

YOUR LONDON AIRPORT

Gatwick

GATWICK AIRPORT LIMITED INVESTOR REPORT FOR THE YEAR ENDED 31 MARCH 2012

22 June 2012

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 Gatwick Airport Limited Directors' report and financial statements for the year ended 31 March 2012, and the Compliance Certificate for the period then ended.

Overview of the year ended 31 March 2012

During the year ended 31 March 2012, Gatwick Airport Limited ("the Borrower") completed the final separation of its information technology ("IT") environment from BAA, the last remaining of the transitional services provided by BAA post-sale.

The Group (comprising Ivy Holdco Limited, the Borrower and Gatwick Funding Limited (the Issuer) completed a £600.0 million bond issue on 20 January 2012 which resulted in the 'prepayment' of £493.0 million of bank debt.

In the year a total of 33.8 million (2011: 31.6 million) passengers travelled through Gatwick Airport ("Gatwick"), an increase of 2.2 million or 6.9%. Adjusting for prior year events, as a result of which an estimated 1,200,000 passengers did not travel (discussed below), underlying traffic growth is estimated as 3.0%. Gatwick saw underlying year-on-year passenger growth in each month in the year compared to the same month in the prior year.

There were a number of factors that adversely affected passenger numbers in the prior year, most notably the disruption caused by the eruption of Eyjafjallajökull in Iceland. An estimated 600,000 passengers did not travel in April 2010, and passenger numbers in May and June 2010 were impacted by sporadic closures to airspace in the UK and Europe.

The Borrower made an operating profit before exceptional items of £116.2 million for the year ended 31 March 2012 compared to £112.9 million in the year ended 31 March 2011. The Borrower did not incur any 'operating costs – exceptional' in the year compared to £17.0 million in the year ended 31 March 2011. These results are discussed in more detail in the financial review below.

Further information is available at www.gatwickairport.com/investor and in the Borrower's Directors' report and financial statements for the year ended 31 March 2012.

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Regulatory and business update

In March 2008 the Civil Aviation Authority ("CAA") published its price control review for Gatwick Airport for the five year period ending 31 March 2013 (the 5th regulatory quinquennium known as "Q5"). This was extended by one year during 2011 so that the Q5 regulatory period now expires on 31 March 2014. 31 March 2012 completes the fourth year of Q5. The price control constrains the growth in aeronautical revenue yield per passenger to no more than RPI+2% at Gatwick for the 5 years to 31 March 2013 and to RPI-0.5% for the year to 31 March 2014. There is an adjustment mechanism to allow for the recovery of 90% of the costs of any new security requirements (i.e. those not envisaged when the price control was set) that amount to more than £7.0 million per annum.

In the CAA's Q5 decision there are incentive arrangements to promote quality of service and the timely completion of capital projects. Gatwick has continued to meet all of its Q5 obligations to deliver its capital expenditure programme, including the delivery of capital expenditure trigger projects, as agreed both with the airlines and the CAA. As part of the one-year extension of Q5, the Borrower and the airlines have agreed to replace triggers associated with ceased projects (Pier 7 and South Terminal baggage) with new triggers. While these triggers are not expected to be agreed and submitted to the CAA by June 2012, the initial deadline, the Borrower believes that triggers covering 60 per cent. of the forecast capital expenditure in the year ending 31 March 2014 will still be agreed with the airlines operating at Gatwick without the CAA stepping in to resolve.

Since April 2008, the UK Government has been considering the introduction of a new regulatory regime for airports.

On 23 November 2011, the UK Government published its draft Civil Aviation Bill which was subsequently introduced to Parliament in January 2012. If enacted, the Civil Aviation Bill ("the Bill") will modernise the system of economic regulation of airports in the UK. The Bill proposes a new general duty for the CAA to carry out its functions in a manner which furthers the interests of users of air transport services regarding the range, availability, continuity, cost and quality of airport operation services, where appropriate by doing so in a manner which will promote competition in the provision of airport operation services. In carrying out its general duty, the CAA will be required, among other things, to have regard to "the need to secure that a licence holder is able to finance its provision of airport operation services in the area for which the licence is granted". The Bill is continuing its progress through Parliament. The Bill makes clear that there will be no change to the current price control which covers the now six year period from 1 April 2008 to 31 March 2014.

All airport operators are 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 proposals in the Bill. However, the Bill provides for the further economic licensing of dominant airports (and dominant airport areas) where operators are determined by the CAA to have substantial market power. Where the CAA determines that a licence is required, the Bill gives the CAA greater flexibility to align the regulatory requirements that it imposes with the market and competitive position at the relevant airport, concentrating more on service quality and performance incentives. Where a licence is not required, an airport's activities will remain subject to general competition law and the provisions of the Airport Charges Regulations, in respect of both of which the CAA will have an enforcement role.

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Regulatory and business update (continued)

The CAA continued its project to assess competition between airports during the year. The Borrower submitted its analysis of competition in November 2011, setting out that the available evidence does not support a finding that Gatwick has substantial market power and it should not be subject to economic regulation beyond the end of Q5. The CAA published its initial views on the competitive position of Gatwick, Heathrow and Stansted in February 2012. The CAA's initial view was that each of the three airports currently subject to economic regulation have some degree of market power and thus could be subject to economic regulation beyond the end of Q5. This work of the CAA will continue through the coming year and is particularly important in the development of any future regulatory framework at Gatwick.

The CAA continued its work on identifying alternative forms of regulation for airports. The CAA is now considering how its competition analysis and work on forms of regulation should inform its regulatory design for any regulation beyond the end of Q5.

Finally, the CAA, as part of its preparations for any regulation beyond the end of Q5, requires the Borrower to participate in constructive engagement with the airlines operating at Gatwick. To facilitate this, the Borrower has provided to the airlines and the CAA its initial business plan for the period to 2020. The Borrower will engage with airlines throughout the calendar year 2012 on the contents of its business plan and the outputs of the engagement will be used, as appropriate, by the Borrower to inform the business plan that the Borrower will submit to the CAA in January 2013. The engagement will also be used by the CAA to inform any future proposals for economic regulation at Gatwick.

Significant Board changes

There have been no changes to the Board of Directors in the year ended 31 March 2012.

Capital expenditure

The Borrower spent £239.2 million on Gatwick's Capital Investment Programme during the year ended 31 March 2012, the fourth year of Q5 (2011: £211.4 million excluding car parks acquired from another group undertaking, Ivy Subco Limited, for £20.8 million). This brings total capital expenditure for Q5-to-date to £756.8 million (including car parks) (2011: £517.6 million (including car parks)).

The business review in the Borrower's Directors' report and financial statements for the year ended 31 March 2012 details the major capital projects delivered during the year and in progress at year end.

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Financing

On 20 January 2012, Gatwick Funding Limited, issued a further £600.0 million of publicly listed fixed rate secured bonds comprising £300 million Class A 5.25 per cent. Bonds with scheduled and legal maturities of 2024 and 2026 respectively, and £300 million Class A 5.75 per cent. Bonds with scheduled and legal maturities of 2037 and 2039 respectively.

The proceeds of all bond issuances by Gatwick Funding Limited (together "the Bonds") are lent to the Borrower under the Borrower Loan Agreement, the terms of which are 'back-to-back' with those of the Bonds.

The £581.4 million net proceeds received by the Borrower on 20 January 2012 were utilised to meet obligations in the year to 31 March 2012 and to 'prepay' £493.0 million of the term facility under the Initial ACF Agreement.

Acquisitions and Disposals

There have been no acquisitions subsidiaries or subsidiary undertakings or of any Borrower or business, and no disposals in the year ended 31 March 2012 or since the previously delivered Investor Report.

Restricted Payments

There have been no restricted payments since the previously delivered Compliance Certificate dated 10 January 2012 and/or in the year ended 31 March 2012.

Ratios

We confirm that in respect of this investor report dated 22 June 2012, 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 ending 31 March 2012 was 3.28;
- (b) the forecast Senior ICR for the Relevant Period ending 31 March 2013 is 3.03;
- (c) the historical Senior RAR for the Relevant Period ending 31 March 2012 was 0.60;
and
- (d) the forecast Senior RAR for the Relevant Period ending 31 March 2013 is 0.63;
(together the **Ratios**).

Current Hedging Position

As at 31 March 2012, after taking hedging with derivatives into account, fixed and inflation-linked debt represented 99.1% of the Borrower's Relevant Debt.

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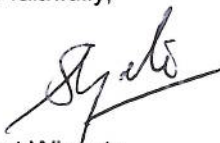
Confirmations

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) no Default or Trigger Event has occurred and is continuing;
- (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



Nicholas Dunn
Chief Financial Officer

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