

IMPORTANT NOTICE

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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 24 September 2020 (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 2020;
- b) provide an update on recent regulatory developments involving Heathrow;
- c) provide an update on the judgement of the Supreme Court in relation to the judicial review of the Airports National Policy Statement: new runway capacity and infrastructure at airports in the south east of England (the *ANPS*);
- d) provide an update on the impact of the global outbreak of COVID-19 on the Group; and
- e) update the Pro Forma Final Terms and the Notices to Investors sections of the Base Prospectus to reflect the end of the Brexit transition period on 31 December 2020.

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 8 March 2021

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 2020

On 24 February 2021, Heathrow (SP) Limited (*Heathrow (SP)*) announced the publication of its audited consolidated results for the year ended 31 December 2020 (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 EU (in the form on-shored in the United Kingdom as at 11:00 p.m. on 31 December 2020).

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 page 133 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 118 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. 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-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.

There has been no material adverse change in the prospects of Heathrow (SP) since 31 December 2020.

There has been no significant change in the financial position or the financial performance of the Group since 31 December 2020.

RECENT REGULATORY DEVELOPMENTS

In recognition of the asymmetric risk in the regulatory model that has been exposed by the COVID-19 crisis, but was not allowed for in the allowed regulatory returns, Heathrow requested that the CAA makes a policy statement setting out that it will amend Heathrow's Regulated Asset Base (**RAB**) to allow Heathrow to recover excess losses experienced over the iH7 period over an extended period of time. In October 2020, the CAA published a consultation document (CAP1966) in response to the request made by Heathrow in July 2020 for the CAA to change its approach to the calculation of Heathrow's RAB to take account of the impact of the COVID-19 pandemic.

Following consultation in October 2020, the CAA published an updated position on Heathrow's request in February 2021 (CAP2098). In this document the CAA has set out four broad packages of possible policy measures and interventions, with two preferred options for action. The consultation is open until 5 March 2021 and the CAA intend to issue a further statement on these matters around the end of March 2021.

SUPREME COURT JUDGEMENT IN RESPECT OF THE JUDICIAL REVIEW OF THE AIRPORT NATIONAL POLICY STATEMENT

In June 2018 the Secretary of State for Transport designated the ANPS providing policy support for Heathrow expansion. In February 2020, the Court of Appeal held that the ANPS was not lawfully made because the Secretary of State was required but failed to take into account the Paris Agreement and other climate change matters. The Court of Appeal declared that the ANPS has no legal effect unless and until it is reviewed by the Government under statutory procedures. Heathrow appealed this decision. Heathrow's appeal was heard by the Supreme Court in October 2020 and judgment issued on 16 December 2020. The Supreme Court unanimously allowed Heathrow's appeal meaning the ANPS has been reinstated. Following the judgment, it is still possible that the Government may decide to review the ANPS.

IMPACT OF THE GLOBAL OUTBREAK OF COVID-19 ON THE GROUP

COVID-19 continues to represent a seismic challenge for the aviation industry, including Heathrow. The pandemic has put air travel to a halt as governments around the world closed their borders and airlines dramatically cut capacity. Consequently, traffic continues to be greatly impacted, with passenger traffic for 2020 down by 72.7 per cent at 22.11 million passengers (2019: 80.9 million passengers) and ATMs for 2020 down 57.8 per cent at 200,905 movements (2019: 475,872 movements).

With a recovery now expected to be much more gradual, Heathrow has gone further to ensure that the business is able to continue successfully navigating the turbulent years ahead. Heathrow has therefore implemented further steps to reduce costs, preserve liquidity and protect our financial covenants, including steps to enhance liquidity, securing a capital injection to improve headroom in the Group's financial covenants, optimising working capital, extending its cost reduction programme and further reducing capital investment.

UPDATE OF THE PRO FORMA FINAL TERMS IN THE BASE PROSPECTUS

The legends titled "MIFID II product governance / Professional investors and ECPs only target market" and "PRIIPs Regulation / PROHIBITION OF SALES TO EEA RETAIL AND UK INVESTORS" in the Pro Forma Final Terms shall be deleted and replaced with the following:

[MIFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "MiFID II"); and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Bonds (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

[UK MIFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Bonds has led to the conclusion that: (i) the target market for the Bonds is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (“**COBS**”), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**UK MiFIR**”); and (ii) all channels for distribution of the Bonds to eligible counterparties and professional clients are appropriate. [*Consider any negative target market*]. Any person subsequently offering, selling or recommending the Bonds (a “**distributor**”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK MiFIR Product Governance Rules**”) is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

[PRIIPs Regulation / PROHIBITION OF SALES TO EEA RETAIL INVESTORS [Unless the Final Terms in respect of any Bonds specifies “Prohibition of Sales to EEA Retail Investors” as “Not Applicable”, the Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of [Directive 2014/65/EU (as amended, “**MiFID II**”) or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**IDD**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]

[UK PRIIPs Regulation / PROHIBITION OF SALES TO UK RETAIL INVESTORS [Unless the Final Terms in respect of any Bonds specifies “Prohibition of Sales to UK Retail Investors” as “Not Applicable”, the Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (“**UK**”). For the purposes of a retail investor means a person who is one (or more) of the following: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (“**EUWA**”) or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. ; Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]

The final row of section 7 of Part B - Other Information of the Pro Forma Final Terms shall be deleted and replaced with the following:

Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]

(If the Bonds clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Bonds may constitute “packaged” products and no KID will be prepared, “Applicable” should be specified.)

Prohibition of Sales to UK Retail Investors: [Applicable/Not Applicable]

(If the Bonds clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Bonds may constitute “packaged” products and

no KID will be prepared, "Applicable" should be specified.)

UPDATE OF THE NOTICES TO INVESTORS IN THE BASE PROSPECTUS

The paragraphs relating to "MiFID Product Governance / target market" and "PRIIPs / IMPORTANT – EEA AND UK RETAIL INVESTORS" in the Notices to Investors in the Base Prospectus will be deleted and replaced with the following:

MiFID Product Governance / target market - The Final Terms or any Drawdown Prospectus in respect of any Bonds may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Bonds and which channels for distribution of the Bonds are appropriate. Any person subsequently offering, selling or recommending the Bonds (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "**MiFID II**") is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue of Bonds about whether, for the purpose of the product governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any relevant Dealer subscribing for any Bonds is a manufacturer in respect of such Bonds, but otherwise none of the other Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

UK MiFIR product governance / target market – The Final Terms or any Drawdown Prospectus in respect of any Bonds may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Bonds and which channels for distribution of the Bonds are appropriate. Any person subsequently offering, selling or recommending the Bonds (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Bonds (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue of Bonds about whether, for the purpose of the UK MiFIR Product Governance Rules, any relevant Dealer subscribing for any Bonds is a manufacturer in respect of such Bonds, but otherwise none of the other Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

IMPORTANT – EEA RETAIL INVESTORS- If the Final Terms or any Drawdown Prospectus in respect of any Bonds includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97/ (as amended, the "**IDD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

IMPORTANT – UK RETAIL INVESTORS – If the Final Terms or any Drawdown Prospectus in respect of any Bonds includes a legend entitled "Prohibition of Sales to UK Retail Investors", the Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that

customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the “**UK PRIIPs Regulation**”) for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.