below).

Details of the aggregate principal amount, interest (if any) payable, the issue price and any other conditions not contained herein, which are applicable to each Tranche of each Sub-Class of each Class of each Series (all as defined below) will be set forth in a set of final terms (the "**Final Terms**"), or in a separate prospectus specific to such Tranche (a "**Drawdown Prospectus**"), see "*Final Terms and Drawdown Prospectuses*" below. In the case of a Tranche of Bonds which are the subject of a Drawdown Prospectus, each reference in this Prospectus to information being specified or identified in the relevant Final Terms shall be read and construed as a reference to such information being specified or identified in the relevant Drawdown Prospectus, unless the context requires otherwise. The Final Terms will be delivered to the UK Listing Authority and the London Stock Exchange on or before the relevant date of issue of the Bonds of such Tranche. The Issuer may agree with any Dealer and the Bond Trustee that Bonds may be issued in a form not contemplated by the Conditions (as defined below) herein, in which event a Drawdown Prospectus or further prospectus, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Bonds.

Bonds issued under the Programme will be issued in series on each Issue Date (each a "**Series**") and each Series may comprise one or both of two classes (each a "**Class**"). Bonds will be designated as either "**Class A Bonds**" or "**Class B Bonds**". Under the Programme, the Issuer may issue Bonds in one or more classes which rank in point of payment and security subordinate to the Class A Bonds and the Class B Bonds (the "**Subordinated Bonds**"). Each Class may comprise one or more sub-classes (each a "**Sub-Class**") with each Sub-Class pertaining to, among other things, the currency, interest rate and maturity date of the relevant Sub-Class. Each Sub-Class may be zero-coupon, fixed rate, floating rate or index-linked Bonds and may be denominated in sterling, euro, U.S. dollars, Canadian dollars, Australian dollars, Swiss francs, Norwegian krone or Japanese yen (or in other currencies subject to compliance with applicable laws). Investors in the Bonds are notified that the Issuer has issued Bonds under this Programme and may from time to time in the future issue further Bonds under this Programme, the terms of which will be specified in the relevant Final Terms.

If any withholding or deduction for or on account of tax is applicable to the Bonds, payments of interest on, principal of and premium (if any) on, the Bonds will be made subject to such withholding or deduction, without the Issuer being obliged to pay any additional amounts as a consequence.

If issued under the relevant Final Terms, Regulation S Bonds that are Bearer Bonds may be represented initially by one or more Temporary Global Bonds, without interest coupons, which will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg on or about the Issue Date of such Sub-Class. Each such Temporary Global Bond will be exchangeable for Permanent Global Bonds or definitive securities in bearer form as specified in the relevant Final Terms following the expiration of 40 days after the later of the commencement of the offering and the relevant Issue Date, upon certification as to non-U.S. beneficial ownership or to the effect that the holder is a U.S. person who purchased in a transaction that did not require registration under the Securities Act and as may be required by U.S. tax laws and regulations, as described in "*Forms of the Bonds*".

Bonds in bearer form are subject to U.S. tax law requirements. Subject to certain exceptions, Bearer Bonds may not be offered, sold or delivered within the United States or to U.S. persons.

If issued under the relevant Final Terms, Regulation S Bonds that are Registered Bonds will be represented on issue by beneficial interests in one or more global certificates (each a "**Regulation S Global Bond Certificate"**), in fully registered form, without interest coupons attached, which will be deposited with, and registered in the name of, a common depositary for Euroclear and Clearstream, Luxembourg. If issued under the relevant Final Terms in addition, or as an alternative, to Regulation S Bonds that are Registered Bonds, as specified in the relevant Final Terms, Rule 144A Bonds will be represented on issue by either (1) beneficial interests in one or more global certificates (each a "**Rule 144A EC Global Bond Certificate**"), in fully registered form, without interest coupons attached, which will be deposited with, and registered in the name of, a common depositary for Euroclear and Clearstream, Luxembourg or (2) beneficial interests in one or more global certificates (each a "**Rule 144A DTC Global Bond Certificate**"), in fully registered form, without interest coupons attached, which will be deposited with a custodian for, and registered in the name of Cede & Co. as nominee of, The Depositary Trust Company ("**DTC**"). Ownership interests in the Regulation S Global Bond Certificates, the Rule 144A EC Global Bond Certificates and the Rule 144A DTC Global Bond Certificates (the Rule 144A EC Global Bond Certificates and the Rule 144A DTC Global Bond Certificates,

collectively the "**Rule 144A Global Bond Certificates**" and, together with the Regulation S Global Bond Certificates, the "**Global Bond Certificates**") will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear, Clearstream, Luxembourg and DTC (as applicable), and their respective participants. Bonds in definitive, certificated and fully registered form will be issued only in the limited circumstances described herein. In each case, purchasers and transferees of Bonds will be deemed to have made certain representations and agreements. See "*The Bonds*" and "*Subscription and Sale*" above.

If issued under the relevant Final Terms the Rule 144A Global Bond Certificates will bear a legend to the effect that such Rule 144A Global Bond Certificates, or any interest therein, may only be transferred in compliance with the transfer restrictions set out in such legend. No beneficial interest in a Rule 144A Global Bond Certificate may be transferred to a person who takes delivery in the form of a beneficial interest in a Regulation S Global Bond Certificate unless a corresponding Regulation S Global Bond Certificate is also issued in respect of such Sub-Class of Bonds (as stated in the relevant Final Terms) and, in such case, only if the transfer is to a person who is neither a U.S. person nor a U.S. resident in an offshore transaction in reliance on Regulation S and the transferor provides the Registrar with written certification thereof. No beneficial interest in a Regulation S Global Bond Certificate may be transferred to a person that takes delivery in the form of a beneficial interest in a Rule 144A Global Bond Certificate unless a corresponding Rule 144A Global Bond Certificate is also issued in respect of such Sub-Class of Bonds (as stated in the relevant Final Terms) and, in such case, only if the transfer is to a person that is a QIB that is also a QP in a transaction in reliance on Rule 144A and the transferor provides the Registrar with written certification thereof. See "*Transfer Restrictions*" and the applicable Final Terms.

If any Rule 144A Bonds are issued, purchasers of such Rule 144A Bonds are hereby notified that the Issuer may be relying on the exemption from the registration requirements of the Securities Act provided by Rule 144A under the Securities Act. Until 40 days after the commencement of the offering, an offer or sale of the Bonds in the United States by any Dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in compliance with Rule 144A or pursuant to another exemption from the registration requirements of the Securities Act.

The Programme contemplates the potential issue of Bonds which have been unconditionally and irrevocably guaranteed by a relevant Financial Guarantor, and the Issuer may issue such Bonds in the future. If a relevant Financial Guarantor is appointed in relation to any Sub-Class of Bonds a Drawdown Prospectus will be produced providing such information about such relevant Financial Guarantor as may be required by the rules of the UK Listing Authority or the London Stock Exchange. The Issuer does not intend to issue any Bonds with a LHR Bond Guarantee under this Prospectus.

## NOTICES TO INVESTORS

This Prospectus is being distributed only to, and is directed only at, persons who (i) are outside the UK or (ii) are persons who have professional experience in matters relating to investments falling within Article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (iii) are high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(1) of the Order (all such persons together being referred to as "**relevant persons**"). This Prospectus, or any of its contents, must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Prospectus relates is available only to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such investments will be engaged in only with, relevant persons.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*"). This Prospectus shall be read and construed on the basis that such documents are so incorporated and form part of this Prospectus.

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Bonds shall in any circumstances imply that the information contained herein concerning the Issuer or the Obligors is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct or that there has been no adverse change in the financial position of the Issuer or the Obligors as of any time subsequent to the date indicated in the document containing the same. None of the Dealers, the Bond Trustee, the Borrower Security Trustee or the Other Parties undertakes to review the financial condition or affairs of any of the Issuer or the Obligors during the life of the Programme or to advise any investor in the Bonds of any information coming to their attention. Investors should review, among other things, the most recently published documents incorporated by reference into this Prospectus when deciding whether or not to purchase any Bonds.

This Prospectus is not intended to provide the basis of any credit evaluation and should not be considered as a recommendation by the Issuer, any member of the Group, any member of the Heathrow Airport Holdings Group, any Dealer, the Bond Trustee, the Borrower Security Trustee or any of the Other Parties that any recipient of this Prospectus should purchase any of the Bonds.

Each person contemplating making an investment in the Bonds must make its own investigation and analysis of the creditworthiness of the Issuer and the Obligors and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors which may be relevant to it in connection with such investment. A prospective investor who is in any doubt whatsoever as to the risks involved in investing in the Bonds should consult independent professional advisers.

The distribution of this Prospectus and the offering, sale or delivery of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. This Prospectus does not constitute, and may not be used for the purposes of, an offer to or solicitation by any person to subscribe or purchase any Bonds in any jurisdiction or in any circumstances in which such an offer or solicitation is not authorised or is unlawful.

In connection with the issue of any Tranche of Bonds, the Dealer or Dealers (if any) acting as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) may over-allot Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Bonds and 60 days after the date of the allotment of the relevant Tranche of Bonds. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or person(s) acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

The Jersey Financial Services Commission (the "**Commission**") has given, and has not withdrawn, its consent under Article 4 of the Control of Borrowing (Jersey) Order 1958 to the issue of the Bonds by the Issuer. A copy of this document has been delivered to the Jersey registrar of companies in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002, and he has given, and has not withdrawn, his consent to its circulation. It must be distinctly understood that, in giving these consents, neither the Jersey registrar of companies nor the Commission takes any responsibility for the financial soundness of the Issuer or for the correctness of any statements made, or opinions expressed, with regard to it.

If you are in any doubt about the contents of this document you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisor. It should be remembered that the price of securities and the income from them can go down as well as up.

**The investments described in this document do not constitute a collective investment fund for the purpose of the Collective Investment Funds (Jersey) Law 1988, as amended, on the basis that they are investment products designed for financially sophisticated investors with specialist knowledge of, and experience of investing in, such investments, who are capable of fully evaluating the risks involved in making such investments and who have an asset base sufficiently substantial as to enable them to sustain any loss that they might suffer as a result of making such investments. These investments are not regarded by the Jersey Financial Services Commission as suitable investments for any other type of investor.**

**Any individual intending to invest in any investment described in this document should consult his or her professional adviser and ensure that he or she fully understands all the risks associated with making such an investment and has sufficient financial resources to sustain any loss that may arise from it.**

All references herein to "**pounds**", "**sterling**" or "**£**" are to the lawful currency of the UK, to "**$**", "**U.S.$**" or "**U.S. dollars**" are to the lawful currency of the United States of America, to "**A$**" or "**Australian dollars**" are to the lawful currency of Australia, to "**C$**" or "**Canadian dollars**" are to the lawful currency of Canada, to "**CHF**" or "**Swiss francs**" are to the lawful currency of Switzerland, to "**NOK**", "**Norwegian krone**", "**NKr**" or "**kr**" are to the lawful currency of Norway, to "**Japanese yen**", "**JPY**" or "**¥**" are to the lawful currency of Japan, and to "**€**" or "**euro**" are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended, from time to time.

## NOTICE TO U.S. INVESTORS

Each prospective purchaser of Rule 144A Bonds or beneficial interests therein, by accepting delivery of this Prospectus and the relevant Final Terms shall be deemed to have acknowledged and agreed that such Prospectus and Final Terms are personal to it and do not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire such Bonds other than pursuant to Rule 144A. Distribution of this Prospectus and the Final Terms, or disclosure of any of their contents to any person other than such offeree and those persons, if any, retained to advise it with respect thereto is unauthorised and any disclosure of any of their contents, without the prior written consent of the Issuer, is prohibited. Notwithstanding anything herein to the contrary, except as reasonably necessary to comply with applicable securities laws, investors (and each employee, representative or other agent of the investors) may disclose to any and all persons, without limitation of any kind, the U.S. federal tax treatment and U.S. federal tax structure of the offering and all materials of any kind (including opinions or other tax analyses) that are provided to the investors relating to such U.S. federal tax treatment and U.S. federal tax structure (as such terms are defined for the purposes of sections 6011, 6111 and 6112 of the U.S. Internal Revenue Code and the Treasury Regulations promulgated thereunder).

Additionally, each purchaser of any of the Bonds will be deemed to have made the representations, warranties and acknowledgements that are described in "*Transfer Restrictions*" and those, if any, included in the relevant Final Terms. For a description of certain further restrictions on resale or transfer of the Bonds, see the applicable Final Terms.

Offers and sales of the Bonds in the United States will be made by the Dealers through their affiliates which are registered broker-dealers under the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), or in accordance with Rule 15a-6 thereunder.

Notwithstanding any provision in this Prospectus to the contrary, each prospective investor (and each employee, representative or other agent of each such prospective investor) may disclose to any and all persons, without limitation of any kind, the U.S. federal income tax treatment and U.S. federal income tax structure of any transaction contemplated in this Prospectus and all materials of any kind (including opinions or other tax analyses) that are provided to it relating to such U.S. federal income tax treatment and U.S. federal income tax structure.

## AVAILABLE INFORMATION

If any Rule 144A Bonds are issued, the Issuer will agree that, for so long as any of the Bonds are "restricted securities" within the meaning of Rule 144A(a)(3) under the Securities Act, it will, during any period in which it is neither subject to and in compliance with the reporting requirements of section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, make available the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act to any holder or beneficial owner of such restricted securities or to any prospective purchaser designated by such holder or beneficial owner of such restricted securities in order to permit compliance by such holder or beneficial owner with Rule 144A in connection with the resale of such restricted securities or any interest therein, in each case at the request of such holder or beneficial owner.

By requesting copies of the documents referred to herein or by making any other requests for additional information relating to the issue of the Bonds or to the Issuer, each potential investor agrees to keep confidential the various documents and all written information which from time to time has been or will be disclosed to it, to the extent that

such documents or information are not otherwise publicly available, and agrees not to disclose any portion of such information to any person except in connection with the proposed resale of the Bonds or as required by law.

## FORWARD-LOOKING STATEMENTS

This Prospectus contains various forward-looking statements regarding events and trends that are subject to risks and uncertainties, including but not limited to those set out in the section entitled "Risk Factors", that could cause the actual results and financial position of the Issuer to differ materially from the information presented herein. When used in this Prospectus, the words "estimate", "project", "intend", "anticipate", "believe", "expect", "should" and similar expressions, as they relate to the Obligors and their management, are intended to identify such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Obligors do not undertake any obligations publicly to release the result of any revisions to these forward-looking statements to reflect the events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

## ENFORCEABILITY OF JUDGMENTS

A judgment of a court of the United States is not directly enforceable in Jersey. While there is no recent conclusive authority in Jersey law, the Jersey courts are likely to recognise as valid a final judgment for a liquidated sum of money, which is not in respect of taxes, fines, penalties or other similar fiscal or revenue liabilities, rendered against the Issuer by any competent superior court in the United States, provided that such judgment is obtained without fraud, in accordance with the principles of natural justice, is not contrary to public policy, and that the proceedings in the court of the United States were duly served.

Where a foreign court (being a court of any country or territory outside the UK other than one for whose international relations the UK is responsible) has given a judgment for multiple damages against a qualifying defendant the amount which may be payable by such defendant may be limited by virtue of the Protection of Trading Interests Act 1980 (as extended to Jersey by the Protection of Trading Interests Act 1980 (Jersey) Order, 1983) which provides that such qualifying defendant may be able to recover such amount paid by it as represents the excess in such multiple damages over the sum assessed as compensation by the court that gave the judgment.

The Issuer is a public company incorporated with limited liability in Jersey. Most of its assets are located outside the United States. In addition, all of its officers and directors reside outside the United States and most of the assets of these persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Issuer or such persons not residing in the United States with respect to matters arising under the federal or state securities laws of the United States, or to enforce against any of them judgments of the courts of the United States predicated upon the civil liability provisions of such securities laws. There is a doubt as to the enforceability in Jersey, in original actions or in actions for the enforcement of judgements of U.S. courts, of civil liabilities predicated solely upon such securities laws.

## RESPONSIBILITY STATEMENTS

This Prospectus comprises a base prospectus for the purposes of Article 5.4 of the Prospectus Directive and for the purpose of giving information with regard to the Issuer and the Obligors which, according to the particular nature of the Issuer and the Bonds, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer.

Each of the Issuer and the Obligors accepts responsibility for the information contained in this Prospectus. 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 Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person has been authorised to give any information or to make representations other than the information or the representations contained in this Prospectus in connection with the Issuer, the Shared Services Provider, LHR Business Support Centre Limited ("**BSC**"), any member of the Group, or the offering or sale of the Bonds and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, the Shared Services Provider, BSC, any member of the Group, the Dealers, the Bond Trustee or the Borrower Security Trustee. Neither the delivery of this Prospectus nor any offering or sale of Bonds made in connection herewith shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Issuer or any member of the Group since the date hereof. Unless otherwise indicated herein, all information in this Prospectus is given as of the date of this Prospectus. This document does not constitute an offer of, or an invitation by, or on behalf of, the Issuer or any Dealer to subscribe for, or purchase, any of the Bonds.

No representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any Dealer, the Bond Trustee, the Borrower Security Trustee, the Hedge Counterparties, the Liquidity Facility Providers, the Authorised Credit Providers, the Agents, the Borrower Account Bank, the Issuer Account Bank or the members of the Heathrow Airport Holdings Group (other than the Issuer and the Obligors) (together, the "**Other Parties**") as to the accuracy or completeness of the information contained or incorporated by reference in this Prospectus or any other information supplied in connection with the Bonds or their distribution. The statements made in this paragraph are without prejudice to the respective responsibilities of the Issuer and the Obligors. Each person receiving this Prospectus acknowledges that such person has not relied on any Dealer, the Bond Trustee or the Borrower Security Trustee or any Other Party nor on any person affiliated with any of them in connection with its investigation of the accuracy of such information or its investment decision. None of the Issuer, the Obligors or the Other Parties accept responsibility to investors for the regulatory treatment of their investment in the Bonds in any jurisdiction or by any regulatory authority.

## SUPPLEMENTARY PROSPECTUS

The Issuer has undertaken, in connection with the admission of the Bonds to the Official List and to trading on the Market, that, if there shall occur, any significant new factor, mistake or material inaccuracy relating to information contained in this Prospectus which is capable of affecting the assessment of any Bonds whose inclusion would reasonably be required by investors and their professional advisers, and would reasonably be expected by them to be found in this Prospectus, for the purpose of making an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, and the rights attaching to the Bonds, the Issuer shall prepare a supplement to this Prospectus or publish a replacement prospectus for use in connection with any subsequent issue by the Issuer of Bonds and will supply to each Dealer and the Bond Trustee such number of copies of such supplement hereto or replacement prospectus as such Dealer and Bond Trustee may reasonably request. The Issuer will also supply to the UK Listing Authority such number of copies of such supplement hereto or replacement prospectus as may be required by the UK Listing Authority to carry out its review and approval process and upon receiving approval from the UK Listing Authority will make copies available, free of charge, upon oral or written request, at the specified offices of the Paying Agents and in respect of Registered Bonds, the Registrar and the Transfer Agent (as defined herein).

Each of the Obligors and LHR Airports has undertaken to the Dealers in the Dealership Agreement (as defined in "*Subscription and Sale*") to comply with section 87G of the FSMA.

If the terms of the Programme are modified or amended in a manner which would make this Prospectus, as so modified or amended, inaccurate or misleading, a new prospectus will be prepared.

If at any time the Issuer shall be required to prepare a supplementary prospectus pursuant to section 87G of the FSMA, the Issuer shall prepare and make available an appropriate supplement to this Prospectus or a further prospectus which shall constitute a supplementary prospectus as required by the UKLA and section 87G of the FSMA.

## FINAL TERMS AND DRAWDOWN PROSPECTUSES

In this section the expression "necessary information" means, in relation to any Tranche of Bonds, the information necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer and of the rights attaching to the Bonds. In relation to the different types of Bonds which may be issued under the Programme, the Issuer has endeavoured to include in this Prospectus, including the documents incorporated by reference, all of the necessary information except for information relating to the Bonds which is not known at the date of this Prospectus and which can only be determined at the time of an individual issue of a Tranche of Bonds.

Any information relating to the Bonds which is not included in this Prospectus and which is required in order to complete the necessary information in relation to a Tranche of Bonds will be contained either in the relevant Final Terms or in a Drawdown Prospectus. For a Tranche of Bonds which is the subject of Final Terms, those Final Terms will, for the purposes of that Tranche only, complete this Prospectus and must be read in conjunction with this Prospectus. The Conditions as completed to the extent described in the relevant Final Terms are the terms and conditions applicable to any particular Tranche of Bonds which is the subject of Final Terms.

The Conditions as supplemented, amended and/or replaced to the extent described in the relevant Drawdown Prospectus are the terms and conditions applicable to any particular Tranche of Bonds which is the subject of a Drawdown Prospectus. Each Drawdown Prospectus will be constituted by a single document containing the necessary information relating to the Issuer and the relevant Bonds.

## DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with the documents specified in the cross-reference list below, which documents shall be incorporated in, and form part of, this Prospectus; provided, however, that any statement contained herein or in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus. Any further information or documents incorporated by reference in the documents incorporated by reference below does not form part of this Prospectus. Information contained in the documents incorporated by reference into this Prospectus, which is not itself incorporated by reference herein, is not relevant for investors.

Each of the Issuer, Heathrow and Heathrow (SP) Limited will provide, without charge, to each person to whom a copy of this Prospectus has been delivered, upon the request of such person, a copy of any or all of the documents deemed to be incorporated herein by reference unless such documents have been modified or superseded as specified above. Requests for such documents should be directed to the registered offices of the Issuer, Heathrow and Heathrow (SP) Limited, as the case may be, as set out in the section entitled "*Description of the Group Companies*", and such documents will be available upon request for the life of the Prospectus.

Copies of the documents incorporated by reference in this Prospectus may be viewed electronically and free of charge at www.heathrowairport.com/financialinformation (the "**Special Purpose Website**"). The Special Purpose Website does not form part of Heathrow Airport Holdings' website, and Heathrow Airport Holdings' website does not form any part of this Prospectus. The Special Purpose Website is provided for convenience only, and its content does not form any part of this Prospectus. The information incorporated by reference into this Prospectus is an important part of this Prospectus.

The list below sets out the details of each of the documents incorporated by reference in this Prospectus.

**Cross Reference List**

- Audited annual non-consolidated financial statements of the Issuer for the financial year ended 31 December 2012 (pages 5 – 18 inclusive)
- Audited annual non-consolidated financial statements of the Issuer for the financial year ended 31 December 2013 (pages 5 – 18 inclusive)
- Audited annual non-consolidated financial statements of the Issuer for the financial year ended 31 December 2014 (pages 5– 21 inclusive)
- Unaudited condensed non-consolidated financial statements of the Issuer for the six months ended 30 June 2015 (all pages)
- Audited annual non-consolidated financial statements of Heathrow for the financial year ended 31 December 2012 (pages 19 – 46 inclusive)
- Audited annual non-consolidated financial statements of Heathrow for the financial year ended 31 December 2013 (pages 17 – 45 inclusive)
- Audited annual non-consolidated financial statements of Heathrow for the financial year ended 31 December 2014 (pages 21– 52 inclusive)
- Audited special purpose financial statements for Heathrow for the financial years ended 31 December 2012, 31 December 2013 and 31 December 2014 (all pages)
- Audited annual consolidated financial statements of Heathrow (SP) Limited for the financial year ended 31 December 2012 (pages 23 – 62 inclusive)
- Audited annual consolidated financial statements of Heathrow (SP) Limited for the financial year ended 31 December 2013 (pages 21 – 61 inclusive)
- Audited annual consolidated financial statements of Heathrow (SP) Limited for the financial year ended 31 December 2014 (pages 24 – 99 inclusive)

- Unaudited consolidated financial statements of Heathrow (SP) Limited for the nine months ended 30 September 2015 (all pages).

- Audited annual non-consolidated financial statements of Heathrow Express Operating Company Limited for the financial year ended 31 December 2012 (pages 7 – 21 inclusive)

- Audited annual non-consolidated financial statements of Heathrow Express Operating Company Limited for the financial year ended 31 December 2013 (pages 7 – 21 inclusive)

- Audited annual non-consolidated financial statements of Heathrow Express Operating Company Limited for the financial year ended 31 December 2014 (pages 7 - 21 inclusive)

- Common Terms Agreement dated 18 August 2008 between, among others, the Obligors, the Issuer and the Borrower Security Trustee (all pages).

- Security Trust and Intercreditor Deed dated 18 August 2008 as amended and restated on 9 January 2012 between, among others, the Borrower Security Trustee, the Obligors and the Bond Trustee (all pages).

- Security Agreement dated 18 August 2008 between, among others, the Obligors and the Borrower Security Trustee (all pages).

- Obligor Floating Charge Agreement dated 18 August 2008 between the Issuer, the Borrower Security Trustee, the Bond Trustee and the Obligors (all pages).

- Bond Trust Deed dated 18 August 2008 as amended and restated on 13 January 2012, 18 October 2013, 15 December 2014 and 22 January 2016 between, among others, the Issuer and the Bond Trustee (all pages).

- Master Definitions Agreement dated 18 August 2008 as amended and restated on 13 January 2012 between, among others, the Obligors, the Issuer, the Bond Trustee and the Borrower Security Trustee (all pages).

- The terms and conditions of the Bonds as set out in the base prospectus dated 14 July 2008 relating to the Issuer's multicurrency programme for the issuance of Bonds, as amended (pages 310 to 349 inclusive).

- The terms and conditions of the Bonds as set out in the base prospectus dated 20 November 2009 relating to the Issuer's multicurrency programme for the issuance of Bonds, as amended (pages 82 to 120 inclusive).

- The terms and conditions of the Bonds as set out in the base prospectus dated 18 March 2011 relating to the Issuer's multicurrency programme for the issuance of Bonds (pages 64 to 97 inclusive).

- The terms and conditions of the Bonds as set out in the base prospectus dated 16 June 2011 relating to the Issuer's multicurrency programme for the issuance of Bonds, as amended (pages 73 to 106 inclusive).

- The terms and conditions of the Bonds as set out in the base prospectus dated 14 June 2012 relating to the Issuer's multicurrency programme for the issuance of Bonds (pages 70 to 103 inclusive).

- The terms and conditions of the Bonds as set out in the base prospectus dated 16 October 2013 relating to the Issuer's multicurrency programme for the issuance of Bonds (pages 69 to 107 inclusive).

- The terms and conditions of the Bonds as set out in the base prospectus dated 16 December 2014 relating to the Issuer's multicurrency programme for the issuance of Bonds (pages 69 to 109 inclusive).

## PRESENTATION OF FINANCIAL INFORMATION

As a result of the Financial Reporting Council's ongoing project to harmonise accounting standards in the UK, from 1 January 2015, the previous UK accounting standards used for the preparation of the audited annual consolidated financial statements of the Group and the audited annual non-consolidated financial statements of each of the Issuer, Heathrow Airport, and Heathrow Express were replaced by Financial Reporting Standard FRS 100. This had to be reflected in the Group's reporting no later than the year ending 31 December 2015. There is a choice under FRS 100 to follow either full International Financial Reporting Standards ("**IFRS**"), reduced disclosure IFRS, FRS 101 or FRS 102 in place of previous UK Generally Accepted Accounting Practice ("**UK GAAP**"). FRS 102 has now replaced UK GAAP.

### Group consolidated financial statements

As permitted by FRS 100, the accounting basis used to prepare the audited annual consolidated financial statements of the Group for the financial year ended 31 December 2014 (the "**2014 Group Consolidated Financial Statements**") was changed from reporting under UK GAAP to adopting full IFRS. The Group early-adopted IFRS with a transition date of 1 January 2012. Accordingly, the 2014 Group Consolidated Financial Statements are the Group's first audited annual consolidated financial statements prepared in accordance with IFRS.

IFRS 1 'First-time Adoption of International Financial Reporting Standards' grants elections and certain exemptions from its full requirements when preparing the first financial statements that conform to IFRS. In preparing its opening IFRS statement of financial position as at 1 January 2012 the Group has adjusted amounts previously reported in its statutory annual report and financial statements prepared in accordance with UK GAAP. An explanation of how the transition from UK GAAP to IFRS has affected the Group's previously reported financial position, financial performance and cash flows is disclosed in Note 32 on pages 83 to 92 (inclusive) of the 2014 Group Consolidated Financial Statements which are incorporated by reference in this Prospectus.

### Heathrow Airport financial statements

The accounting basis used to prepare the audited annual non-consolidated financial statements of Heathrow Airport for the year ended 31 December 2014 was UK GAAP. As permitted by FRS 100, the first set of statutory accounts to be prepared in accordance with FRS 100 will follow FRS 102 and be prepared for the financial year ending 31 December 2015. In order to present the financial statements of Heathrow Airport for the year ending 31 December 2014 in a form consistent with the next annual published financial statements, Heathrow Airport has restated the financial information for the year ending 31 December 2014 in accordance with FRS 102 with a transition date of 1 January 2012.

The transition requirements of FRS 102 grant elections and certain exemptions from its full requirements when preparing the first financial statements that conform to FRS 102. In preparing its opening FRS 102 statement of financial position (with a transition date of 1 January 2012), Heathrow Airport has adjusted amounts previously reported in its annual financial statements for the years ended 31 December 2014, 31 December 2013 and 31 December 2012 which were prepared in accordance with UK GAAP. An explanation of how the transition from UK GAAP to FRS 102 has affected Heathrow Airport's previously reported financial position, financial performance and cash flows is disclosed in Note 23 on pages 44 to 51 (inclusive) of the Heathrow Airport Limited Special purpose financial statements for the years ended 31 December 2014, 2013 and 2012 incorporated by reference in this Prospectus.

### Issuer and Heathrow Express financial statements

Issuer, as a company registered in Jersey, is permitted to and has elected to prepare financial statements in compliance with the Statements of Standard Accounting Practice, Financial Reporting Standards, Urgent Issue Task Force pronouncements, Statements of Recommended Practice and any other statements of accounting practice issued by the relevant accountancy bodies in the United Kingdom ("**UK Accounting Standards**"). Consequently the Issuer falls within the scope of FRS 100 as part of the UK Accounting Standards and is therefore required to change the accounting basis used to prepare its audited annual financial statements for the year ending 31 December 2015.

The accounting basis used to prepare the audited annual financial statements of both the Issuer and Heathrow Express for the financial year ended 31 December 2014 was UK GAAP. As permitted by FRS 100, the first set of audited annual financial statements to be prepared in accordance with FRS 100 will follow FRS 102 and be prepared for the financial year ending 31 December 2015, with an accounting transition date of 1 January 2014. The audited annual financial statements for the year ended 31 December 2014 for the Issuer and Heathrow Express are presented and prepared in a form materially consistent with that which will be adopted in their next published financial statements, having regard to accounting standards, policies and legislation applicable to such annual financial statements.

**REGISTERED OFFICE OF THE ISSUER**

13 Castle Street, St Helier
Jersey JE4 5UT

**REGISTERED OFFICE OF THE OBLIGORS**

The Compass Centre
Nelson Road, Hounslow
Middlesex TW6 2GW

**BOND TRUSTEE AND BORROWER SECURITY TRUSTEE**

**Deutsche Trustee Company Limited**
Winchester House
1 Great Winchester Street
London EC2N 2DB

**PRINCIPAL PAYING AGENT AND AGENT BANK**

**Deutsche Bank AG, London Branch**
Winchester House
1 Great Winchester Street
London EC2N 2DB

**REGISTRAR, TRANSFER AGENT, PAYING AGENT AND EXCHANGE AGENT**

**Deutsche Bank Trust Company Americas**
c/o Deutsche Bank National Trust Company
25 DeForest Avenue,
2nd Floor – MS SUM01 0105
Summit, NJ 07901
United States of America

**LEGAL ADVISERS**

*To the Issuer and the Group as to English and United States law*

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*To the Issuer as to Jersey law*

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Channel Islands

*To the Dealers as to English and United States law*

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**Allen & Overy LLP**
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75379 Paris Cedex 08
France

*To the Bond Trustee and the Borrower Security Trustee*

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London E14 5JJ

**AUDITORS**

*To the Issuer and the Obligors*

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London EC4A 3BZ