

HEATHROW FUNDING LIMITED

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

Multicurrency programme for the issuance of Bonds – Supplement dated 26 February 2024

This prospectus supplement (the *Supplement*) is supplemental to and must be read in conjunction with the base prospectus dated 30 June 2023 (the *Base Prospectus*) as supplemented by a supplemental prospectus dated 27 October 2023 (the *October Supplement*, and together with the Base Prospectus, the *Prospectus*) and constitutes a supplementary prospectus for the purposes of assimilated Regulation (EU) 2017/1129, as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (as amended) (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 herein. The FCA, as the UK competent authority under the UK Prospectus Regulation, has approved this Supplement.

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. To the extent 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.

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.

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

Responsibility statement

Each Obligor and the Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of each Obligor and the Issuer (each having taken all reasonable care to ensure that such is the case) the information contained herein 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 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.

Purpose of this Supplement

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 2023;
- (b) update the “Significant or Material Change” statement in the Prospectus;
- (c) provide an update on recent financial and operational performance of the Group and developments;
- (d) provide an update on the ownership and management of the Group;
- (e) provide updates to certain commercial and financing risk factors; and
- (f) incorporate certain alternative performance measures used by the Group.

Information incorporated by reference

On 21 February 2024, Heathrow (SP) Limited (*Heathrow (SP)*) published its audited consolidated results for the twelve months ended 31 December 2023 (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, and have been prepared in accordance with International Financial Reporting Standards as adopted by the UK. By virtue of this Supplement, the Group Consolidated Financial Statements are incorporated by reference in, and form part of, the Prospectus. Accordingly, the following shall be added to the list headed "Cross Reference List" in the "Documents Incorporated by Reference" section beginning on page 229 of the Prospectus:

- "Audited annual consolidated financial statements and alternative performance measures of Heathrow (SP) for the financial year ended 31 December 2023 (pages 148 – 233 inclusive and pages 243 – 245 inclusive)".

In addition, the first paragraph under the section headed "Presentation of Financial Information" on page 231 of the Prospectus shall be updated to read: "The audited annual consolidated financial statements of the Group for the financial years ended 31 December 2022 and 31 December 2023 have been prepared in accordance with UK adopted International Accounting Standards." Further, paragraph (c) of the section headed "Documents Available" within the section headed "General Information" on page 218 of the Prospectus shall be updated to read: "the audited consolidated financial statements of the Group for the year ended 31 December 2022 and the year ended 31 December 2023;". For the avoidance of doubt, any further information or documents incorporated by reference in the Group Consolidated Financial Statements do not form part of the Prospectus. Information contained in the documents incorporated by reference into this Supplement, which is not itself incorporated by reference herein, is not relevant for investors.

Copies of the documents 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>, and are available at <https://www.heathrow.com/company/investor-centre> (the *Special Purpose Website*). The information on the Special Purpose Website should be considered together with the information in the Prospectus and this Supplement. However, the Special Purpose Website is provided for convenience only; none of its content nor Heathrow's website forms part of the Prospectus or this Supplement for the purpose of the FCA listing rules.

General information

There has been no material adverse change in the prospects of Heathrow (SP) since 31 December 2023. There has been no significant change in the financial position or financial performance of Heathrow (SP) since 31 December 2023. There has been no significant change in the financial position or financial performance of the Group since 31 December 2023.

Summary of recent financial and operational performance and developments

By way of updates to the "Overview" section beginning on page 14 of the Prospectus and the "Business" section beginning on page 52 of the Prospectus:

- (i) In 2023, there were 82 passenger airlines (2022: 83) flying to 103 (2022: 91) long-haul and 104 (2022: 98) short-haul routes, connecting 88 countries & territories (2022: 84), serving 79.2 million passengers (2022: 61.6 million). This growth in passengers is a 29% increase on 2022, 98% of 2019 levels and represents the third busiest year in Heathrow's history in terms of total passengers. Heathrow Airport is now the world's leading long-haul airport by departing flights (source: Simple Flying June 2023), with 66% of passenger airlines operating long-haul services at Heathrow. The annual number of air transport movements ("ATM") increased by 20% to approximately 454,089 in 2023 compared to 2022, representing 95% of 2019 levels. In 2023, Heathrow operated at 94.6% of its maximum permitted ATM limit of 480,000 per year. Heathrow has exceeded its 2019 status to now being the fourth busiest airport globally (Source: OAG Jan 2024).
- (ii) In the year ended 31 December 2023, Heathrow invested £636 million (2022: £457 million), focused on the airport's safety, resilience and compliance measures (including next generation security programme works across all terminals, cargo and main tunnel projects to connect vehicles and passengers across the estate, runway resurfacing projects and a new virtual contingency facility to ensure assets remain resilient). Capital expenditure for H7, from 1 January 2022 to 31 December 2023, was £1,087 million or £1,093 million including capital related to expansion.
- (iii) The Group is cash positive with £2,151 million cash generated from operations in 2023. The Group has sufficient liquidity to meet its forecast needs for at least the next 12 months. This includes operating cashflows under the base case business plan and capital investment, debt service costs, debt maturities and repayments. The liquidity forecast takes into account the undrawn loan facilities and term debt as well as cash resources as at 31 December 2023 together with expected operating cash flow for the period.

- (iv) In 2023, employment costs increased in line with rebuilding capacity for higher passenger numbers. This includes costs associated with additional colleagues, overtime, recruitment, and training. The rise in operational costs is mainly due to third-party resourcing, supporting operational resilience, and “Measure, Target, Incentive” rebates incurred (previously “Service Quality Rebates”). The increase in maintenance is largely driven by terminal cleaning and conservation of terminal, airside, and baggage areas. Utilities and other costs have been impacted by higher consumption and higher energy prices.
- (v) The following table provides traffic details of the main airline customers at Heathrow Airport and aeronautical income share for the 12 months ended 31 December 2023:

	<i>Year ended 31 December 2023</i>	
	<i>Passengers</i>	<i>Air transport movements</i>
	<i>(millions)</i>	<i>(thousands)</i>
British Airways ⁽¹⁾	37.1	230.1
Virgin Atlantic Airways	4.8	21.5
Lufthansa ⁽²⁾	4.3	34.7
American Airlines	3.7	16.7
Emirates	2.4	14.4
United Airlines.....	1.9	4.7

(1) Includes Iberia operated by British Airways.

(2) Includes Lufthansa, Austrian Airlines, Swiss Airlines, Brussels Airlines and Eurowings.

- (vi) Heathrow remains a gateway for cargo and mail. In 2023, 91% of cargo travelled in the belly-hold of passenger aircraft, with only 9% travelling in dedicated freighter aircraft and “preighter”. There were 3,896 all-cargo ATM in 2023 (2022: 9,689).

By way of updates to the “Airport Regulation” section beginning on page 68 of the Prospectus:

- (i) The H7 capex governance arrangements replaced the capital expenditure “trigger” term with the introduction of “Delivery Obligations”, which requires Heathrow to agree with the airline community on each capex project’s expected outputs, quality requirements and timing, combined with an ex-ante capital incentives framework with a symmetrical 25% sharing rate of over- and under- performance against the cost estimate for each of Heathrow’s projects. The CAA published its final Guidance on Capex Expenditure Governance in November 2023 where it stated that the use of Delivery Obligations is expected to come into effect by 1 March 2024.
- (ii) Heathrow is allowed to request an increase to the cap on capital spend set by the CAA in its Final Decision during 1 February 2024 until 31 March 2024 and 1 February 2025 until 31 March 2025.
- (iii) An outcome-based regulation framework at Heathrow has replaced the Q6 service quality rebate scheme and sets wider reputational and financial measures, intended to measure Heathrow’s delivery of the most important aspects of airport operation services that consumers value in their airport experience.

Update on ownership and management of the Group

By way of updates to the “Overview” section beginning on page 14 of the Prospectus and the “Business” section beginning on page 52 of the Prospectus:

Ferrovial S.A. notified the directors of FGP Topco on 28 November 2023 that it had reached an agreement for the sale of its stake in FGP Topco for £2,368 million, subject to certain rights of the other shareholders of FGP Topco and satisfaction of applicable regulatory conditions. As at the date of this Prospectus, Ferrovial S.A. has reached an agreement with two different buyers, Ardian and The Public Investment Fund, to acquire Ferrovial S.A.’s shareholding in c.15% and c.10% stakes respectively, through separate vehicles. On 16 January 2024, Ferrovial S.A. announced that, pursuant to the shareholders’ agreement between the shareholders of FGP Topco, certain other shareholders of FGP Topco have exercised contractual rights which has resulted in 60% of the total issued share capital of FGP Topco being available for sale. As at the date of this Prospectus, the parties (not including the Issuer) are investigating options to satisfy such rights and negotiations are continuing.

In addition, any references to John Holland-Kaye in the Prospectus shall be deleted and replaced as applicable with *Thomas Woldbye*. In the section headed “Directors and Senior Management of Heathrow Airport Holdings Limited” on page 74, the description of John Holland-Kaye shall be replaced entirely by:

Thomas Woldbye, Chief Executive Officer

Thomas joined Heathrow as Chief Executive Officer in October 2023. Before joining Thomas served as the CEO of Copenhagen Airport where he championed passenger service, sustainability and growth. Prior to his role at Copenhagen Airport, he spent 27 years at A.P. Møller-Mærsk, as a leader in the global shipping business as well as CEO of Norfolkline.

Finally, the name Maria Casero Borges (Ferrovia S.A.’s appointee as a non-executive director of Heathrow Airport Holdings) on page 74 of the Prospectus shall be replaced by the name Shawn Kinder.

Updates to certain commercial and financing risk factors

The first commercial risk factor beginning on page 19 of the Prospectus shall be renamed “*Volatility in global demand and revenues is characterised by various political, economic, and regulatory factors outside of the Group’s control*”, its first paragraph and references to the COVID-19 pandemic or prospective CMA appeals throughout it deleted, its second paragraph updated to refer to *regulatory decisions, the Ukraine Russia war, Middle East instability and growing tensions with China* as factors creating uncertainty, and an additional significant factor added to its list as follows:

- a limited capacity for growth dependent on slot trading combined with the highest aviation taxes in Europe (Air Passenger Duty);

In addition, the commercial risk factor beginning on page 23 of the Prospectus named “*Incidents and business interruption could occur at Heathrow Airport*” shall refer to *cyber attacks* as another factor after terrorist activities.

Further, the first financing risk factor beginning on page 31 of the Prospectus named “*The Group will need to raise further debt from time to time*” shall refer to *events in the credit markets in 2022 and 2023* as a new example of events which have restricted the Group’s ability to raise finance, and note that: *Inflation rates have remained elevated, and whilst they are expected to moderate, the pace of expected interest rate cuts is unknown and interest rates may find a terminal rate above historic norms.*

Alternative Performance Measures

By way of updates to the “Notices to Investors” section beginning on page 223 of the Prospectus:

Non-IFRS financial information

This Prospectus contains certain financial measures that are not defined or recognised under IFRS and which constitute alternative performance measures (“APMs”). Information regarding these measures is sometimes used by investors and management to evaluate the efficiency of a company’s operations and its ability to employ its earnings toward repayment of debt, capital expenditures, and working capital requirements. There are no generally accepted principles governing the calculation of these measures and the criteria upon which these measures are based can vary from company to company. These measures, by themselves, do not provide a sufficient basis to compare the Issuer’s and its subsidiaries’ performance with each other or with that of other companies and should not be considered in isolation or as a substitute for operating profit or any other measure of operating performance, or as an alternative to cash generated from operations as a measure of liquidity.

Alternative Performance Measures (“APMs”)

APMs in this Prospectus include Adjusted EBITDA and Regulatory Asset Base (also known as RAB). Definitions of these terms and the other APMs contained in this Prospectus along with details of the adjustments required to reconcile these non-IFRS financial measures to their closest equivalent IFRS financial measures, can be found in the “*Alternative Performance Measures (APMs) – Unaudited*” section on pages 223 to 225 of Heathrow (SP)’s audited annual consolidated financial statements for the year ended 31 December 2022 and on pages 243 to 245 of Heathrow (SP)’s audited annual consolidated financial statements for the year ended 31 December 2023, which are incorporated by reference into this Prospectus.

Accordingly, the sixth bullet of the list headed "Cross Reference List" in the "Documents Incorporated by Reference" section beginning on page 229 of the Prospectus shall be replaced by: "Audited annual consolidated financial statements and alternative performance measures of Heathrow (SP) for the financial year ended 31 December 2022 (pages 126 – 213 inclusive and pages 223 to 225 inclusive)".