

HEATHROW FUNDING LIMITED

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

Multicurrency programme for the issuance of Bonds

This prospectus supplement (the *Supplement*) is supplemental to and must be read in conjunction with the base prospectus dated 4 October 2021 (the *Prospectus*) and constitutes a supplementary prospectus for the purposes of Regulation (EU) 2017/1129, as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the *EUWA*) (the *UK Prospectus Regulation*) and is prepared in connection with the £50,000,000,000 multicurrency programme for the issuance of Bonds (the *Programme*) established by Heathrow Funding Limited (the *Issuer*) as described in the Prospectus. Terms defined in the Prospectus have the same meaning when used in this Supplement.

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

The purpose of this Supplement is to:

- a) incorporate by reference the audited consolidated financial statements of Heathrow (SP) Limited for the financial year ended 31 December 2021;
- b) update the "Financial Summary" section of the Prospectus to include:
 - (i) the material uncertainty relating to going concern as set out in the audit report in respect of Heathrow (SP) Limited's audited consolidated financial statements for the financial year ended 31 December 2021; and
 - (ii) an update on the credit ratings by Standard & Poor's of the Class A Bonds and the Class B Bonds;
- c) update the "Airport Regulation" section of the Prospectus to include new disclosure relating to recent regulatory developments involving Heathrow; and
- d) update the "Risk Factors" section of the Prospectus to include an additional risk factor relating to the potential impact of the Russia-Ukraine war on the Group.

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

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

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

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

Supplement dated 11 May 2022

RESPONSIBILITY STATEMENT

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

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

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HEATHROW (SP) LIMITED FOR THE YEAR ENDED 31 DECEMBER 2021

On 22 February 2022, Heathrow (SP) Limited (*Heathrow (SP)*) announced the publication of its audited consolidated results for the year ended 31 December 2021 (the *Group Consolidated Financial Statements*). The Group Consolidated Financial Statements contain a comprehensive review of principal risks, accounting policies and significant accounting judgements and estimates applicable to the Group. The Group Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the UK.

The Directors have prepared the financial information presented for Heathrow (SP) on a going concern basis as they have a reasonable expectation that the entity has adequate resources to continue in operational existence for the foreseeable future. Further details, including the existence of a material uncertainty, are set out within the going concern note on pages 137 to 139 of the Group Consolidated Financial Statements. The audit report in respect of the Group Consolidated Financial Statements draws attention to the material uncertainty upon the going concern basis of preparation. Further details, including the reasons for the reference to material uncertainty within the audit report, are set out on page 122 of the Group Consolidated Financial Statements.

By virtue of this Supplement, the Group Consolidated Financial Statements are incorporated by reference in, and form part of, the Prospectus. Accordingly, by way of update to the section headed "Cross Reference List" in the "Documents Incorporated by Reference" section beginning on page 210 of the Prospectus, the following bullet point shall be inserted after the bullet point "Audited annual consolidated financial statements of Heathrow (SP) for the financial year ended 31 December 2020 (pages 118 – 205 inclusive)":

- "Audited annual consolidated financial statements of Heathrow (SP) Limited for the financial year ended 31 December 2021 (pages 122 – 210 inclusive)".

In addition, the first paragraph under the section headed "Presentation of Financial Information" on page 212 of the Prospectus shall be updated with the following final sentence: "The audited annual consolidated financial statements of the Group for the financial year ended 31 December 2021 have been prepared in accordance with International Financial Reporting Standards as adopted by the UK."

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

Copies of the documents deemed to be incorporated by reference in the Prospectus and this Supplement may be viewed on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>. For convenience, copies of the documents deemed to be incorporated by reference in the Prospectus and this Supplement are also available at https://www.heathrow.com/company/investor-centre/offering_related-documents/heathrow-funding-

[link](#) (the *Special Purpose Website*). The information contained on the Special Purpose Website must be considered together with all the information contained elsewhere in the Prospectus and this Supplement. The Special Purpose Website does not form part of Heathrow's website, and Heathrow's website does not form any part of the Prospectus and/or this Supplement. The Special Purpose Website is provided for convenience only, and its content does not form any part of the Prospectus and/or this Supplement for the purpose of the listing rules of the UK Listing Authority.

There has been no material adverse change in the prospects of Heathrow (SP) since 31 December 2021.

There has been no significant change in the financial position or the financial performance of the Group since 31 December 2021.

UPDATES TO THE FINANCIAL SUMMARY SECTION IN THE PROSPECTUS

By way of update to the section headed "Financial Summary" beginning on page 14 of the Prospectus within the "Overview" section beginning on page 4 of the Prospectus, the following paragraphs shall be inserted:

"Material Uncertainty Related to Going Concern

In forming their opinion on the financial statements, which is not modified, PricewaterhouseCoopers LLP (*PwC*) have considered the adequacy of the disclosure made in the going concern section of the accounting policies to the financial statements concerning the Group's and Heathrow (SP) Limited's ability to continue as a going concern. The Group continues to be significantly impacted by the COVID-19 pandemic which has resulted in a deterioration in passenger traffic and cash flows. The Group's forecast and projections assume the regulatory tariffs as described in the going concern section on page 137 of the Group Consolidated Financial Statements, and a gradual recovery in the passenger number forecast in the going concern period which still represents a significant reduction to historical revenue levels. In addition, the Group has been impacted by uncertainties in relation to the confirmation of its regulatory pricing from the Civil Aviation Authority (*CAA*) for the upcoming regulatory period (*H7*). In the event there are further waves of the pandemic, or the implementation or continuation of local lockdown periods, leading to further travel restrictions being imposed worldwide, the Group and Heathrow (SP) Limited, whilst having sufficient liquidity, may require covenant waivers in respect to the interest cover ratio (*ICR*) measured as at 31 December 2022. These conditions, along with the other matters explained in those notes to the Group Consolidated Financial Statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's and Heathrow (SP) Limited's ability to continue as a going concern. The Group Consolidated Financial Statements do not include the adjustments that would result if the Group and Heathrow (SP) Limited were unable to continue as a going concern. In auditing the financial statements, PwC have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. PwC's responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of their audit report.

PwC's evaluation of the directors' assessment of the Group's and Heathrow (SP) Limited's ability to continue to adopt the going concern basis of accounting included:

- Reviewing management's models supporting the going concern assessment, including the assumptions adopted in relation to the published CAA tariff range, and ensuring appropriate stress test scenarios were considered. PwC challenged management's key cash flow assumptions by performing their own sensitivity analysis;
- Evaluating management's assumptions in light of both historical and post year end performance and assessing consistency with other evidence obtained during the course of PwC's audit work;
- Understanding the covenants and assessing the forecast covenant calculations; and
- Assessing the adequacy of management's disclosures in relation to going concern basis of preparation.

Further details, including the reasons for the reference to material uncertainty within the audit report, are set out on page 122 of the Group Consolidated Financial Statements.

Credit rating developments in respect of the Class A Bonds and the Class B Bonds

On 24 February 2022, Standard & Poor's placed its 'BBB+' issue rating of the Class A Bonds and 'BBB-' issue rating of the Class B Bonds on CreditWatch with negative implications. This decision was taken by S&P principally due to the lack of definition of the H7 regulatory package and the risk that tariffs may be insufficient in Standard & Poor's view to keep the Issuer's credit metrics at a level commensurate with the current ratings."

UPDATES TO THE DESCRIPTION OF RECENT REGULATORY DEVELOPMENTS

Overview and Airport Regulation Sections

By way of update to the section headed "H7 Developments" beginning on page 11 of the Prospectus within the "Overview" section beginning on page 4 of the Prospectus, and to the section headed "Q6 Extension, iH7 and H7" beginning on page 64 of the Prospectus within the section headed "Airport Regulation" beginning on page 61 of the Prospectus, in each case the paragraph beginning "the CAA will continue to consult on the framework for H7..." shall be deleted and the following paragraphs shall be inserted:

"On 19 October 2021, Heathrow received Initial Proposals from the CAA for the H7 regulatory period, 2022-2026, (CAP2265). Following its Initial Proposals, the CAA published two additional working papers for consultation in November 2021: Outcomes Based Regulation in the H7 price control for Heathrow (CAP2274) and draft modifications to Heathrow Airport Limited's licence (CAP2275). These working papers form part of the CAA's Initial Proposals and focus in more detail on the CAA's proposed service quality targets for the H7 period and the implementation of the CAA's price control proposals through Heathrow's licence.

On 17 December 2021, Heathrow submitted its response to the Initial Proposals and its second update to the December 2020 RBP (*RPB Update 2*) to the CAA. These contained Heathrow's responses to the CAA's policy proposals and H7 building block forecasts, as well as Heathrow's updated assumptions with regards to passenger volumes and cost and revenue forecasts for the H7 period to ensure the CAA has the most up-to-date evidence base available from Heathrow on which it can base its price control decisions. The CAA will continue its H7 price control review process through 2022 with the H7 license due to be published by the end of 2022. The next step of this process will be the publication of the CAA's Final Proposals, currently expected in the second quarter of 2022.

The price control condition in Heathrow's licence granted by the CAA, which is used to calculate the annual yield per passenger, expired on 31 December 2021. Therefore, without the conclusion of the H7 review, interim measures were required by the CAA for pricing during 2022. On 22 December 2021, following consultation alongside its Initial Proposals, the CAA gave notice of its decision to make modifications to Heathrow's licence in order to set an interim price cap of £30.19 for 2022 (CAP2305). This price cap will be in place until the CAA's final decision on H7 is published. 2022 charges are linked to CPI while Heathrow's Regulatory Asset Base (**RAB**) will continue being indexed to RPI (as confirmed in CAP2275). Upon implementation of the H7 price cap, the CAA has stated that it will perform a 'true up' to account for the difference between this interim holding cap and the final H7 decision. This decision by the CAA on pricing for 2022 was reflected in decisions taken by Heathrow on airport charges and its structure of charges for 2022 (published in December 2021)."

UPDATES TO THE RISK FACTORS IN THE PROSPECTUS

By way of update to the section headed "Risk Factors" beginning on page 22 of the Prospectus, the following paragraph shall be inserted at the end of the section headed "Commercial Risks":

"Potential impact of the Russia-Ukraine war on the Group

On 24 February 2022, Russia launched an invasion of Ukraine after a prolonged military build-up on Ukraine's borders and the Russian recognition of the self-proclaimed Donetsk People's Republic and the Luhansk People's Republic in the days leading up to the invasion. It is not possible to predict at this stage how long the war will last. However, in addition to the appalling human toll, it will have a very significant geopolitical impact as well as global economic impact in the months and years to come, both directly through the various US, EU and UK sanctions which have been imposed on Russia (and vice versa), and also through the resulting impact on energy, fuel, food and other commodity prices, which will in turn adversely impact the economy of the UK and other countries. The consequences for Heathrow and the Issuer are hard to predict but it is possible that, as a result of this war, passenger numbers in the coming months do not recover from the pandemic lows of the past two years at a rate which Heathrow previously expected."