



LONDON GATWICK

IVY HOLDCO LIMITED INVESTOR REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2023

23 August 2023

This Investor Report is prepared in accordance with the requirements of the Common Terms Agreement dated 15 February 2011 between, among others, the Issuer, the Obligors and Deutsche Trustee Borrower Limited (“the Borrower Security Trustee”) (“the Common Terms Agreement”). It summarises certain information contained in the Security Group’s (Ivy Holdco Limited) Annual Report and the Consolidated Financial Statements for the six months ended 30 June 2023, and the Compliance Certificate for the period then ended.

Overview of the Securitisation Group’s performance for the period ended 30 June 2023

Positive first half of 2023

Passenger numbers continued to grow in peak periods but remain lower than pre-pandemic levels outside of the peak. This is due to travel still not returning to 2019 levels for some business and discretionary leisure flights.

During the first six months of 2023, 18.5 million passengers flew through London Gatwick. In June, passenger numbers recovered to 90% compared with 2019.

Best serving our passengers

Following a rapid recovery in 2022, we continue to focus on recruitment and serving our passengers to make sure their airport experience is smooth and efficient, so supporting our safety and security culture. As always, safety is our highest priority so we continue to invest in training our teams, to best serve our passengers, airport community and colleagues.

Several initiatives are underway to make the passenger journey through the airport even better. For example, earlier in the year we launched our Accessibility Strategy. This aims to ensure passengers requiring assistance can book, plan and receive this assistance, which provides them with the same access as everyone else.

The number of passengers seeking assistance through the airport has increased this year. So it’s more important than ever that we continue to adapt and create the most accessible spaces and services for all our passengers. Consistent delivery of our core service standards indicate that we’re delivering for all passengers.

Ahead of the summer we recruited a further 200 security officers to manage the increase in passengers. This has had a positive result with over 97.5% of passengers passing through security in less than five minutes. In fact, we’ve continued to deliver strong service levels across our airport, meeting 99.6% of all measured service level requirements for the first half 2023.

In February, we partnered with UK Border Force to trial the use of e-gates for 10 and 11-year-olds. After a successful trial we’ve fully implemented this initiative at the airport, allowing more families to travel through e-gates for speed and convenience.

We closely collaborated with airlines, ground handlers and the wider airport community to prepare for the summer season. This ensured adequate resources were in place for a smooth operation. Furthermore, we conducted regular reviews with key airport partners to ensure readiness. We’ve also continued to invest in contingency resource to support ground handlers, should it be needed.

Air traffic restrictions have been our biggest challenge for the first half of 2023. European air traffic control (“ATC”) strikes, en route ATC staffing issues and air space restrictions have led to cancellations and delays. Also, the ongoing conflict in Ukraine continues to cause restrictions on the use of large volumes of airspace. Despite this and industrial action from both UK Border Force and train drivers, we’ve continued to operate at a good level. Our teams developed action plans, which were well executed and minimised the impact of wider disruption across Europe.

We are working closely with NATS and the airlines to improve areas of performance within our control. This includes ensuring aircraft leave London Gatwick on time during the first wave of departures early in the morning and throughout the rest of the day.



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Investing in our future

As the recovery continued in 2023, we restarted our capital investment plan with a refreshed pipeline of key projects. These range from construction on the airfield with the Rapid Exit Taxiway ("RET"), to starting a major transformation of our North Terminal departure lounge.

Recognising the urgent need to make net zero a reality, we've accelerated our commitment to reach net zero (Scope 1 and 2) by 2030, ten years ahead of our previous commitment. We'll achieve by investing over £250 million in initiatives to reduce carbon emissions. For example moving to an electric vehicle fleet and replacing gas boilers and refrigerants with low-carbon alternatives.

On 11 July 2023, we published the 2023 five-year Capital Investment Programme ("CIP"). This programme sets out our ambition to invest over £2 billion in facilities and services for our passengers and airline customers through to 31 March 2029.

Passenger traffic trends

In the six months to 30 June 2023, passenger numbers increased by 41% to 18.5 million compared with 13.1 million over the same period in 2022. The recovery continued with passenger numbers reaching 83% of 2019 levels in the same period.

The first quarter, traditionally the quietest period during the year, saw passenger traffic increasing to 80% of 2019 levels in March when airlines began their ramp-up ahead of the summer season. With the start of the new season's schedules in the second quarter, a string of new airlines and services resulted in a recovery, reaching 90% of 2019 levels in June.

Our short-haul market saw a faster recovery in the six months to 30 June and passenger numbers reached 89% of 2019 levels.

- easyJet's traffic continued to grow during the period, up 24% compared with 2022, exceeding 2019 levels in quarter two and peaking at 106% of 2019 levels in June.
- British Airways capacity increased by 160% compared with 2022, due to their later restart of services in 2022. They contributed 9% of the total short-haul passengers during the first half of 2023.
- Vueling continued to deliver more passengers after increasing the number of based aircraft and capacity. Passenger numbers grew by 86% compared with 2022, significantly ahead of 2019 levels.
- Wizz Air's traffic for the first half of 2023 reached 1.0 million passengers, more than doubling 2022 levels as they continued to increase capacity by using the five aircraft they now have based at London Gatwick.
- New airlines such as Lufthansa and SkyExpress began operating at London Gatwick during the first half of 2023 as part of the 34 airlines operating to 155 short-haul destinations, providing a greater choice for passengers.

Recovery for long-haul flights is gradual, reflective of the fact that the UK holiday market recovered faster. China was the last country to lift travel restrictions, with services restarting in quarter two. For the six months to 30 June 2023, long-haul passengers reached 2.6 million, an increase of 62% compared with the same period in 2022, but still 42% lower than 2019 levels. Long-haul traffic recovery peaked in June, reaching 63% of 2019 levels.

Following the start of the summer season, many of our existing airlines launched new services, and we also welcomed several returning and new carriers. British Airways started their long-haul operations to Vancouver, Las Vegas, Aruba and Georgetown, Guyana. Norse added another three destinations to their portfolio – Orlando, Washington and Fort Lauderdale. Air China resumed their operation at the start of quarter two, while China Eastern did so at the end of the period – both now operating to Shanghai. Air India, a new carrier for London Gatwick, introduced four new routes and is now operating 12 weekly services to India. Delta commenced a daily service to New York JFK, while Saudia started a daily flight to Jeddah.

Outlook for rest of 2023

We'll continue to see new destinations and airlines being introduced throughout the rest of 2023. We expect to reach 210 destinations by the end of 2023, including several not previously served from London Gatwick. Norse are due to start new services to Los Angeles and San Francisco in quarter three along with some winter sun routes to Montego Bay, Barbados and Kingston in quarter four. At the same time, we'll welcome another new carrier – Air Mauritius – launching their first daily service from London Gatwick.

In the first half of this year the travel industry has continued to bounce back. The capacity growth cap that was in place for July and August 2022 was not necessary in 2023. This reflected our partners having resources in place to manage demand, along with our ability to keep delivering good levels of service.



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Revenue increased 45.2% from £291.5 million for the six months to 30 June 2022 to £423.3 million for the same period in 2023. We continued our focus on recruiting staff to ensure we had appropriate levels alongside careful management of costs as operations ramped back up. As a result, total operating costs (excluding depreciation, amortisation and exceptional items) increased by 30.9% from £143.2 million for the six months ended 30 June 2022 to £187.5 million for the same period in 2023.

EBITDA increased to £235.7 million for the period ended 30 June 2023 compared with £148.3 million for the same period in 2022. This resulted in an increased EBITDA margin of 55.7% for 2023 compared with 50.9% in 2022.

For the period ended 30 June 2023, the Group recorded a profit before tax of £100.2 million (2022: £60.7 million) and a profit after tax of £79.1 million (2022: £50.6 million).

Regulatory Environment

London Gatwick is subject to economic regulation by the Civil Aviation Authority (“CAA”) under the Civil Aviation Act 2012. This takes the form of legally enforceable undertakings (“commitments”) made by London Gatwick to airlines, covering price, service, transparency, financial resilience, operational resilience and dispute resolution. These undertakings put commercial agreements between airports and airlines at the very centre of our business, delivering improved outcomes for passengers. They’re backed by a licence issued by the CAA.

The first generation of commitments expired on 31 March 2021. These commitments delivered consistently for passengers and airlines, with service levels and overall investment significantly exceeding what was committed. Having consulted with stakeholders, in January 2020 we proposed an extension to the arrangement with an improved set of commitments to run from 1 April 2021 to 31 March 2025. The CAA confirmed the final licence conditions in a notice in May 2021 (CAP 2144).

Following extensive engagement with airlines and passenger representatives, we’ve proposed an extension to the current commitments until 31 March 2029 incorporating several important enhancements. This extension will benefit passengers and provide a more stable, predictable environment to help airlines continue to recover from the pandemic. Over this period, we’ll give confidence to airlines and passengers by striving for outstanding service, continuing to invest in facilities, and provide a price which Gatwick has committed to decline, on average, in real terms. We’ll actively strive to get consent to start work needed to bring our Northern Runway into routine use, and add capacity and additional resilience to the airfield.

The CAA consulted on our proposal until 28 July 2023. It will now review consultation responses and undertake its own analysis. During 2024, we expect the CAA to reach its final decision on the regulatory framework, which would be applied from April 2025. The proposal’s key features are as follows:

- **Service:** Gatwick commits to maintain excellent service delivery for its passengers and airlines and will remain financially incentivised to do so. Gatwick is engaging with the airline community as the package of Core Service Standards (“CSS”) is reviewed. Gatwick is considering reintroducing a CSS metric focused on ATC performance at the airport and strengthening the special assistance metric.
- **Investment:** The 2023 Capital Investment Programme (“CIP”) reflects a substantially enhanced capital programme with over £80 million added to deliver sustainability objectives, an additional £100 million investment in the international departure lounges and over £500 million to start the Northern Runway programme. Over the ten-year period from 2019, Gatwick’s planned investment is £2.6 billion – substantially higher than the minimum investment commitment of £1.5 billion and delivered under a lower price ceiling.
- **Price:** Recognising cost pressures and economic uncertainty and underlining Gatwick’s commitment to sharing commercial risk, Gatwick proposes to switch to CPI and to limit airport charges with a ceiling and a maximum annual rate increase of CPI-1% for the first two years of the extension (but not to reduce below 0% nominal) with a trajectory of CPI+0% thereafter.
- **Vision:** As part of the current CIP process, Gatwick published its vision which is underpinned by the following statement: “To be the airport for everyone, whatever your journey”. This vision recognises the breadth of airline and passenger customers and is built on three core foundations – ease, efficiency and experience. This will flow through investment plans and operations.



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- **Capacity growth:** Gatwick commits to increase the resilience and efficiency of its airfield infrastructure, and to continue, for the present, to bear the cost of developing these plans, securing the necessary statutory and planning approvals, and implementing the projects. This includes potential projects to maximise the use of the existing Main Runway and to bring into routine use the existing Northern Runway (sometimes referred to as the 'stand-by' or 'emergency' runway). Gatwick is also committed to delivering greater passenger choice with routes and airlines, as well as retail growth.

All airport operators are also subject to aerodrome licensing under the Air Navigation Order 2009, which requires an airport operator to demonstrate its competence for conducting aerodrome operations safely. That licensing requirement is not affected by the Civil Aviation Act 2012.

Significant Board and key management changes

After two and half years as London Gatwick's Chief Operating Officer, Adrian Witherow moved to Sydney Airport in January 2023 as its Chief Transformation Officer. Adrian joined London Gatwick during the height of the pandemic and led the Operations team through a challenging period. Business Improvement Director John Higgins has taken over as interim Chief Operating Officer.

Capital expenditure

The Group spent £49.4 million on the Airport's Capital Investment Programme during the six months ended 30 June 2023 compared to £30.2 million in the same period in the prior year.

The financial review in the Ivy Holdco Limited Report and the Interim Consolidated Financial Statements for the six months ended 30 June 2023 details the key capital projects delivered during the period.

Financing

The Group has a Revolving Credit Facility ("RCF") under an Authorised Credit Facility ("ACF") of £300.0 million with a termination date of 21 June 2025.

To provide additional liquidity following the purchase of some of the outstanding Class A bonds in December 2022, in February 2023 the Group entered into a new RCF under an ACF of £100.0 million. This has a termination date of 23 August 2024 with an option to extend to 23 February 2025. The facility remains fully undrawn as of 30 June 2023.

Acquisitions and Disposals

No acquisitions or disposals occurred during the period ended 30 June 2023.

Restricted Payments

There were no restricted payments during the period ended 30 June 2023.

Current Hedging Position

As at 30 June 2023, after taking hedging with derivatives into account, fixed and inflation-linked debt represented 89.9% of the Borrower's Relevant Debt.



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Ratios

We confirm that in respect of this Investor Report dated 23 August 2023, by reference to the most recent financial statements that we are obliged to deliver to you in accordance with Paragraph 1 (Financial Statements) of Part 1 (Information Covenants) of Schedule 2 (Covenants) of the Common Terms Agreement:

- a. the historical Senior ICR for the Relevant Period ended 30 June 2023 was 3.76;
- b. the forecast Senior ICR for the Relevant Period ended 31 December 2023 is 3.15;
- c. the historical Senior RAR for the Relevant Period ended 30 June 2023 was 0.52; and
- d. the forecast Senior RAR for the Relevant Period ended 31 December 2023 is 0.44;

(together the Ratios).

Group RAR

We confirm that as at 30 June 2023:

- a. Group Net Debt is £3,160million (comprising Senior Net Debt of £2,744million, CCFF Debt of nil, Junior Debt of nil and Issuer Net Debt of £416million);
- b. RAB is £5,231million; and
- c. therefore, Group RAR is 60 per cent., as at the Relevant Date.

Confirmations

We confirm that each of the above Ratios has been calculated in respect of the Relevant Period or as at the Relevant Dates for which it is required to be calculated under the Common Terms Agreement.

We confirm that:

- a. no Default or Trigger Event has occurred and is continuing:
 - (i) the Group issued a request for a covenant waiver and amendment of certain terms under the financing documents, which was approved by the Qualifying Borrower Secured Creditors and documented under the Amendment and Waiver Agreement dated 8 September 2021. This includes a temporary amendment (until June 2024) to the calculation of the Senior RAR to replace both the April 2020 to March 2021 EBITDA and the April 2021 to March 2022 EBITDA in such calculation with the average of the 2017, 2018 and 2019 financial years corresponding to each relevant calendar quarter, to prevent results in this exceptional period continuing to impact the Senior RAR
- b. the Borrower is in compliance with the Hedging Policy; and
- c. the statements set out in this Investor Report are accurate in all material respects.

Yours faithfully,

Stewart Wingate
Chief Executive Officer

Jim Butler
Chief Financial Officer

Signing without personal liability, for and on behalf of Gatwick Airport Limited as Borrower.