YOUR LONDON AIRPORT
Gatwick

GATWICK AIRPORT LIMITED
INVESTOR REPORT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

28 November 2018

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) Report and Interim Consolidated Financial Statements for the six months ended 30 September 2018, and the Compliance Certificate for the period then ended.

Overview of the Securitisation Group's performance for the period ended 30 September 2018

In the six months ended 30 September 2018, 26.5 million passengers travelled through the Airport, an increase of 0.1 million or 0.5% compared to the same period in the prior year. The number of ATMs flown was lower than in the prior year: on average, there were more seats per movement, as the airlines up gauge to larger aircraft in order to make better use of Gatwick's existing infrastructure.

This growth has been achieved despite a number of challenges. In October 2017 Monarch Airlines ceased trading. Its traffic in the six months to September 2017 was 1.2 million passengers. The slots previously owned by Monarch were acquired in December 2017 by the IAG Group (which includes British Airways, Aer Lingus, Iberia, LEVEL and Vueling); however, these airlines were not able use all these slots to the same levels of slot utilisation at short notice. In addition there was a high level of disruption due to industrial action by European air traffic controllers, and adverse weather both in the UK and in Europe. Other challenges which restricted the potential for growth included technical problems with Boeing 787 engines and delays in delivery of Airbus A320neo and A321neo, also due to engine issues.

Long-haul traffic continues to be the major source of growth for Gatwick in the six months to 30 September 2018. Passenger numbers on long-haul routes grew by 0.8 million or 21.3% compared to the same period in the prior year.

The North American sector contributed 0.5 million of this growth, with both Norwegian and BA introducing new routes (Norwegian: Chicago, Denver, Austin, BA: Oakland and Toronto) and increasing their frequencies on existing routes.

The Far East was another notable area of growth for Gatwick, contributing 0.1 million additional passengers compared to the prior year. Air China began flying to Chengdu from Gatwick in July, and in December 2017 China Airlines began its flights to Taiwan, while Cathay's Hong Kong service, which began in September 2016, continued to perform well. Tianjin Airlines ceased flying from Gatwick in August.

Traffic to the Middle East also grew by 0.2 million passengers. Emirates' service to the UAE grew by 11.5%, and in May 2018 Qatar Airways started double daily flights to Doha from Gatwick, increasing to three per day on Fridays and Saturdays.

Flights to North Africa increased compared to the same period last year, with a 21.1% growth in passenger numbers to the region, with traffic to Tunisia in particular more than trebling; this reflects a substantial recovery in this market, which was badly affected in recent years by security risks.

Traffic on domestic routes has reduced by 0.2 million passengers, as Ryanair have discontinued their service to Belfast. European routes also suffered a reduction, with 0.5 million fewer passengers, mainly as a result of the collapse of Monarch and the delay in utilisation of its vacated slots.

Overview of the Securitisation Group's performance for the period ended 30 September 2018 (continued)

The Group made an operating profit of £240.1 million for the six months ended 30 September 2018 compared to £229.9 million for the six months ended 30 September 2017.

Further information is available at www.gatwickairport.com/investor and in the Ivy Holdco Limited Report and Interim Consolidated Financial Statements for the six months ended 30 September 2018.

Regulatory Environment

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 CAA published its Decision and Notice granting a licence to Gatwick in February 2014. The CAA's Decision incorporates the Commitments proposed by the Airport within a licence. It is therefore a requirement of the licence that Gatwick complies with its obligations in the Commitments. This includes that Gatwick complies with its commitment to incorporate a maximum average revenue yield over the next seven years, based on published prices at RPI+1.0% per year, and average prices (taking into account bilateral contracts) at RPI+0.0% per year (i.e. the "blended price"). It also includes that Gatwick complies with its Commitment to undertake capital investment expenditure of at least £100.0 million per annum over the next seven years of the Commitment period. Obligations on third parties, contained in the Commitments, do not form part of the licence.

In the Decision, the CAA set out, amongst other things, its view of the "fair price" for the period from 1 April 2014 of RPI-1.6% per year. The CAA also considered that Gatwick should undertake capital investment expenditure of at least £160.0 million per annum on average (in 2011/12 price base). The CAA stated that it intends to monitor Gatwick's pricing and other behaviours (such as capital investment expenditure), on an annual basis to assess the extent to which the out-turn average prices (taking into account bilateral contracts) are consistent with its assessment of the "fair price" at RPI-1.6% and capital investment expenditure is at least £160.0 million per annum on average. If, as part of the CAA's monitoring of the Commitments, the CAA considers that the introduction of further licence conditions, or modifications to existing licence conditions, is in the passenger interest, then the CAA can propose such modifications at that time. This could be for example, to introduce a requirement for Gatwick to set its charges consistent with the CAA's view of its "fair price" or its view of minimum capital investment expenditure. Such licence modifications could be appealed by the Airport or airlines, to the Competition and Markets Authority.

The CAA undertook a "short and focused review" of the Commitments in the second half of 2016 to assess whether they are operating in the passenger interest. The review was concluded in December 2016. The review did not recommend any changes to the Commitments.

The CAA's Decision also included a financial resilience condition. This requires Gatwick to produce a Certificate of Adequacy of resources and submit this to the CAA on an annual basis. This condition also restricts the business of Gatwick to the businesses undertaken on 1 April 2014, including the owning and operation of the Airport. Any other business will require the written consent of the CAA. Finally, the financial resilience condition requires undertakings from the ultimate holding company to not take action that would likely cause a breach of the licence and provide information requested by the CAA to enable Gatwick to comply with the licence.

Regulatory Environment (continued)

Requirements as to operational resilience are included within Gatwick's Commitments and as such are not subject to a separate licence condition. However, based on a review of operational resilience, the CAA has provided guidance to Gatwick, and Gatwick indicated in the Commitments that it would have regard to such guidance. The CAA has also stated that as part of the monitoring regime, Gatwick should produce a shadow regulatory asset base ("RAB") calculation. The purpose of this requirement is in case the CAA considers that the passenger interest would be better served in the future by tighter regulation being introduced. As with pricing, shadow RAB and capital investment expenditure above, the CAA can propose to introduce such licence conditions to the extent it considers such modification is in the passenger interest. Similarly, such a licence modification could be appealed by the Airport or airlines, to the Competition and Markets Authority.

The Commitments expire on 31 March 2021. Gatwick has undertaken to notify the CAA and all operators at the Airport at least two years prior to the end of the term of its intentions with regard to the continuation of Commitments. In June 2018 the CAA published CAP 1684: "Future economic regulation of Gatwick Airport Limited: initial consultation." This document consults on a possible CAA process to determine the regulatory arrangements for the period beyond the end of the current Commitments in 2021. The document is broadly supportive of Gatwick's favoured process of approaching the airlines directly with a commercial proposal, recognising this mechanism was embedded in the original Commitments. GAL intends to publish this year its proposals for extending commitments, including pricing, and to consult with airlines on these proposals.

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.

Significant Board changes

Wendy Norris, the Future Fund representative, resigned as a non-executive director of Gatwick Airport Limited on 12 April 2018. Justin Ginnivan was appointed as a replacement non-executive director.

Capital expenditure

The Group spent £114.6 million (2017: £98.1 million) on the Airport's Capital Investment Plan during the six months ended 30 September 2018.

The business review in the Ivy Holdco Limited Report and the interim Consolidated Financial Statements for the six months ended 30 September 2018 details the major capital projects delivered during the year and in progress at period end.

Financing

On 21 June 2018 the Borrower entered into a new five year Authorised Credit Facility comprising a General Purpose Revolving Credit Facility of £300 million and at the same time terminated the Authorised Credit Facility due to expire on 27 March 2019) as at 30 September 2018, £75 million was drawn on the new facility.

On 21 June 2018 the Borrower and Issuer entered into a new five year Liquidity Facility Agreement comprising a Liquidity Facility of £150million and at the same time terminated the existing Liquidity Facility dated 15 February 2011 (as subsequently extended in each year to 2019). The new Liquidity Facility is extendable in each year to retain a five year facility length.

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Financing (continued)

During the six months ended 30 September 2018 the Group has not issued any new bonds. Further information on the bonds outstanding is available in the Ivy Holdco Limited Report and the interim Consolidated Financial Statements for the six months ended 30 September 2018.

Acquisitions and Disposals

No acquisitions or disposals occurred during the six months ended 30 September 2018.

Restricted Payments

During the six months ended 30 September 2018 total restricted payments of £150.0 million were made. The payments took the form of a dividend payment in July 2018.

Ratios

We confirm that in respect of this investor report dated 29 November 2018, 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 September 2018 was 3.05;
(b) the forecast Senior ICR for the Relevant Period ended 31 March 2019 is 2.86;
(c) the historical Senior RAR for the Relevant Period ended 30 September 2018 was 0.58; and
(d) the forecast Senior RAR for the Relevant Period ended 31 March 2019 is 0.62;
(together the **Ratios**).

Current Hedging Position

As at 30 September 2018, after taking hedging with derivatives into account, fixed and inflation-linked debt represented 98.6% 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.