

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 10 August 2018 (the *Prospectus*) and constitutes a supplementary prospectus for the purposes of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the *Prospectus Directive*) and relevant implementing measures in the United Kingdom 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 Prospectus Directive and relevant implementing measures in the United Kingdom by the United Kingdom Listing Authority of 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*), which is the United Kingdom's competent authority for the purposes of the Prospectus Directive and relevant implementing measures in the United Kingdom.

The purpose of this Supplement is to:

- a) incorporate by reference the audited consolidated financial statements of Heathrow (SP) Limited for the year ended 31 December 2018;
- b) incorporate by reference the Common Terms Agreement dated 18 August 2008 as amended on 28 February 2019 between, among others, the Obligors, the Issuer and the Borrower Security Trustee (all pages);
- c) incorporate by reference the Master Definitions Agreement dated 18 August 2008 as amended on 13 January 2012 and 28 February 2019 between, among others, the Obligors, the Issuer, the Bond Trustee and the Borrower Security Trustee (all pages); and
- d) provide an update on recent regulatory developments involving Heathrow.

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 1 March 2019

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.

SIGNIFICANT NEW FACTORS

AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF HEATHROW (SP) LIMITED FOR THE YEAR ENDED 31 DECEMBER 2018

On 21 February 2019, Heathrow (SP) Limited (*Heathrow (SP)*) announced the publication of its audited consolidated results for the year ended 31 December 2018 (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. 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-ld (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 2018.

There has been no significant change in the financial or trading position of the Group since 31 December 2018.

CHANGES TO THE COMMON DOCUMENTS ARISING AS A RESULT OF THE INTRODUCTION OF INTERNATIONAL FINANCIAL REPORTING STANDARD 16 (LEASES)

A new accounting standard on leasing, International Financial Reporting Standard 16 (*IFRS 16*), came into effect on 1 January 2019 and it applies to Heathrow (SP)'s consolidated financial statements going forward. The new standard changes the balance sheet treatment of leases and, among other things, removes the distinction made under the previous accounting standard (International Accounting Standard 17 (*IAS 17*)) between finance leases and operating leases.

Broadly, the effect of removing the distinction between finance leases and operating leases means that going forward Heathrow (SP) will be required to capitalise the operating leases entered into by the Obligor Group, grossing up its balance sheet for both lease assets and liabilities. Nothing in respect of the Obligor Group's business, operations or cash flows will change or be affected by the application of IFRS 16. The new standard is expected to have a negligible effect on Heathrow (SP)'s income statement over the lease term, however, it will distort the calculation of the Senior RAR ratio and the Junior RAR ratio where only one side of the calculation is impacted by the change because whilst the change will be reflected in Heathrow (SP)'s indebtedness, it would not be matched by a corresponding increase in the value of Regulatory Asset Base.

On 28 January 2019, LHR Airports Limited (as Security Group Agent) launched a STID Proposal seeking consent from the Qualifying Borrower Secured Creditors to make certain amendments to the Common Terms Agreement and the Master Definitions Agreement to address the introduction of IFRS 16 (the *Consent*).

The Consent was successful and on 28 February 2019, the Issuer, the Borrower and the Borrower Security Trustee entered into an amendment deed to implement the amendments in to the Common Terms Agreement and the Master Definitions Agreement (the *Amendment Deed*).

By virtue of this Supplement, the Common Terms Agreement (all pages) and the Master Definitions Agreement (all pages) (in each case, as amended by the Amendment Deed) are incorporated by reference in, and form part of, the Prospectus. For the avoidance of doubt, any further information or documents incorporated by reference in the Common Terms Agreement and the Master Definitions Agreement (in each case, as amended by the Amendment Deed) 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-ltd (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.

RECENT REGULATORY DEVELOPMENTS

Delivering an affordable expanded Heathrow is a very important issue for consumers and airlines. Heathrow has worked closely with its airline partners to refine its master plan to meet the government's challenge to deliver expansion with average charges close to 2016 levels in real terms. In addition to the work under way on the framework for Heathrow's next regulatory period (*H7*) currently scheduled to begin on 1 January 2022, based on an Memorandum of Understanding agreed with major airlines operating from Heathrow Airport, a formal agreement has been finalised between Heathrow and such airlines on the aeronautical charges to be applied prior to the start of H7 (the *Formal Agreement*). The Formal Agreement has been recently signed by a number of key airlines from multiple alliances and groups representing well over half of Heathrow's traffic with most other airlines expected to sign the Formal Agreement in the coming days once they complete their internal governance requirements. Under the Formal Agreement, Heathrow will offer a rebate to all airlines depending on actual passenger traffic volumes. The rebate creates an incentive for airlines to make better use of Heathrow Airport's existing capacity by way of a volume discount while also providing protection in the event that passenger volumes were to fall below current levels prior to 2022. Another benefit of the Formal Agreement is that it will enable all parties to concentrate on the longer term aim of securing a regulatory settlement for H7 which will support affordable and financeable expansion of Heathrow. The Formal Agreement remains subject to consultation by the CAA and will maintain all existing regulatory protections.