

YOUR LONDON AIRPORT

Gatwick

IVY HOLDCO LIMITED INVESTOR REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2022

23 August 2022

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 2022, and the Compliance Certificate for the period then ended.

Overview of the Securitisation Group’s performance for the period ended 30 June 2022

There has been a significant recovery of traffic at Gatwick, with the monthly passenger numbers increasing from 0.8 million in January to 3.5 million in June resulting in a return to positive EBITDA and free cash flow. The South Terminal was successfully reopened in March 2022 in advance of the peak summer season.

The Group has reported an operating profit of £66.4 million for the six months ended 30 June 2022 compared to a loss of £137.2 million for the six months ended 30 June 2021.

In the six months ended 30 June 2022, 13.1 million passengers travelled through the Airport, an increase of 12.5 million compared to the same period in the prior year.

Regulatory Environment

Gatwick is subject to economic regulation by the CAA under the Civil Aviation Act 2012. On 1 April 2014, a new regulatory framework, based on Commitments backed by a licence and supplemented by a monitoring regime, came into operation at Gatwick. The Commitments are a set of legally enforceable undertakings, made by Gatwick to airlines, covering price, service, transparency, financial resilience, operational resilience and dispute resolution. The Commitments also enable Gatwick to enter into a series of bilateral contracts incorporating, for example, price, service and duration, agreed on a contractual basis between Gatwick and individual airlines.

The first generation of Commitments expired on 31 March 2021. Gatwick consulted on a fuller set of extended Commitments in October 2019 and issued finalised extended Commitments to airlines in January 2020, with a term from 1 April 2021 to 31 March 2025. Gatwick furthermore decided that it will accelerate the pricing benefit inherent in these Commitments to be effective retrospectively from 1 January 2020, bringing pricing benefits to airlines sooner.

In February 2021, the CAA published its decision and statutory Licence consultation in relation to economic regulation of Gatwick from 1 April 2021 to 31 March 2025. The February 2021 decision outlined broad support for Gatwick’s finalised extended commitments, and introduced some changes to the ongoing annual monitoring provisions. The CAA confirmed the final licence conditions in a notice in May 2021 (CAP 2144).

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Regulatory environment (continued)

The finalised extended Commitments include a number of enhancements and improvements to the existing commitments, including:

- **Service:** Gatwick commits to maintain excellent service delivery for its passenger and airlines and will remain financially incentivised to do so. Informed by the consultation and passenger research many of the existing service standards have been updated, and we have also added new standards for wifi connectivity, Special Assistance service and Flight Information Screen system availability.
- **Investment:** Gatwick will continue to consult annually on a 5 year Capital Investment Programme, and has amended the consultation process to provide earlier insight and greater clarity for airlines and passenger representatives on emerging projects. Gatwick have also increased the minimum capital investment commitment to £120 million per annum on average (in 2018/19 price base).
- **Price:** Gatwick will limit the maximum annual rate of increase in its gross yield to RPI+0%, referencing the gross yield for the year ending 31 March 2019. In addition, the gross yield ceiling has been simplified to be a year-by-year limit rather than an average measured over the Commitments Term. The new, simplified gross yield ceiling will give greater certainty about the maximum level of future charges.
- **Operational initiatives:** To increase the focus of Gatwick, its airlines, ground handlers and air traffic control provider on delivering resilient and punctual services, Gatwick will set itself formal targets for average on time departure punctuality to be at least 70% in the summer season and 75% in the winter season. Gatwick will invest in a portfolio of operational initiatives and financial incentives for airlines and/or their ground handlers, with the aim of enabling airlines to achieve these punctuality targets. Gatwick will consult with airlines annually on the proposed on-time departure programme; and
- **Capacity Growth:** Gatwick commits to seek to increase the resilient capacity of its airfield infrastructure, and to continue for the present to bear the cost of developing these plans, securing necessary political and planning approvals, and implementing the project. This includes potential projects to maximise the use of the existing main runway and to bring into routine use the standby runway. Gatwick is not adjusting its price commitment in response to the additional capital expenditure which Gatwick may incur in this period in preparation for obtaining the DCO or in implementing the resulting infrastructure projects.

In addition to this it signalled that it would be undertaking “focused assessments” during the period on the average level of aeronautical discounts, the new security queue measurement system and the new capital investment consultation process and whether airfield investment is being re-instated sufficiently quickly.

Gatwick has undertaken to notify the CAA and all Operators at the Airport at least two years prior to the end of the Commitments Term (i.e. by 31 March 2023) of its intention with regards to the continuation of commitments. In anticipation of this, Gatwick has started discussions with operators and the CAA about the future of the Commitments from 1 April 2025.

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Regulatory environment (continued)

Some elements of the regulatory regime remain unchanged, including the CAA requirements in relation to operation and financial resilience. In addition to this all airport operators are also subject to aerodrome licensing under the Air Navigation Order 2009, which requires an airport operator to demonstrate that it is competent to conduct aerodrome operations safely. That licensing requirement is not affected by the Civil Aviation Act 2012.

Impact of COVID-19

The COVID-19 pandemic has had an unprecedented adverse impact on the global aviation industry, with significantly reduced levels of traffic and substantial cuts in capacity by airlines prior to the removal of travel restrictions in March 2022.

From March 2020, a number of steps were taken to reduce cash outgoings and to reposition the business for the mid-term:

- The group acted to reduce operating expenditure by revising agreements with suppliers; halting discretionary expenditure; operating from a single terminal until the South Terminal reopened in March 2022; reducing headcount; and utilising the Government's job retention scheme.
- The Group's Capital Investment Programme was minimised with only operationally critical projects or those that are near to completion continuing.

The cost saving measures highlighted above are expected to have benefits in the mid-term as the repositioned cost base means that EBITDA is forecast to recover ahead of traffic.

In addition to the actions to reduce cash outgoings, the Group has taken steps to increase the availability of cash and committed funding available. As at 30 June 2022, the Group held cash of £342.0 million and its £300 million Revolving Credit Facility was fully drawn. The Group also has access to a committed £150 million Liquidity Facility to ensure interest payment obligations can be kept current for over 12 months. The Group does not currently expect to utilise the Liquidity Facility. The Group's forecasts demonstrate that the Group continues to have liquidity headroom for at least the next 12 months.

Alongside these financial statements, the Group has also issued its Compliance Certificate and Investor Report in respect of the 6 months to 30 June 2022, and its forecast for each of the 12 month periods ending 31 December 2022, 2023, and 2024. These forecasts incorporate current traffic planning assumptions combined with mitigating actions already identified.

The Group's financing arrangements are subject to compliance with financial covenants, including the Senior Interest Cover Ratio ("ICR") (which is calculated on the basis of operating cash flow within a 12 month period, adjusted downwards by a pre-defined notional (non-cash) amount, compared to net interest paid) and the Senior RAR Ratio ("RAR") (which is calculated by reference to net debt compared with a defined multiple of average EBITDA from the last 3 years). Both covenants are subject to bi-annual tests at 30 June and 31 December.

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Impact of COVID-19 (continued)

During 2020 and 2021 the Group was granted covenant waivers and an amendment of certain terms under the financing documents, from Qualifying Borrower Secured Creditors. This included: a) that any Default relating to Senior ICR and Senior RAR levels were waived in respect of the calculation dates falling on December 2020, June 2021, December 2021 and June 2022; and b) 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.

The Senior RAR at the 30 June 2022 calculation date, which is covered by the covenant waiver, breached the trigger level. The calculation of Senior RAR is subject to an amended definition of Transfer RAB at each calculation date from (and excluding) 30 June 2022 to (and including) 30 June 2024, preventing any forecast default.

The removal of restrictions impacting international travel, both in the UK and Gatwick's core markets, has resulted in a strong recovery in the first half of 2022. For further details, refer to Passenger Traffic Trends on page 5. The Group's most recent forecast shows expected passenger numbers in 2022 of circa 70% compared to 2019.

Capital expenditure

The Group spent £30.2 million on the Airport's Capital Investment Plan during the six months ended 30 June 2022 compared to £35.4 million in the same period in the prior year (of which £20.2 million related to right-of use assets i.e. non-cash capital expenditure).

The business review in the Ivy Holdco Limited Report and the Interim Consolidated Financial Statements for the six months ended 30 June 2022 details the key capital projects both paused and delivered during the period and in progress at the period end.

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. Further information is included in note 17 of the financial statements. The RCF of £300.0 million was fully drawn to ensure sufficient liquidity and remains fully drawn at 30 June 2022.

During 2020 the Group was approved to draw up to £300.0 million under the Bank of England Covid Corporate Financing Facility ("CCFF"). £275.0 million of the facility was drawn on 19 March 2021 and was repaid in full on 17 March 2022.

The Group has issued no further debt during the period ended 30 June 2022.

Acquisitions and Disposals

No acquisitions or disposals occurred during the six months ended 30 June 2022.

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Restricted Payments

There were no restricted payments during the six months ended 30 June 2022.

Board changes

Philip Iley resigned as a non-executive director of Ivy Holdco Limited on 29 June 2022. Lucy Chadwick was appointed as a replacement non-executive director on the same date.

Ratios

We confirm that in respect of this Investor Report dated 23 August 2022, 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 2022 was 0.91;
 - (b) the forecast Senior ICR for the Relevant Period ended 31 December 2022 is 3.74;
 - (c) the historical Senior RAR for the Relevant Period ended 30 June 2022 was 0.91; and
 - (d) the forecast Senior RAR for the Relevant Period ended 31 December 2022 is 0.59;
- (together the Ratios).

Group RAR

We confirm that as at 30 June 2022:

- (a) Group Net Debt is £3,494million (comprising Senior Net Debt of £3,098million, CCFF Debt of nil, Junior Debt of nil and Issuer Net Debt of £396million);
- (b) RAB is £3,412million; and
- (c) therefore, Group RAR is 102 per cent., as at the Relevant Date.

Current Hedging Position

As at 30 June 2022, after taking hedging with derivatives into account, fixed and inflation-linked debt represented 83.9% of the Borrower's Relevant Debt.

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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.

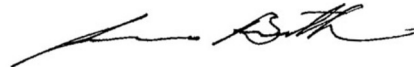
We confirm that:

- (a) a Default has occurred and is continuing and the following steps are being taken in connection with such Default:
 - i. those steps outlined on page 9 (Impact of COVID-19) of the Report and Unaudited Condensed Interim Consolidated Financial Statements of Ivy Holdco Limited for the six months ended 30 June 2022;
 - ii. 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) a waiver in respect of any Default relating to Senior ICR and Senior RAR levels in respect of the calculation dates falling on December 2021 and June 2022; and b) 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;
- (c) to the best of our knowledge after verification, the statements made in this Compliance Certificate are accurate in all material respects; and
- (d) no Restricted Payments have been made since the date of the delivery of the immediately previous Compliance Certificate.

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.