

# YOUR LONDON AIRPORT



## **GATWICK AIRPORT LIMITED INVESTOR REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2012**

**28 November 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 Company Limited (the Borrower Security Trustee) (the Common Terms Agreement). It summarises certain information contained in the Borrower's Report and Financial Statements for the six months ended 30 September 2012, and the Compliance Certificate for the period then ended.

### **Overview of the period ended 30 September 2012**

During the six months ended 30 September 2012 a total of 19.936 million (six months ended 30 September 2011: 19.702 million) passengers travelled through Gatwick Airport ("Gatwick") ("the Airport"), an increase of 0.234 million or 1.2%.

Passenger numbers for the six months ended 30 September 2012 have been in line with expectations. Jubilee celebrations boosted passenger numbers in June relative to the prior year. Passenger numbers in July and early August were adversely affected as UK based travellers stayed in the country during the Olympic Games. However, late August and early September achieved year-on-year increases as passengers booked post-Olympic holidays.

Low cost carriers in Gatwick's largest market, European scheduled, have made the most significant contribution towards the period-on-period increase. The introduction of Asian carriers serving destinations such as Beijing, Seoul and Vietnam, reflecting a key strategic priority of the business, also contributed to growth in passenger numbers.

Total air transport movements ("ATMs") were lower than the prior period, with consolidation of flights noted as having the most significant impact. Passengers per ATM increased with higher load factors being seen throughout the period. Gatwick has also seen an increase in average seat capacity in the six months ending 30 September 2012 with, on average, 174.8 seats per ATM (six months ended 30 September 2011: 173.6).

Passenger numbers are in line with expectations year-to-date and the expectation for the full year outturn remains unchanged.

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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. 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. The structure of airport charges is set annually by the Airport within the overall regulatory constraints relating to aeronautical yield. For the year ending 31 March 2013, the structure of landing charges is consistent with the prior year, with landing charges eliminated in the winter (November to March inclusive) and commensurately uplifted in the summer (April to October inclusive).

In April 2012 Gatwick distributed to the airline community and the Civil Aviation Authority (“CAA”) its initial business plan for the period 2014 to 2020 due to commence on 1 April 2014. Formal consultation by the CAA on the review of price regulation is expected to commence in early 2013 once the current constructive engagement process is completed, Gatwick publishes its next business plan in January 2013, and the CAA has completed its own research and analysis. It is currently expected that the CAA’s final proposals will be published in October 2013 and the CAA’s decision on any licence conditions will be published in January 2014.

### **Significant Board changes**

There have been no significant changes to the Board of Directors in the six months ended 30 September 2012.

### **Capital expenditure**

The Borrower spent £119.1 million on Gatwick’s Capital Investment Programme during the six months ended 30 September 2012, the fifth year of Q5. This increase has been driven by the capital expenditure programme for Q5 (the 5th regulatory “quinquennium”), with total capital expenditure of £875.9 million in the first four and a half years of the six year programme (including car parks acquired from another group undertaking, Ivy Subco Limited, for £20.8 million) (30 September 2011: £651.7m, 31 March 2012: £756.8m).

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.

### **Financing**

There have been no new financing developments in the six months ended 30 September 2012.

### **Acquisitions and Disposals**

There have been no acquisitions subsidiaries or subsidiary undertakings or of any company or business, and no disposals in the six months ended 30 September 2012 or since the previously delivered Investor Report.

### **Restricted Payments**

The amount of any Restricted Payment made since the date of the delivery of the immediately previous Compliance Certificate dated 22 June 2012 is £75million.

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### Ratios

We confirm that in respect of this investor report dated 28 November 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 Senior ICR for the immediately preceding March Calculation Date has been recalculated and the recalculated Senior ICR is not lower than the Senior ICR which was determined as at the immediately preceding March Calculation Date;
  - (b) the historical Senior ICR for the Relevant Period ending 30 September 2012 was 4.93;
  - (c) the forecast Senior ICR for the Relevant Period ending 31 March 2013 is 3.08;
  - (d) the Senior RAR for the immediately preceding March Calculation Date has been recalculated and the recalculated Senior RAR is not higher than the Senior ICR which was determined as at the immediately preceding March Calculation Date;
  - (e) the historical Senior RAR for the Relevant Period ending 30 September 2012 was 0.60;
  - (f) the forecast Senior RAR for the Relevant Period ending 31 March 2013 is 0.62;
- (together the **Ratios**).

### Current Hedging Position

As at 30 September 2012, after taking hedging with derivatives into account, fixed and inflation linked debt represented 101.7% of the Borrower's Relevant Debt.

### 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