

IVY HOLDCO LIMITED

Report and Unaudited Condensed Interim Consolidated Financial Statements for the six months ended 30 June 2020

**REPORT AND UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

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BUSINESS REVIEW

The Directors present their report and unaudited condensed interim consolidated financial statements for Ivy Holdco Limited (“the Company”) and its subsidiaries for the six months ended 30 June 2020.

GROUP STRUCTURE

As at 30 June 2020, Ivy Holdco Limited has four wholly-owned subsidiaries: Gatwick Airport Limited (“GAL”), Ivy Bidco Limited, Gatwick Airport Pension Trustees Limited and Gatwick Funding Limited, collectively known as “the Group”.

The Company’s subsidiary, Gatwick Airport Limited, accounts for the significant majority of the Group’s operations, Ivy Bidco Limited is an investment property holding company and Gatwick Funding Limited has financing transactions which are replicated in a “back-to-back” agreement with Gatwick Airport Limited (its parent) and Ivy Holdco Limited. Collectively, the Group’s operations are considered to represent those of Gatwick Airport (“Gatwick”, the “Airport”).

UK AVIATION STRATEGY

Gatwick plays an active role in participating in both national and local government policy consultations, with extensive engagement with both local authorities and community groups as part of providing context and clarity around Gatwick’s plans for the future. This position is further supported through the publication of the Gatwick Airport Master Plan (July 2019) and through a Section 106 agreement with Crawley Borough Council and West Sussex County Council which was renewed in April 2019. Undoubtedly, events associated with the Covid-19 pandemic have meant that much of the policy work has been put on hold, but nonetheless, it is an important aspect for Gatwick’s future, underpinning the vital importance of the Airport to the local and regional economy.

Current aviation policy is contained within the Aviation Policy Framework (2013) which sets out the Government’s policy to allow the aviation sector to continue to make a significant contribution to economic growth across the country, as well as setting out policy on important issues such as noise and climate change. It emphasises the need for airport operators to invest in delivering new capacity and improved resilience as well as maximising the use of existing capacity.

In December 2018, the Government published for consultation proposals for a new Aviation Strategy entitled “Aviation 2050 – The future of UK aviation” (Cm9714). These policy measures are designed to develop a long-term Aviation Strategy to 2050 and beyond which aim to achieve a safe, secure and sustainable aviation sector that meets the needs of consumers and of a global, outward-looking Britain. The objectives of the strategy are to:

- Build a global and connected Britain;
- Help the aviation industry work for its customers;
- Ensure a safe and secure way to travel;
- Encourage competitive markets;
- Support growth whilst tackling environmental impacts; and
- Develop innovation, technology and skills.

This consultation closed in June 2019. A final Aviation Strategy was due to be published in early 2020, however, as a result of the pandemic, Department for Transport (DFT) resources have been diverted to other activities associated with aviation recovery and re-start planning. It is likely that a series of papers setting out policy considerations in the light of the pandemic will begin to emerge by the end of the year.

BUSINESS REVIEW (continued)**UK AVIATION STRATEGY (continued)**

Gatwick supports the development of a new Aviation Strategy and its recognition that the aviation industry is important to the whole of the UK as it creates jobs, facilitates trade and promotes economic growth, supports inbound and outbound tourism, and connects the UK with the rest of the world. The economic benefits of aviation are just as relevant, if not more applicable now, given the economic impact caused by the pandemic.

Over the past few years there have also been significant announcements in relation to Government policy. In June 2018, the Government designated an Airports National Policy Statement (ANPS), setting out its support for a third runway at Heathrow and, at the same time, reaffirmed policy support for all other airports to make best use of their existing runways ('Beyond the Horizon – The future of UK aviation. Making best use of existing runways' June 2018). Whilst Government policy to make best use of existing runways has existed over the years, the ANPS has subsequently been successfully legally challenged in the Court of Appeal and is still the subject of on-going judicial review proceedings.

It is also best practice for airports to review their long-term development and planning strategy every five years. In October 2018 Gatwick published and consulted on its draft master plan. Following this consultation, in July 2019 the Airport published the final form of the master plan. The Airport was encouraged by the levels of feedback with over 5,000 responses to the consultation received. Many of these responses highlighted strong support for Gatwick's future growth ambitions with two-thirds (66%) of respondents supporting growth by making best use of Gatwick's existing runways, through bringing the existing standby runway into routine use for the first time alongside our main runway. There was also clear support (59%) for the continued safeguarding of land for an additional runway should it be required in the future.

The Master Plan sets out how Gatwick could develop in the most sustainable way over the next 15 years. Indeed, the overall vision for Gatwick is to be the airport of the future, and a model for sustainable growth. Taking into account the consultation feedback, the master plan sets out that Gatwick will:

- continue to make best use of its main runway through the use of technology;
- prepare a planning application to bring the standby runway into routine use; and
- continue to seek that national and local planning policy safeguards land for an additional runway in the future.

Detailed design and development work as well as environmental and other studies to prepare the planning application to bring the standby runway into routine use were commenced in the second half of 2019. The planning process will be through a Development Consent Order (DCO) – a statutory process for nationally significant infrastructure projects that will include a further stage of public consultation. This will allow all stakeholders including local authorities, communities, businesses and partners the opportunity to provide more feedback as the scheme evolves. If permission were granted, the runway could be brought into routine use by the mid-2020s.

However, as a result of the pandemic, work on preparing the planning application has been temporarily paused and will restart again in the second half of 2020. Recent events have reinforced and increased awareness of the vital role the Airport plays in supporting jobs and the local economy as well the need for improved resilience and the need for sustainable airport growth to enable economic recovery – all of which can be delivered by bringing the stand-by runway into routine use.

REGULATORY ENVIRONMENT

In the Decision¹, the CAA set out, amongst other things, its view of the "fair price"¹ for the period from 1 April 2014 to 31 March 2021 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.

1. The terms are set out in the Group's annual financial statements for the period ended 31 December 2019.

BUSINESS REVIEW (continued)**REGULATORY ENVIRONMENT (continued)**

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'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.

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 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 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.

During the autumn of 2018 and spring of 2019 Gatwick, together with its airline community and with input from the passenger advisory group undertook passenger research and reviewed the service standards at Gatwick Airport. In addition to this, in December 2018, Gatwick presented to the airlines its proposal to amend the Commitments and extend them to 31 March 2025. Following dialogue with the airline representatives in October 2019 Gatwick issued refined proposals to extend the Commitments for consultation with the airlines and the passenger advisory group. Gatwick wrote to the airlines and the CAA in January 2020 and set out its decision on updated and extended Commitments. These updated and extended commitments come into effect on 1 April 2021, however Gatwick also decided to accelerate the pricing benefits embedded in the commitments and these came into effect from 1 January 2020.

BUSINESS REVIEW (continued)

REGULATORY ENVIRONMENT (continued)

Gatwick anticipates that the CAA, as its economic regulator, will assess the outcome of this consultation and make its own statement on how it intends to review and update Gatwick’s economic licence before 31 March 2021.

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.

PASSENGER TRAFFIC TRENDS

| | Six months ended 30 June 2020 | Six months ended 30 June 2019 |
|---|--|--|
| Passengers | 7,545,005 | 22,220,200 |
| Air transport movements (“ATMs”) | 50,800 | 136,800 |
| Passengers per ATM | 148.5 | 162.4 |
| Seats per ATM | 194.0 | 191.5 |
| <i>Average load factor (%)</i> | 76.6% | 84.8% |
| <i>Commercial passenger services only</i> | | |

In the six months ended 30 June 2020, 7.5 million passengers travelled through the Airport, a decrease of 14.7 million or 66.0% compared to the same period in the prior year.

The primary reason for the decline in both ATMs and passengers was the collapse in demand due to the Covid-19 pandemic, the effects of which began to be felt during February, increasing significantly in March and causing a near-complete drop in volume during April, May and June 2020.

Gatwick remained open throughout the whole period, servicing repatriation, freight, positioning and maintenance flights alongside a small number of scheduled services; there were days where only one passenger flight operated. Recovery was slowed during June due to the quarantine measures put in place by the UK Government. These were eased in early July but have been reintroduced for some important destinations (e.g. Spain), and many of the forecasted flights for the remainder of summer depend upon the extent of the quarantine.

Ryanair and Belavia continued to operate throughout April and May, alongside Wizz, which flew for most of the period. May did see the start-up of one new airline at Gatwick; Blue Islands, a Jersey based carrier, began weekly services to the Island and saw reasonable load factors towards the end of the period. Air Baltic also announced a new service from Vilnius which launched on 1 July.

Virgin Atlantic notified us that it plans to cease operations from Gatwick. In order to retain its slots and enable a return in future years as demand recovers, Gatwick understands that Virgin intend to lease its slots. Norwegian, after restructuring, brought forward its plans to relaunch at Gatwick from April 2021 to 1 July 2020 with services to Oslo and Copenhagen.

British Airways recommenced long haul operations, primarily to the Caribbean during the second half of July. Their short haul operation has been consolidated at London Heathrow since April; Gatwick now expect this to continue until start of the winter season.

BUSINESS REVIEW (continued)

CAPITAL INVESTMENT PROGRAMME

The key strategic objective for Gatwick is to compete to grow and become London’s airport of choice. A key enabler in delivering this objective is continued focus on transforming the passenger and airline experience of using the Airport through both investment in modern infrastructure and improving service standards. This will ensure that airlines can operate efficiently, and customers enjoy a superior airport experience relative to competitors, encouraging greater utilisation of Gatwick and supporting its long-term growth ambitions. The key investment drivers for the Airport are as follows:

- Capacity
- Cost Efficiencies
- EH&S, Security and Compliance
- Service Quality
- Commercial Revenue
- Asset Stewardship and Resilience

| | Six months ended 30 June 2020 | Six months ended 30 June 2019 |
|---------------------|--|--|
| | £m | £m |
| Capital expenditure | 66.5 | 142.1 |

From April 2014 and following completion of Gatwick’s £1.2 billion Q5 Capital Investment Programme, regulatory oversight of Gatwick has evolved in response to the seven year Commitments framework, under which the Airport has made price, service quality, capital investment and consultation undertakings to its customers. Rather than being constrained by a fixed capital investment programme, the new framework allows flexibility, innovation and pace in making investments at the Airport to improve services for our passengers and airline customers. The framework includes a commitment to undertake capital investment expenditure of at least £100.0 million per annum over the next seven years.

The Group continues to invest in its Capital Investment Programme, spending £66.5 million in the six months ended 30 June 2020 (six months ended 30 June 2019: £142.1 million). In July 2019, Gatwick published its 2019 Capital Investment Programme (“CIP”) for consultation with passengers and airlines, outlining plans to invest £1.1 billion over the next five years. Following the impact of Covid-19 the Group has reviewed its Capital Investment Programme and plans to publish an updated version later in the year. Over half of the projects already in delivery have been stopped, with only operationally critical projects continuing or those that are near to completion.

Closure of construction sites was not mandated by the Government during lockdown, therefore Gatwick has been working with contractors to review safe working practices. Gatwick has been able to maintain progress on a number of projects that were on site, and in some cases, even benefit from the low volume of operational activity.

Gatwick controls and delivers its Capital Investment Programme through seven individual programmes covering the key elements of the Airport. This approach allows Gatwick to deliver against its key investment drivers whilst maintaining its operations. Key capital investment projects and programmes completed or in construction during the 6 months ended 30 June 2020 can be summarised as follows:

- **Pier 6 Programme:** Work completed on the enabling works for this programme during the period (including taxiway alignment and stand reconfiguration) and construction works on the main extension to Pier 6 began. However, this programme is now in the process of being put on hold with a view to restarting again in 2022 in line with anticipated airline growth and up gauging of the airline fleets; the scheme, once complete will include an additional 8 A321 compatible gates.

BUSINESS REVIEW (continued)**CAPITAL INVESTMENT PROGRAMME (continued)**

- **Terminals Programme:** Investment continued during the period on the Airport's terminals with a view to improving resilience, efficiency and passenger service. A new automated call forward system has successfully been delivered across the central search areas in the North Terminal, making the passenger journey through the security lanes even more efficient. Investment has also been made on a number of Covid-19 related measures including perspex screens for check in desks. Work on the automated boarding gate process has been put on hold; once complete this will utilise biometrics to make the future boarding process more efficient with a number of new e-gates now operational on Pier 1 and for North Terminal domestic passengers.
- **Security Programme:** Planning began on a significant programme of works to upgrade passenger and a staff screening technology mandated by the DfT which will impact multiple sites across the campus; central search areas, flight connections, staff search areas in terminals and office blocks, external access posts, maintenance hangars, and the cargo centre. In response to Covid-19, along with other UK airports, Gatwick have sought and obtained agreement from the DfT to slow the introduction of this new technology.
- **Commercial, Car Parking and Surface Access:** During the period works were paused as a result of Covid-19 on the new multi-storey short-stay car park in the North Terminal (MSCP 7) and on the project for "robotic parking" aimed at offering all the convenience of valet parking, but without the need for passengers to hand over their keys. Whilst construction of the rail station expansion is continuing, Gatwick have worked successfully with Network Rail and the other funding bodies to re-phase the Airport's financial contribution.
- **Asset Stewardship:** Investment to maintain the existing asset base of the Airport has been ongoing during the period. These works can be categorised into: Airfield, Facilities, Commercial, IT, Compliance and EHS and are considered critical to enhance the facilities and service offering throughout the Airport.
- **Airfield Programme:** There continues to be investment in airfield asset stewardship and resilience in terms of taxiway and runway rehabilitation, with planned work in both areas completing ahead of schedule due to reduced operational activity on the runway. Construction continues on a project to replace the entire airfield data network with new resilient fibre-optic cabling. The project to design a new rapid exit taxiway aimed at improving the resilience of the operation of the runway and on-time performance has been put on hold.
- **Resilience:** A programme of works to improve Gatwick's resilience has been ongoing, including projects to reduce risk associated with power, flooding, weather disruption events, terminal equipment failures, IT upgrades and security. This programme aims to ensure operational resilience remains a key component of our operational and capital investment plans going forward.

BUSINESS REVIEW (continued)**RESPONSE TO COVID-19**

The Covid-19 pandemic has had an unprecedented adverse impact on the global aviation industry, with significantly reduced levels of traffic and passengers and substantial cuts in capacity by airlines over the coming months.

Until the end of February, the impact at Gatwick had been restricted to a limited number of services to and from the Far East. The response of the Italian government resulted in a notable shift in traffic away from Italy during the last week of February. As other European governments had imposed travel restrictions, daily passenger numbers declined throughout March. Major carriers such as easyJet, BA, TUI and Norwegian started to ground fleets serving Gatwick. The Airport remained open throughout April, May and June, servicing repatriation, freight, positioning and maintenance flights alongside a small number of scheduled services such as Ryanair and Wizz Air flights serving a total of 45,149 passengers during the period (Q2 2019: 12.5 million). easyJet restarted operations from Gatwick on 15 June 2020 followed by BA, TUI and Norwegian in July 2020 serving a mixture of short and long-haul destinations. As UK quarantine restrictions are lifted passengers are arriving from selected countries (e.g. Italy, Greece, France). There remains considerable uncertainty as to the pace at which passenger traffic will rebuild over the summer months.

Following a number of commercial discussions with airline partners, the Group has refined its passenger traffic forecast for calendar year 2020 to be c. 65-70% below 2019 levels (46.6 million in 2019; 46.1 million in 2018), with traffic expected to return to 2019 levels by 2024.

From March, steps have been taken to reduce immediate cash outgoings and to re-position the business for the mid-term:

- The Group has acted to reduce operating expenditure, saving over £100m in 2020 with £73m annual savings expected to be permanent:
 - Contractual and resourcing adjustments have been agreed with suppliers to decrease their costs;
 - Discretionary expenditure has been halted;
 - The operational footprint of the Airport was reduced on a staged basis through March. Starting with night closure and the shutdown of 2 out of 6 piers, operations were then limited to a single pier in South Terminal within an 8-hour window (2pm to 10pm). Operations then switched to North Terminal only from 15 June 2020, as easyJet restarted their operations; and
 - The Group completed a consultation with its Unions and employees to reduce staff costs temporarily by 20%. This agreement has been complemented by the announcement of the Government's "furlough" scheme. Over 740 employees have permanently left or agreed to leave the business through a combination of voluntary and compulsory severance with further reductions expected in Q3.
- A review of the Group's Capital Investment Programme has resulted in the removal of over £353 million from the investment originally planned in 2020 and 2021. Over half of the projects already in delivery have been stopped, with only operationally critical projects continuing or those that are near to completion. 47 of the 49 projects in the design phase have been suspended. Further opportunities have been identified to reduce capital investment and associated cash outflow, if required.

In addition to the actions to reduce cash outgoings, the Group has taken steps to increase the availability of cash and committed funding available to it. On 3 April 2020, the Group entered into a new £300 million term loan (duration of 12 months, extendable to 18 then 24 months at the Group's option). As at 30 June 2020 the Group held cash of £326.7 million (£300 million Revolving Credit Facility 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, providing additional assurance to bondholders and banks.

BUSINESS REVIEW (continued)**RESPONSE TO COVID-19 (continued)**

Alongside these interim financial statements, the Group has also issued its Compliance Certificate and Investor Report in respect of the six-month period to 30 June 2020, and its forecast for each of the 12-month periods ending 31 December 2020, 2021, and 2022. These forecasts incorporate the traffic planning assumptions set out above, combined with the 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.

The Group's most recent forecast anticipates a breach in the Senior ICR at calculation dates of 31 December 2020 and 30 June 2021, and in Senior RAR at each calculation date from 31 December 2020 to 31 December 2022 (inclusive). The ICR is particularly sensitive to the concentrated loss of revenues and cash flows within a trailing 12 month period, while the Senior RAR is impacted for longer since it incorporates a 3 year trailing average EBITDA component.

The Group has issued a request for a covenant waiver and amendment of certain terms under the financing documents, from Qualifying Borrower Secured Creditors. This includes : a) a request that any Default relating to Senior ICR and Senior RAR levels shall be waived in respect of the calculation dates falling on December 2020 and June 2021; and b) a request for a temporary amendment (until June 2023) to the calculation of the Senior RAR to replace the April 2020 to March 2021 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. If the requested waivers and amendments are not agreed, an Event of Default may arise, which may (if supported by the required majority of Qualifying Borrower Secured Creditors) result in acceleration of the debt and enforcement action being taken. Given the underlying credit quality of the business, the Directors consider they can secure the necessary and timely support of the Qualifying Borrower Secured Creditors.

BREXIT

Exit of the UK from the EU was formally triggered on 31 January 2020 at which point the transition period commenced. During this period, which ends on 31 December 2020, the UK will see no change in aviation regulations or market arrangements.

Negotiations regarding the future relationship between the UK and the EU post the transition period have commenced. However, the Covid-19 pandemic has disrupted discussions on future arrangements, including the regulation of aviation and market access. Thus far, the UK Government has confirmed that it will withdraw from the European Union Aviation Safety Agency (EASA) arguing that membership is incompatible with UK independence from the EU. For the EU27, the absence of regulatory alignment may mean it will seek to reduce the current level of liberalised access. This could mean that UK airlines lose the right to operate intra-EU27 routes. It is likely however that 3rd and 4th freedom rights (allowing international services to and from the EU) would be unrestricted, and some 5th freedom rights could also be considered. Gatwick's traffic is predominantly of this type.

The UK Government has steadfastly ruled out extending the transition period and has now passed the 30 June deadline in which it could do so. The lack of agreement to date, coupled with this short timetable, mean there remains a possibility of a 'no-deal' scenario. Nevertheless, throughout negotiations so far, both sides have shown a pragmatic commitment to maintaining the connectivity between the UK and Europe and an understanding of the importance of certainty to the aviation industry (and passengers). Gatwick believes the same level of commitment will prevail should the main trade deal negotiations falter. Gatwick will however continue to monitor discussions on both aviation and trade developments post transition period and adapt its preparation plans appropriately.

BUSINESS REVIEW (continued)**FINANCIAL REVIEW****Revenue**

| | Six months ended 30 June 2020 £m | Six months ended 30 June 2019 £m |
|---|---|--|
| Aeronautical income | 59.5 | 186.5 |
| Retail income | 36.5 | 91.9 |
| Car parking income | 12.2 | 40.6 |
| Property rental income | 16.9 | 17.0 |
| Operational facilities and utilities income | 8.6 | 16.3 |
| Other income | 10.5 | 19.9 |
| Total revenue | 144.2 | 372.2 |

The decrease in revenue for the six months ended 30 June 2020 of 61.3% was primarily due to the Covid-19 pandemic which caused a 66.0% decrease in passenger volume, impacting all revenue streams.

Aeronautical income

Aeronautical income is driven by traffic volume, the level of airport charges and the terms of bilateral contracts with airlines. In the six months ended 30 June 2020, aeronautical income decreased by 68.1% or £127.0 million to £59.5 million, against the backdrop of a 66.0% decrease in passenger volume.

The CAA granted a licence under section 15(5) of the Civil Aviation Act 2012 which came into effect on 1 April 2014. The current regulatory approach for Gatwick is based on the Airport's Commitments to airlines (including bilateral contracts negotiated with individual airlines), underpinned by a licence issued by the CAA and supplemented by a monitoring regime.

The Airport's Commitments limit the increase in airport charges per passenger, measured over the seven year Commitments period (1 April 2014 – 31 March 2021), to an average of RPI+1.0% per annum under the published airport tariff (excluding the terms of bilateral contracts) and an average of RPI+0.0% per annum (including the terms of bilateral contracts). The increase in airport charges in any given year of the seven-year Commitments period may be higher or lower than the average price limits over the seven year period. The Commitments framework also allows for an increase in airport charges for certain permitted security costs, including the costs associated with the installation of new hold baggage screening equipment required to meet the requirements of the Department for Transport, the European Commission or other aviation security regulator.

In January 2020, Gatwick published its finalised, extended commitments proposal for the period 1 April 2021 to 31 March 2025. Under Gatwick's proposal, the gross yield per passenger from airport charges, excluding permitted security cost adjustments, will be no higher than a price ceiling set at the level of the out-turn gross yield per passenger for the year ending 31 March 2019 and increased annually by RPI+0%. The pricing benefit inherent in the proposal was accelerated to apply retrospectively from 1 January 2020.

Following a period of consultation with the airline community, the planned gross yield for the year commencing 1 April 2020 (i.e. the planned aeronautical revenue per passenger excluding the terms of bilateral contracts) increased by RPI+0% per annum from the planned gross yield for the year ending 31 March 2019. In addition, the permitted security cost adjustment associated with a hold baggage screening project increased from £0.14 per passenger to £0.49 per passenger following completion of the project.

BUSINESS REVIEW (continued)

FINANCIAL REVIEW (continued)

Aeronautical income (continued)

Including the impact of bilateral pricing agreements, the aeronautical yield for the six months ended 30 June 2020 was £7.89 (30 June 2019: £8.38). The period was impacted by the seasonal imbalance of traffic, with 99% of the passenger volume falling into the lower yielding winter season (i.e. January to March), partly off-set by lower discounts as certain passenger volume targets were not met. The yield is typically lower in the winter season as a result of the structure of charges and the terms of airline contracts; during the winter season (November – March) demand charges do not apply to the majority of aircraft movements, aircraft parking charges are lower and airline discounts are typically higher.

Retail income

Net retail income per passenger is calculated as follows:

| | Six months ended 30 June 2020 £m | Six months ended 30 June 2019 £m |
|---------------------------------|---|--|
| Duty and tax-free | 9.6 | 27.4 |
| Specialist shops | 8.3 | 20.8 |
| Catering | 9.7 | 21.4 |
| Bureau de change | 4.2 | 12.7 |
| Other retail | 4.7 | 9.6 |
| | 36.5 | 91.9 |
| Less: retail expenditure | (1.0) | (2.1) |
| Net retail income | 35.5 | 89.8 |
| Passengers (m) | 7.5 | 22.2 |
| Net retail income per passenger | £4.73 | £4.05 |

In the six months ended 30 June 2020, net retail income decreased by 60.5% period-on-period to £35.5 million with an increase in income per passenger of 16.8% to £4.73.

All categories have seen the extreme impact of Covid-19 due to the reduction of the number of passengers travelling and the various Government restrictions that have been implemented to control the spread of the virus.

As the number of passengers is set to increase in July and August, Gatwick is working with retailers to re-open their units at the Airport. Gatwick is also working closely with concessionaries to ensure the appropriate measures and processes are in place to safeguard passenger safety whilst they travel through the Airport and whilst they enjoy the retail offering.

Before the Covid-19 pandemic Gatwick was close to completing the major transformation of the food and beverages offering in the North Terminal. Customer satisfaction ratings rose to 85% - significantly above the 2019 level.

Net retail income per passenger increased as new contract terms were agreed across multiple categories as well as strong sales growth in catering prior to the Covid-19 pandemic as the development work in the North Terminal neared completion.

BUSINESS REVIEW (continued)

FINANCIAL REVIEW (continued)

Car parking income

Net car parking income decreased by 76.4% period-on-period and income per passenger decreased by 29.8%.

Net car parking income per passenger is calculated as follows:

| | Six months ended 30 June 2020 £m | Six months ended 30 June 2019 £m |
|---|---|--|
| Car parking income | 12.2 | 40.6 |
| Less: car parking expenditure | (4.8) | (9.2) |
| Net car parking income | 7.4 | 31.4 |
| Passengers (m) | 7.5 | 22.2 |
| Net car parking income per passenger | £0.99 | £1.41 |

For the six months ended 30 June 2020, parking income was heavily impacted by Covid-19 and reduced passenger volumes. Car parking costs have been reduced where possible but unavoidable fixed costs have resulted in a 29.8% decrease in net car parking income per passenger.

Other income categories

For the six months ended 30 June 2020, income from other categories decreased by £17.2 million to £36.0 million compared to £53.2 million for the six months ended 30 June 2019. Income in the second quarter was particularly impacted by lower volumes of passengers, closure of various infrastructure and reduced occupancy of areas and office space (in turn lowering energy and water consumption).

BUSINESS REVIEW (continued)

FINANCIAL REVIEW (continued)

Operating costs

| | Six months ended 30 June 2020 £m | Six months ended 30 June 2019 £m |
|--|---|--|
| Staff costs | 67.5 | 101.1 |
| Retail expenditure | 1.0 | 2.1 |
| Car parking expenditure | 4.8 | 9.2 |
| Depreciation and amortisation | 90.0 | 89.5 |
| Maintenance and IT expenditure | 16.2 | 23.8 |
| Rent and rates | 14.9 | 16.4 |
| Utility costs | 8.6 | 11.7 |
| General expenses | 28.0 | 27.1 |
| Total operating costs (pre-exceptional items) | 231.0 | 280.9 |

In the six months ended 30 June 2020 operating costs pre-exceptional items decreased by 17.8% period-on-period compared to passenger reduction of 66.0%.

For this period, staff costs, the largest operating cost, decreased by £33.6 million or 33.2%. The average number of full time equivalent (“FTE”) employees reduced from 3,027 for the six months to June 2019 to 2,779 for the same period in 2020. However as at 30 June 2020, there were only 2,515 FTE employees, a 17% reduction compared to the equivalent 30 June 2019 position of 3,046 FTE employees. This in part reflects the outcome of a re-organisational change programme instigated in 2019 but is primarily driven by the Covid-19 situation. In March Gatwick took a number of steps to respond to the emerging pandemic including launching a Covid-19 special severance programme, alongside terminating the majority of fixed term contracts and reducing hours and pay by 20% for remaining staff. Aside from this volume impact on cost, furlough monies totalling £12.1m were received in the period; these are included within staff costs.

Retail expenditure decreased by £1.1 million as a result of the cessation of the Gatwick Connects product and a decline in E-commerce and advertising revenue (reflecting the general downturn in passengers and trading).

Car park expenditure decreased by £4.4 million or 47.8%; this was achieved through a combination of lower variable costs (a direct result of lower demand due to passenger volumes) and management taking action to manage the fixed cost elements in a timely manner.

Depreciation and amortisation was comparable with the prior period and increased by £0.5 million or 0.6%.

Maintenance and IT expenditure decreased £7.6 million or 31.9%. Following the travel restrictions announced towards the end of March, Gatwick entered into discussions with all major suppliers and third party service providers in order to manage the cost base appropriately. In some cases, this meant negotiating a reduced service and in others it meant pausing, deferring or stopping activities.

Rent and rates decreased by £1.5 million or 9.1% for the six months ended 30 June 2020 due to a change in valuation methodology, resulting in a new baseline cost for current period.

Utility costs decreased by £3.1 million. This was mostly due to lower wholesale prices although consumption also reduced due to infrastructure closures and lower occupancy of rental and office space due to Covid-19.

BUSINESS REVIEW (continued)

FINANCIAL REVIEW (continued)

Operating costs (continued)

General expenses increased £0.9 million or 3.3%. Key drivers behind this increase include higher levels of bad debt provisions reflecting the current trading environment, a full six months of management fees (VINCI acquired Gatwick mid May 2019) and the impacts of reducing the capital investment programme at the Airport (such as fewer capitalised costs associated with on-going activities together with specific project write-offs). However, these increases were largely mitigated by reductions across a range of other operating costs, either due to lower volumes or through pro-actively managing the cost base via discussions with all major suppliers and third party service providers.

EBITDA

Reconciliation of earnings before interest, tax, depreciation and amortisation (“EBITDA”) to operating profit:

| | Six months ended 30 June 2020 £m | Six months ended 30 June 2019 £m |
|---|---|--|
| Operating (loss)/profit | (103.4) | 81.4 |
| Add back: exceptional items | 16.6 | 13.8 |
| Add back: depreciation and amortisation | 90.0 | 89.5 |
| EBITDA (pre-exceptional items) | 3.2 | 184.7 |

EBITDA decreased by £181.5 million or 98.3% in the six months ended 30 June 2020.

Exceptional costs have been disclosed separately due to the one off nature of the costs. These relate to the Covid-19 special severance scheme, an incentive scheme, reorganisation costs incurred following the change of ownership and reorganisation costs relating to the Operational Change Programme designed to deliver an enhanced passenger journey and create new leadership roles. Further information is included in note 6 of the condensed interim consolidated financial statements.

Principal risks and uncertainties

The principal risks, as identified by the Board of Directors, have not changed since 31 December 2019. They are explained in more detail in the Group’s annual report and consolidated financial statements for the period ended 31 December 2019 and relate to the following key areas:

- Environment, health and safety
- Business resilience
- CAA regulation
- Competition rules
- UK Aviation Strategy
- Capital projects
- Changes in demand
- Loss of Personal Data
- Anti-corruption and anti-bribery matters
- People (including Industrial Relations)
- Financial risk

The principal risks for the Group are also explained in more detail in the Gatwick Funding Limited prospectus published on 26 June 2019 including commercial risks impacting demand such as macro-economic, exposure to airline actions, event risks (including epidemic diseases).

BUSINESS REVIEW (continued)

FINANCIAL REVIEW (continued)

Financing activities

During the six months ended 30 June 2020 the Group has not issued any new bonds. On 3 April 2020, the Group executed a new Authorised Credit Facility ("ACF"). The new ACF Agreement has a Term Loan Credit Facility of £300.0 million which was fully drawn on 16 April 2020. The Term Loan has a tenor of one year (extendable to 18 then 24 months at the Group's option) giving an initial termination date of 16 April 2021 (and extension options to 15 October 2021 and 15 April 2022 respectively).

In June 2020 the Group exercised a second extension option on the existing Authorised Credit Facility ("ACF"). The ACF Agreement has a Revolving Credit Facility of £300.0 million with an initial tenor of five years (with two, one year extension options); the further one year extension gives a revised termination date of 21 June 2025). Further information is included in note 18 of the condensed interim consolidated financial statements.

Going concern

As further detailed in note 1 of the condensed interim consolidated financial statements, the Directors have a reasonable expectation that the Group will continue as a going concern and accordingly these condensed interim consolidated financial statements have been prepared on that basis.

Dividends

The Directors have not declared a dividend during the period to 30 June 2020 (30 June 2019: £nil).

REPORT OF THE DIRECTORS

BASIS OF PREPARATION

The attached unaudited condensed interim consolidated financial statements of Ivy Holdco Limited, comprising the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Financial Position, Consolidated Cash Flow Statement and other explanatory notes have been prepared in accordance with the requirements of the Ivy Holdco Limited Common Terms Agreement and are considered to fairly represent the financial condition and operations of Ivy Holdco Limited and its subsidiaries as at 30 June 2020 and for the six months then ended.

We confirm that, to the best of our knowledge:

- these condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' ("IAS 34") as adopted by the EU; and
- the accounting policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those applied by the Group in its audited consolidated financial statements for the period ended 31 December 2019 which were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

The financial information set out herein does not constitute the Group's statutory financial statements for the period ended 31 December 2019 within the meaning of Section 434 of the Companies Act 2006. A copy of the statutory accounts for that year is available on the Airport's website and will be filed with the Registrar of Companies. The auditor's report on the 31 December 2019 financial statements was not modified and did not contain any statement under Section 498 of the Companies Act 2006, however it included an emphasis of matter material uncertainty related to going concern.

OWNERSHIP

On 13 May 2019, Ivy Guernsey Holding L.P completed the sale of 50.01% of Ivy Topco Limited (intermediate parent of Ivy Holdco Limited) to CRUISER Bidco Limited, a UK incorporated company. CRUISER Bidco Limited is ultimately owned by VINCI SA, a company incorporated in France.

The remaining 49.99% interest in the Group remains ultimately managed by GIP.

VINCI Airports, as the leading private airport operator in the world, manages the development and operation of 45 airports located in Brazil, Cambodia, Chile, Costa Rica, Dominican Republic, France, Japan, Portugal, Serbia, Sweden, the United Kingdom and the United States. Served by more than 250 airlines, VINCI Airports' network handled 255 million passengers in 2019. Through its expertise as a comprehensive integrator, VINCI Airports develops, finances, builds and operates airports, leveraging its investment capability and know-how to optimise the management and performance of airports and carry out extensions and upgrades. In 2019, its annual revenue for managed activities amounted to €4.9 billion, for a consolidated revenue of €2.6 billion. For more information, visit www.vinci-airports.com.

Global Infrastructure Partners, LP ("GIP") is an independent infrastructure fund manager that invests in the equity and credit of infrastructure assets and businesses. GIP targets investments in OECD and select emerging market countries in single assets and portfolios of assets and companies in the energy, transport and water/waste sectors. GIP's teams are located in 10 offices globally: London, New York, Stamford (Connecticut), Sydney, Melbourne, Brisbane, Mumbai, Delhi, Singapore and Hong Kong. For more information, visit www.global-infra.com.

REPORT OF THE DIRECTORS (continued)

SECTION 172(1) STATEMENT

Section 172 of the Companies Act 2006 requires the directors of the Group to act in the way they consider, in good faith, would most likely promote the success of the Group for the benefit of its members.

The directors have set out their compliance of Section 172 in the Group's audited consolidated financial statements for the period ended 31 December 2019.

On behalf of the Board

A handwritten signature in black ink that reads "Michael McGhee". The signature is written in a cursive, flowing style.

Michael McGhee
Director

27 August 2020

CONSOLIDATED INCOME STATEMENT
For the six months ended June 2020

| | Note | Unaudited six months ended 30 June 2020 | Unaudited six months ended 30 June 2019 | Audited nine months ended 31 December 2019 |
|---|------|---|---|--|
| | | £m | £m | £m |
| Revenue | 3 | 144.2 | 372.2 | 719.6 |
| Other operating revenue | 4 | - | 3.9 | 3.9 |
| Operating costs | 5 | (247.6) | (294.7) | (444.8) |
| Operating (loss)/profit | | (103.4) | 81.4 | 278.7 |
| <i>Analysed as:</i> | | | | |
| Operating (loss)/profit before exceptional items | | (86.8) | 95.2 | 297.4 |
| Operating costs - exceptional | 6 | (16.6) | (13.8) | (18.7) |
| Investment property revaluation | 12 | (178.2) | 37.7 | 15.8 |
| Loss on disposal of fixed assets | 7 | (0.4) | (0.4) | (1.4) |
| Financing | | | | |
| Fair value loss on derivative financial instruments | | (5.3) | (3.5) | (0.3) |
| Finance income | 8 | 18.4 | 10.5 | 23.3 |
| Finance costs | 9 | (75.0) | (66.3) | (105.4) |
| (Loss)/profit before tax | | (343.9) | 59.4 | 210.7 |
| Income tax credit/(charge) | 10 | 22.9 | (11.7) | (40.3) |
| (Loss)/profit for the period | | (321.0) | 47.7 | 170.4 |

The notes on pages 23 to 38 form an integral part of these unaudited condensed interim consolidated financial statements.

All income and expenses recognised during the current and prior periods are from continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2020

| | Unaudited six months ended 30 June 2020 £m | Unaudited six months ended 30 June 2019 £m | Audited nine months ended 31 December 2019 £m |
|--|---|---|--|
| (Loss)/profit for the period | (321.0) | 47.7 | 170.4 |
| Other comprehensive income | | | |
| Items that will not be reclassified to the consolidated income statement | | | |
| Actuarial (loss)/gain on retirement benefit obligations | (26.1) | (32.5) | 1.6 |
| Tax credit/(charge) | 5.8 | 5.2 | (0.3) |
| Other comprehensive (loss)/income for the period | (20.3) | (27.3) | 1.3 |
| Total comprehensive (loss)/income for the period | (341.3) | 20.4 | 171.7 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2020

| | Share capital £m | Merger reserve £m | Retained earnings £m | Total £m |
|--|---------------------------------|----------------------------------|-------------------------------------|---------------------|
| Balance at 31 December 2019 (audited) | 254.4 | (260.8) | 316.4 | 310.0 |
| Loss for the period | - | - | (321.0) | (321.0) |
| Other comprehensive income | - | - | (20.3) | (20.3) |
| Balance at 30 June 2020 (unaudited) | 254.4 | (260.8) | (24.9) | (31.3) |
| Balance at 31 December 2018 (unaudited) | 254.4 | (260.8) | 277.7 | 271.3 |
| Profit for the period | - | - | 47.7 | 47.7 |
| Other comprehensive income | - | - | (27.3) | (27.3) |
| Balance at 30 June 2019 (unaudited) | 254.4 | (260.8) | 298.1 | 291.7 |

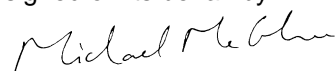
The notes on pages 23 to 38 form an integral part of these unaudited condensed interim consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

| | Note | Unaudited 30 June 2020 £m | Unaudited 30 June 2019 £m | Audited 31 December 2019 £m |
|----------------------------------|------|------------------------------------|------------------------------------|--------------------------------------|
| Assets | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 11 | 2,375.9 | 2,383.5 | 2,396.6 |
| Investment properties | 12 | 996.3 | 1,155.4 | 1,173.0 |
| Intangible assets | 13 | 25.1 | 25.3 | 26.3 |
| Lease receivables | 15 | 16.9 | 16.9 | 16.9 |
| Other non-current assets | 16 | 300.1 | 0.1 | 300.1 |
| | | 3,714.3 | 3,581.2 | 3,912.9 |
| Current assets | | | | |
| Inventories | | 7.3 | 6.0 | 6.1 |
| Trade and other receivables | | 59.5 | 71.7 | 71.5 |
| Cash and cash equivalents | | 326.7 | 4.7 | 10.0 |
| | | 393.5 | 82.4 | 87.6 |
| Total assets | | 4,107.8 | 3,663.6 | 4,000.5 |
| Liabilities | | | | |
| Non-current liabilities | | | | |
| Borrowings | 18 | (3,354.5) | (2,555.9) | (2,839.6) |
| Derivative financial instruments | 14 | (197.6) | (241.1) | (228.9) |
| Lease liabilities | 17 | (62.1) | (63.7) | (63.4) |
| Deferred tax | | (280.4) | (286.6) | (309.7) |
| Retirement benefit obligations | 19 | (43.4) | (35.5) | (24.7) |
| | | (3,938.0) | (3,182.8) | (3,466.3) |
| Current liabilities | | | | |
| Lease liabilities | 17 | (2.1) | (2.1) | (2.1) |
| Trade and other payables | 20 | (174.6) | (163.0) | (206.2) |
| Current tax liabilities | | (15.1) | (9.2) | (4.2) |
| Deferred income | | (9.3) | (14.8) | (11.7) |
| | | (201.1) | (189.1) | (224.2) |
| Total liabilities | | (4,139.1) | (3,371.9) | (3,690.5) |
| Net assets | | (31.3) | 291.7 | 310.0 |
| Equity | | | | |
| Share capital | | 254.4 | 254.4 | 254.4 |
| Retained earnings | | (24.9) | 298.1 | 316.4 |
| Merger reserve | | (260.8) | (260.8) | (260.8) |
| Total equity | | (31.3) | 291.7 | 310.0 |

The notes on pages 23 to 38 form an integral part of these unaudited condensed interim consolidated financial statements.

These condensed interim consolidated financial statements of Ivy Holdco Limited (Company registration number: 07497036) were approved by the Board of Directors on 27 August 2020 and were signed on its behalf by:



Michael McGhee
Director



Rémi Maumon de Longevialle
Director

CONSOLIDATED CASH FLOW STATEMENT
For the six months ended 30 June 2020

| | Unaudited six months ended 30 June 2020 £m | Unaudited six months ended 30 June 2019 £m | Audited nine months ended 31 December 2019 £m |
|---|---|---|--|
| Cash flows from operating activities | | | |
| (Loss)/profit before tax | (343.9) | 59.4 | 210.7 |
| <i>Adjustments for:</i> | | | |
| Investment property revaluation | 178.2 | (37.7) | (15.8) |
| Loss on disposal of fixed assets | 0.4 | 0.4 | 1.4 |
| Fair value loss on financial instruments | 5.3 | 3.5 | 0.3 |
| Finance income | (18.4) | (10.5) | (23.3) |
| Finance costs | 75.0 | 66.3 | 105.4 |
| Depreciation and amortisation | 90.0 | 89.5 | 134.9 |
| Decrease/(increase) in inventories, trade and other receivables | 1.2 | (15.5) | (4.8) |
| Increase in trade and other payables | 30.4 | 17.2 | 16.3 |
| Defined benefit pension contributions | (7.5) | (7.6) | (11.8) |
| Other non-cash movements | - | 0.7 | - |
| Cash generated from operations | 10.7 | 165.7 | 413.3 |
| Corporation tax paid | (1.0) | (11.9) | (40.2) |
| Net cash from operating activities | 9.7 | 153.8 | 373.1 |
| Cash flows from investing activities | | | |
| Interest received | 0.5 | 0.5 | 1.0 |
| Sale of tangible fixed assets | 0.1 | - | 0.1 |
| Purchase of fixed assets | (78.8) | (130.5) | (188.6) |
| Increase in related party receivables | - | - | (300.0) |
| Net cash from investing activities | (78.2) | (130.0) | (487.5) |
| Cash flows from financing activities | | | |
| Interest paid | (90.2) | (89.3) | (33.7) |
| Payment of lease liabilities ^(a) | (1.3) | (0.9) | (1.8) |
| Increase in external borrowings | 298.3 | 54.8 | 292.3 |
| Increase/(decrease) in revolving credit facility | 215.0 | - | (35.0) |
| Payment of inflation accretion on derivatives | (36.6) | - | - |
| Equity dividends paid | - | - | (100.0) |
| Net cash from financing activities | 385.2 | (35.4) | 121.8 |
| Net increase/(decrease) in cash and cash equivalents | 316.7 | (11.6) | 7.4 |
| Cash and cash equivalents at the beginning of the period | 10.0 | 16.3 | 2.6 |
| Cash and cash equivalents at the end of the period | 326.7 | 4.7 | 10.0 |

(a) The Group adopted IFRS 16 using the modified retrospective approach in accordance with IFRS 16:C5(b) with a date of initial application of 1 April 2019. The Group has not restated the comparative information.

The notes on pages 23 to 38 form an integral part of these unaudited condensed interim consolidated financial statements.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

Ivy Holdco Limited (“the Company”) is a private company, limited by shares, and is registered and incorporated in England, United Kingdom.

These financial statements are the condensed interim consolidated financial statements of Ivy Holdco Limited and its subsidiaries (“the Group”) for the six months ended 30 June 2020. The comparative periods are the six months ended 30 June 2019 and the nine months ended 31 December 2019. They are presented in sterling and rounded to the nearest £0.1 million. These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’ (“IAS 34”) as adopted by the EU and prepared under the historical cost convention, except for investment properties, available-for-sale assets, derivative financial instruments and financial liabilities that qualify as hedged items under a fair value hedge accounting system. These exceptions to the historic cost convention have been measured at fair value in accordance with IFRS as adopted by the EU and as permitted by the Fair Value Directive as implemented in the Companies Act 2006.

The accounting policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those applied by the Group in its audited consolidated financial statements for the period ended 31 December 2019 which are prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the EU.

Going Concern

The Directors have prepared the financial statements on a going concern basis. In assessing the going concern position of the Group, the Directors have considered the potential impact of Covid-19 on the cash flow and liquidity of the Group over the next 12 months, and the corresponding impact on the covenants associated with the Group’s financing arrangements.

The Group’s financing arrangements are cross guaranteed by each company within the Ivy Holdco Group. This results in each company being interdependent on the overall results and cash flows of the Group as a whole.

The Group's financial modelling assumes significantly reduced passenger numbers and revenue as a result of Covid-19 through 2020. In Q1 2020, Gatwick handled 7.5 million passengers (Q1 2019: 9.7 million), reflecting the initial impact on air travel of the Covid-19 pandemic, with the suspension of operations by most airlines at Gatwick by the end of March. Gatwick remained open throughout Q2 2020, albeit with a much-reduced operation, handling 45k passengers (Q2 2019: 12.5 million). From late June/early-July, traffic is gradually building back up with the restart of operations at Gatwick by a number of airlines (e.g. easyJet, TUI, BA and Norwegian) and the lifting of UK quarantine restrictions on passengers arriving from selected countries (e.g. Italy, Greece, France). There remains considerable uncertainty as to the pace at which passenger traffic will rebuild over the summer months.

Following a number of commercial discussions with airline partners, the Group has refined its passenger traffic forecast for calendar year 2020 to be c. 65-70% below 2019 levels (46.6 million in 2019; 46.1 million in 2018), with traffic expected to return to 2019 levels by 2024. Consequently, Group EBITDA and cash flow from operations in 2020 are expected to reduce significantly from levels experienced prior to the Covid-19 impact on the Airport.

The Group has acted to reduce operating expenditure, with forecast savings of over £100m in 2020. Contractual and resourcing adjustments have been agreed with suppliers to decrease their costs; discretionary spending has been halted; and the operational footprint of the Airport has been shrunk, operating only from the South Terminal during April and May and switching to North Terminal only from 15 June 2020 as easyJet restarted their operations. Over 740 employees have permanently left or agreed to leave the business through a combination of voluntary and compulsory severance; following consultation with Unions and employees, staff costs have been reduced temporarily by 20%; and approximately 2,000 employees have been furloughed (out of c. 2,500 FTE as of end of June 2020).

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2020

1. BASIS OF PREPARATION (continued)

Going concern (continued)

In addition, the Group has reviewed and adjusted its Capital Investment Programme, removing £353 million from the investment originally planned in 2020 and 2021. Specifically, over half of the projects already in delivery have stopped, with only operationally critical projects or those that are near to completion continuing; and 47 of the 49 projects in the design phase have been suspended.

Further details of these actions to reduce operating costs and defer capital expenditure are included in the “Response to Covid-19” section of the Strategic Report.

The Group has taken steps to increase the availability of cash and committed funding available. On 3 April 2020, the Group entered into a new £300 million term loan (duration of 12 months, extendable to 18 then 24 months at the Group’s option). As at 30 June 2020, the Group held cash of £326.7 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.

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.

The Group’s most recent forecast anticipates a breach in the Senior ICR at calculation dates of 31 December 2020 and 30 June 2021, and in Senior RAR at each calculation date from 31 December 2020 to 31 December 2022 (inclusive). The ICR is particularly sensitive to the concentrated loss of revenues and cash flows within a trailing 12 month period, while the Senior RAR is impacted for longer since it incorporates a 3 year trailing average EBITDA component.

The Group has issued a request for a covenant waiver and amendment of certain terms under the financing documents, from Qualifying Borrower Secured Creditors. This includes : a) a request that any Default relating to Senior ICR and Senior RAR levels shall be waived in respect of the calculation dates falling on December 2020 and June 2021; and b) a request for a temporary amendment (until June 2023) to the calculation of the Senior RAR to replace the April 2020 to March 2021 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. If the requested waivers and amendments are not agreed, an Event of Default may arise, which may (if supported by the required majority of Qualifying Borrower Secured Creditors) result in acceleration of the debt and enforcement action being taken. Given the underlying credit quality of the business, the Directors consider they can secure the necessary and timely support of the Qualifying Borrower Secured Creditors.

The impact of Covid-19 creates considerable uncertainty for the aviation industry. The need to seek such a waiver indicates the existence of a material uncertainty which may cast significant doubt about the Group’s ability to adopt a going concern basis of preparation for the financial statements. The Directors nevertheless consider that the Group can maintain sufficient liquidity over the next 12 months and, given the underlying credit quality of the business, can secure the necessary and timely support of its debtholders, and that it is accordingly appropriate to adopt a going concern basis for the preparation of these financial statements. These financial statements do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the financial statements had not been prepared on a going concern basis.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2020

2. GENERAL INFORMATION

The financial information set out herein does not constitute the Group's statutory financial statements for the period ended 31 December 2019 within the meaning of Section 434 of the Companies Act 2006. A copy of the statutory accounts for that year will be filed with the Registrar of Companies. The auditor's report on the 31 December 2019 financial statements was not modified and did not contain any exceptions in the statement under Section 498 of the Companies Act 2006, however it included an emphasis of matter material uncertainty related to going concern.

3. REVENUE

The Directors consider the business has only one segment (defined as the Airport due to the nature of its regulatory environment, type of operation, geographic location, and internal management reporting framework).

Disaggregation of revenue

All of the Group's revenue arises in the United Kingdom and is from continuing operations. Additional details of the revenue generated by each of the Group's key activities are given below.

| | Unaudited six months ended 30 June 2020 £m | Unaudited six months ended 30 June 2019 £m | Audited nine months ended 31 December 2019 £m |
|---|---|---|--|
| Airport and other traffic charges | 59.5 | 186.5 | 405.2 |
| Retail | 36.5 | 91.9 | 159.4 |
| - Duty and tax-free | 9.6 | 27.4 | 47.8 |
| - Specialist shops | 8.3 | 20.8 | 36.9 |
| - Catering | 9.7 | 21.4 | 37.5 |
| - Bureau de change | 4.2 | 12.7 | 21.4 |
| - Other retail | 4.7 | 9.6 | 15.8 |
| Car parking | 12.2 | 40.6 | 70.6 |
| Property income | 16.9 | 17.0 | 24.5 |
| Operational facilities and utilities income | 8.6 | 16.3 | 27.1 |
| Other | 10.5 | 19.9 | 32.8 |
| | 144.2 | 372.2 | 719.6 |

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2020

4. OTHER OPERATING INCOME

During the periods ended 30 June 2019 and 31 December 2019 the Group received other income in the form of insurance proceeds.

| | Unaudited six months ended 30 June 2020 £m | Unaudited six months ended 30 June 2019 £m | Audited nine months ended 31 December 2019 £m |
|--------------|---|---|--|
| Other income | - | 3.9 | 3.9 |

5. OPERATING COSTS

| | Unaudited six months ended 30 June 2020 £m | Unaudited six months ended 30 June 2019 £m | Audited nine months ended 31 December 2019 £m |
|-------------------------------------|---|---|--|
| Wages and salaries | 53.8 | 84.1 | 124.5 |
| Social security costs | 5.7 | 8.3 | 12.1 |
| Pension costs | 4.4 | 5.5 | 7.8 |
| Other staff related costs | 3.6 | 3.2 | 5.2 |
| Staff costs | 67.5 | 101.1 | 149.6 |
| Retail expenditure | 1.0 | 2.1 | 3.4 |
| Car parking expenditure | 4.8 | 9.2 | 15.3 |
| Depreciation and amortisation | 90.0 | 89.5 | 134.9 |
| Maintenance and IT expenditure | 16.2 | 23.8 | 34.7 |
| Rent and rates | 14.9 | 16.4 | 20.9 |
| Utility costs | 8.6 | 11.7 | 17.7 |
| Police costs | 6.0 | 7.4 | 10.5 |
| General expenses | 16.2 | 13.5 | 28.9 |
| Aerodrome navigation service costs | 5.8 | 6.2 | 10.2 |
| Exceptional costs (refer to note 6) | 16.6 | 13.8 | 18.7 |
| | 247.6 | 294.7 | 444.8 |

Wages and salaries are presented net of £12.1 million grant income relating to the UK Government's Coronavirus Job Retention Scheme (30 June 2019: £nil, 31 December 2019: £nil).

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2020

6. OPERATING COSTS - EXCEPTIONAL

| | Unaudited six months ended 30 June 2020 £m | Unaudited six months ended 30 June 2019 £m | Audited nine months ended 31 December 2019 £m |
|-------------------------------------|---|---|--|
| Transaction costs ^(a) | 0.5 | 13.5 | 13.9 |
| Reorganisation costs ^(b) | 16.1 | 0.3 | 4.8 |
| | 16.6 | 13.8 | 18.7 |

(a) Incentive and reorganisation costs incurred during the period in relation to the sale of Gatwick to VINCI SA.

(b) Reorganisation costs relate to the Covid-19 special severance scheme and Operational Change Programme designed to deliver an enhanced passenger journey and create new leadership roles.

7. LOSS ON DISPOSAL OF FIXED ASSETS

Loss on disposal of fixed assets relate to assets no longer in use by the Group.

| | Unaudited six months ended 30 June 2020 £m | Unaudited six months ended 30 June 2019 £m | Audited nine months ended 31 December 2019 £m |
|----------------------------------|---|---|--|
| Loss on disposal of fixed assets | 0.4 | 0.4 | 1.4 |

8. FINANCE INCOME

| | Unaudited six months ended 30 June 2020 £m | Unaudited six months ended 30 June 2019 £m | Audited nine months ended 31 December 2019 £m |
|--|---|---|--|
| Interest receivable from other group undertakings ^(a) | 8.0 | - | 7.7 |
| Interest receivable on money markets and bank deposits | 0.1 | - | 0.1 |
| Interest receivable on derivative financial instruments ^(b) | 9.9 | 10.1 | 14.9 |
| Lease income | 0.4 | 0.4 | 0.6 |
| | 18.4 | 10.5 | 23.3 |

(a) These amounts relate to interest receivable on a £300.0 million intercompany loan with Ivy Super Holdco Limited.

(b) These amounts relate to interest receivable on £396.0 million interest to index-linked derivatives. Refer to note 14 for detail on the nominal value of the Group's swaps.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2020

9. FINANCE COSTS

| | Unaudited six months ended 30 June 2020 £m | Unaudited six months ended 30 June 2019 £m | Audited period ended 31 December 2019 £m |
|--|---|---|---|
| Interest on fixed rate bonds | 61.8 | 57.3 | 91.2 |
| Interest on bank borrowings | 2.4 | 0.7 | 0.7 |
| Interest payable on derivative financial instruments | 6.2 | 6.2 | 9.2 |
| Amortisation of debt costs | 1.7 | 1.2 | 2.0 |
| Non-utilisation fees on bank facilities | 0.7 | 0.7 | 0.9 |
| Lease expense | 5.4 | 4.9 | 8.1 |
| Net charge on pension scheme | 0.2 | 0.4 | 0.6 |
| Capitalised borrowings costs | (3.4) | (5.1) | (7.3) |
| | 75.0 | 66.3 | 105.4 |

10. TAX CREDIT

The tax credit for the six months ended 30 June 2020 is based on an effective tax rate of 6.7% (30 June 2019: 19.7%, 31 December 2019: 19.1%). The effective tax rate for the six months ended 30 June 2020 is lower than the standard corporation tax rate of 19% due to the cancellation of the rate reduction from 19% to 17%.

The Group's tax charge on ordinary activities is the sum of the total current and deferred tax charges.

The calculation of the Group's total tax charge or credit necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with HMRC or, as appropriate, through a formal legal process. The Group is currently in discussions with HMRC regarding the utilisation of certain losses and taxes associated with a group reorganisation, and while the final resolution of this matter is uncertain at this time, having taken external advice the directors believe the Group has a very strong position and accordingly are confident this will not give rise to any additional tax liability. However, due to the inherent uncertainty surrounding matters of this nature the final resolution could give rise to material difference in the tax charge or credit and related cash flows. The resolution of matters of this nature is not always within the control of the Group and it is often dependent on the efficacy of the legal processes in the relevant tax jurisdictions in which the Group operates.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2020

11. PROPERTY, PLANT AND EQUIPMENT

| Cost | Terminal complexes | Airfield assets | Group occupied properties | Plant, equipment & other assets | Assets in the course of construction | Total |
|--|--------------------|-----------------|---------------------------|---------------------------------|--------------------------------------|----------------|
| | £m | £m | £m | £m | £m | £m |
| 1 January 2020 (audited) | 1,590.2 | 572.2 | 164.8 | 712.1 | 168.5 | 3,207.8 |
| Additions at cost | - | - | - | - | 66.7 | 66.7 |
| Interest capitalised | - | - | - | - | 3.4 | 3.4 |
| Transfers to completed assets (including to investment properties and intangible assets) | 25.0 | 5.0 | 0.8 | 5.4 | (41.5) | (5.3) |
| Disposals | - | - | - | (0.3) | - | (0.3) |
| 30 June 2020 (unaudited) | 1,615.2 | 577.2 | 165.6 | 717.2 | 197.1 | 3,272.3 |
| Depreciation | | | | | | |
| 1 January 2020 (audited) | (411.9) | (170.6) | (27.4) | (201.3) | - | (811.2) |
| Charge for the period | (41.3) | (15.6) | (3.5) | (25.1) | - | (85.5) |
| Disposals | - | - | - | 0.3 | - | 0.3 |
| 30 June 2020 (unaudited) | (453.2) | (186.2) | (30.9) | (226.1) | - | (896.4) |
| Net book value | | | | | | |
| 30 June 2020 (unaudited) | 1,162.0 | 391.0 | 134.7 | 491.1 | 197.1 | 2,375.9 |
| 30 June 2019 (unaudited) | 1,152.9 | 389.4 | 131.0 | 420.3 | 289.9 | 2,383.5 |
| 31 December 2019 (audited) | 1,178.3 | 401.6 | 137.4 | 510.8 | 168.5 | 2,396.6 |

Security

As part of the financing agreements outlined in note 18, the Group has granted security over its assets and share capital to the Group's secured creditors via a Security Agreement, with Deutsche Trustee Company Limited acting as the Borrower Security Trustee.

Impairment

Covid-19 was considered a triggering event in accordance with IAS 36 Impairment of assets and the Group performed an impairment review during the period. There was significant headroom in the calculation and no impairment was recognised.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2020

12. INVESTMENT PROPERTIES

| Valuation | Investment properties £m |
|---|-----------------------------|
| 1 January 2020 (audited) | 1,173.0 |
| Transfers to completed assets (from assets in the course of construction) | 2.0 |
| Revaluation loss | (178.2) |
| Disposals | (0.5) |
| 30 June 2020 (unaudited) | 996.3 |
| Net book value | |
| 30 June 2020 (unaudited) | 996.3 |
| 30 June 2019 (unaudited) | 1,155.4 |
| 31 December 2019 (audited) | 1,173.0 |

The fair value measurement for all of the investment properties has been categorised as a level 3 fair value based on the inputs to the valuation technique used. Valuations were carried out having regard to comparable market evidence. In assessing fair value, current and potential future income (after deduction of non-recoverable outgoings) has been capitalised using yields derived from market evidence.

As at the valuation date, there is a shortage of market evidence for comparison purposes, to inform opinions of value on the majority of the Group's portfolio. The Jones Lang Lasalle valuation of these assets was therefore reported as being subject to 'material valuation uncertainty' as set out in VPS 3 and VPGA 10 of the RICS Valuation – Global Standards. The valuers consider this clause to be a disclosure in their reports rather than a disclaimer, meaning the material uncertainty clause is to serve as a precaution and does not invalidate their valuation. Inputs to the valuations including discount rate, exit yield and forecast revenue assumptions are based on latest known information. The increasing discount rate and exit yield considered reflect the current market sentiment under the Covid-19 pandemic, impacting negatively the fair value, rather than a different long-term perspective for these assets. The Directors are satisfied that these valuations are appropriate for inclusion in the financial statements.

13. INTANGIBLE ASSETS

| Cost | Intangible assets £m |
|---|-------------------------|
| 1 January 2020 (audited) | 74.1 |
| Transfers to completed assets (from assets in the course of construction) | 3.3 |
| Disposals | (0.8) |
| 30 June 2020 (unaudited) | 76.6 |
| Amortisation | |
| 1 January 2020 (audited) | (47.8) |
| Charge for the period | (4.5) |
| Disposals | 0.8 |
| 30 June 2020 (unaudited) | (51.5) |

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2020

13. INTANGIBLE ASSETS (continued)

Net book value

| | |
|---------------------------------|------|
| 30 June 2020 (unaudited) | 25.1 |
| 30 June 2019 (unaudited) | 25.3 |
| 31 December 2019 (audited) | 26.3 |

14. DERIVATIVE FINANCIAL INSTRUMENTS

| | Unaudited 30 June 2020 | | Unaudited 30 June 2019 | | Audited 31 December 2019 | |
|-------------------------------------|------------------------------|------------------|------------------------------|------------------|--------------------------------|------------------|
| | Notional £m | Fair value £m | Notional £m | Fair value £m | Notional £m | Fair value £m |
| Variable rate to index-linked swaps | 40.04 | 31.1 | 40.0 | 34.3 | 40.0 | 32.4 |
| Fixed rate to index-linked swaps | 356.0 | 166.5 | 356.0 | 206.8 | 356.0 | 196.5 |
| | 396.0 | 197.6 | 396.0 | 241.1 | 396.0 | 228.9 |

Variable rate to index-linked swaps

Variable rate to index-linked swaps have been entered into to economically hedge debt instruments and inflation-linked revenue.

Fixed rate to index-linked swaps

Fixed rate to index-linked swaps have been entered into to economically hedge debt instruments and inflation-linked revenue.

The above swaps are designated as financial instruments which are fair valued through the Income Statement. Changes in the fair value of these derivative instruments are recognised immediately in the Income Statement, along with the reduction to reflect the credit risk of the Group on its swap position at the reporting date, in accordance with IFRS 9.

15. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Group's principal financial instruments (other than derivatives) comprise bank loans, cash and short term deposits. The main purpose of these instruments is to raise finance for the Group's operations.

The Group also enters into derivative transactions, principally interest rate swaps and index-linked swaps. The purpose of these transactions is to manage the interest rate and inflation risks arising from the Group's operations and its sources of finance.

The Group does not use financial instruments for speculative purposes. The treasury function operates on a centralised non-speculative risk basis. Its purpose is to identify, mitigate and hedge treasury-related financial risks inherent in the Group's business operations and funding.

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2020

15. FINANCIAL INSTRUMENTS (continued)

Financial instruments by category

The Group's financial instruments can be analysed under the following categories:

Amortised cost

| | Unaudited 30 June 2020 £m | Unaudited 30 June 2019 £m | Audited 31 December 2019 £m |
|--------------------------------------|--|------------------------------------|--------------------------------------|
| Lease receivables | 16.9 | 16.9 | 16.9 |
| Trade receivables and accrued income | 20.1 | 46.3 | 31.7 |
| Other receivables | 1.2 | 2.3 | 1.1 |
| Cash and cash equivalents | 326.7 | 4.7 | 10.0 |
| Amounts owed by group undertakings | 316.6 | 0.6 | 308.6 |
| Total financial assets | 681.5 | 70.8 | 368.3 |

| | Unaudited 30 June 2020 | | Unaudited 30 June 2019 | | Audited 31 December 2019 | |
|------------------------------------|---|--|--|---|--|---|
| | Other financial liabilities at amortised cost £m | Liabilities at fair value through income statement £m | Other financial liabilities at amortised cost £m | Liabilities at fair value through income statement £m | Other financial liabilities at amortised cost £m | Liabilities at fair value through income statement £m |
| Borrowings | 3,354.5 | - | 2,555.9 | - | 2,839.6 | - |
| Derivative financial liabilities | - | 197.6 | - | 241.1 | - | 228.9 |
| Lease liabilities | 64.2 | - | 65.8 | - | 65.5 | - |
| Trade payables | 15.8 | - | 12.4 | - | 61.8 | - |
| Other payables | 3.8 | - | 4.7 | - | 4.8 | - |
| Capital payables | 30.8 | - | 54.9 | - | 43.2 | - |
| Total financial liabilities | 3,469.1 | 197.6 | 2,693.7 | 241.1 | 3,014.9 | 228.9 |

At 30 June 2020, the Group has not designated any financial liabilities at fair value through the Income Statement, other than its derivative financial liabilities which do not qualify for hedge accounting.

For the six months ended 30 June 2020, the Group recognised a £5.3 million loss (30 June 2019: £3.5m loss, 31 December 2019: £0.3m loss) on financial derivatives through the Income Statement.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2020

15. FINANCIAL INSTRUMENTS (continued)

The tables below analyse the gross undiscounted contractual cash outflows/(inflows) on the Group's financial liabilities and net settled derivative financial instruments as at 30 June 2020 to the contract maturity date.

| | Less than one year £m | One to two years £m | Two to five years £m | Greater than five years £m |
|------------------------------------|--------------------------------------|------------------------------------|-------------------------------------|---|
| 30 June 2020 (unaudited) | | | | |
| Class A Bonds – Principal payments | - | - | 300.0 | 2,500.0 |
| Class A Bonds – Interest payments | 124.3 | 124.3 | 357.0 | 1,460.3 |
| Derivative financial instruments | 21.1 | (7.1) | 22.8 | 134.5 |
| | 145.4 | 117.2 | 679.8 | 4,094.8 |
| 30 June 2019 (unaudited) | | | | |
| Class A Bonds – Principal payments | - | - | 300.0 | 2,500.0 |
| Class A Bonds – Interest payments | 124.3 | 124.3 | 372.8 | 1,568.8 |
| Derivative financial instruments | 29.1 | 21.4 | (19.2) | 199.0 |
| | 153.4 | 145.7 | 653.6 | 4,267.8 |
| 31 December 2019 (audited) | | | | |
| Class A Bonds – Principal payments | - | - | 300.0 | 2,500.0 |
| Class A Bonds – Interest payments | 124.3 | 124.3 | 372.8 | 1,541.3 |
| Derivative financial instruments | 29.1 | 23.9 | (18.9) | 216.0 |
| | 153.4 | 148.2 | 653.9 | 4,257.3 |

Fair value estimation

The Group considers that the carrying amount of the following financial assets and financial liabilities are a reasonable approximation of their fair value:

- Trade receivables
- Trade payables
- Cash and cash equivalents

| | 30 June 2020 Book value £m | 30 June 2020 Fair value £m |
|---------------------------------|---|---|
| Fair value of borrowings | | |
| Class A Bonds | 2,754.5 | 3,199.5 |

The fair values of listed borrowings are based on quoted prices.

Financial instruments that are measured in the Statement of Financial Position at fair value are classified by the following fair value measurement hierarchy:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level 3 - inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value of the Group's derivative financial instruments is determined using the present value of the estimated future cash flows based on observable yield curves. As at 30 June 2020, all of the resulting fair value estimates in the Group are included at Level 2 except for Bonds which are valued at Level 1, consistent with previous years (30 June 2019: Level 2 except for Bonds which are valued at Level 1, 31 December 2019: Level 2 except for Bonds which are valued at Level 1).

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2020

16. OTHER NON-CURRENT ASSETS

Other non-current assets relate to amounts due from parent undertakings.

| | Unaudited 30 June 2020 £m | Unaudited 30 June 2019 £m | Audited 31 December 2019 £m |
|--------------------------|--|------------------------------------|--------------------------------------|
| Other non-current assets | 300.1 | 0.1 | 300.1 |

17. LEASES

As a lessee

'Property, plant and equipment' comprise owned and leased assets.

| | 30 June 2020 £m | 30 June 2019 £m | 31 December 2019 £m |
|-------------------------------------|--------------------------------|-----------------------|---------------------------|
| Property, plant and equipment owned | 2,201.8 | 2,205.3 | 2,219.9 |
| Right-of-use assets | 174.1 | 178.2 | 176.7 |
| | 2,375.9 | 2,383.5 | 2,396.6 |

The Group's leased assets include Group occupied property, vehicles and machinery. Information about leases for which the Group is a lessee is presented below.

Lease liabilities included in the Statement of Financial Position

| | 30 June 2020 £m | 30 June 2019 £m | 31 December 2019 £m |
|--------------------------------|--------------------------------|-----------------------|---------------------------|
| Current | 2.1 | 2.1 | 2.1 |
| Non-current | 62.1 | 63.7 | 63.4 |
| Total lease liabilities | 64.2 | 65.8 | 65.5 |

Amounts recognised in the Income statement

| | Six months ended 30 June 2020 £m | Six months ended 30 June 2019 £m | Nine months ended 31 December 2019 £m |
|---|---|--|---|
| Interest on lease liabilities | 5.4 | 4.9 | 8.1 |
| Depreciation expense on right-of-use assets | 2.5 | 2.0 | 3.5 |
| Expenses relating to short-term leases ^(a) | - | - | - |
| Expenses relating to leases of low-value items ^(b) | - | - | - |

(a) Short-term leases amount to £35,800 for the six months to 30 June 2020.

(b) Low value assets amount to £1,750 for the six months to 30 June 2020.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2020

18. BORROWINGS

| | Unaudited 30 June 2020 £m | Unaudited 30 June 2019 £m | Audited 31 December 2019 £m |
|---|--|------------------------------------|--------------------------------------|
| Fixed rate borrowings | 2,757.4 | 2,463.0 | 2,756.3 |
| Authorised Credit Facility–Revolving Facility | 298.5 | 92.9 | 83.3 |
| Term loan | 298.6 | - | - |
| | 3,354.5 | 2,555.9 | 2,839.6 |

Maturity Profile:

| | | | |
|---------------------------------|----------------|---------|---------|
| Repayable within 1 year | 298.6 | - | - |
| Repayable between 1 and 2 years | - | - | - |
| Repayable between 2 and 5 years | 597.2 | 391.3 | 381.9 |
| Repayable in more than 5 years | 2,458.7 | 2,164.6 | 2,457.7 |
| | 3,354.5 | 2,555.9 | 2,839.6 |

All of the above borrowings are secured and include capitalised upfront costs. These costs will be amortised over the term of the borrowings.

Ivy Holdco Group Facilities

Gatwick Airport Limited and Ivy Holdco Limited are party to a Common Terms Agreement (“CTA”) with, *inter alia*, the National Westminster Bank as Authorised Credit Facility (“ACF”) agent and previously the Initial Authorised Credit Facility (“Initial ACF”) agent. Gatwick Airport Limited and Ivy Holdco Limited have Borrower Loan Agreements with Gatwick Funding Limited (as Issuer), and Deutsche Trustee Company Limited (as Borrower Security Trustee). The CTA together with a Master Definitions Agreement covers, *inter alia*, the Initial ACF Agreement, the ACF Agreement and the Borrower Loan Agreements.

On 3 April 2020, the Group entered into a new £300.0 million term loan (duration of 12 months, extendable to 18 then 24 months at the Group’s option).

There are £300.0 million drawings outstanding on the Revolving Credit Facility at 30 June 2020 (30 June 2019: £95.0 million, 31 December 2019: £85.0 million).

The Group’s subsidiary Gatwick Funding Limited has issued £2,800.0 million of publicly listed fixed rate secured Bonds comprising:

| | Scheduled maturity | Legal maturity | As at 30 June 2020 £m | As at 30 June 2019 £m | As at 31 December 2019 £m |
|-------------------------------|-----------------------|-------------------|--|--------------------------------|------------------------------------|
| Class A 5.25 per cent. Bonds | 2024 | 2026 | 300.0 | 300.0 | 300.0 |
| Class A 6.125 per cent. Bonds | 2026 | 2028 | 300.0 | 300.0 | 300.0 |
| Class A 4.625 per cent. Bonds | 2034 | 2036 | 350.0 | 350.0 | 350.0 |
| Class A 5.75 per cent. Bonds | 2037 | 2039 | 300.0 | 300.0 | 300.0 |
| Class A 3.125 per cent. Bonds | 2039 | 2041 | 350.0 | 350.0 | 350.0 |
| Class A 6.5 per cent. Bonds | 2041 | 2043 | 300.0 | 300.0 | 300.0 |
| Class A 2.625 per cent. Bonds | 2046 | 2048 | 300.0 | 300.0 | 300.0 |
| Class A 3.25 per cent. Bonds | 2048 | 2050 | 300.0 | 300.0 | 300.0 |
| Class A 2.875 per cent. Bonds | 2049 | 2051 | 300.0 | - | 300.0 |
| | | | 2,800.0 | 2,500.0 | 2,800.0 |

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2020

18. BORROWINGS (continued)

The proceeds of all bond issuances by Gatwick Funding Limited (together “the Bonds”) are lent to either Gatwick Airport Limited or Ivy Holdco Limited under the Borrower Loan Agreement, the terms of which are “back-to-back” with those of the Bonds.

At 30 June 2020, the average interest rate payable on borrowings was 4.02% (30 June 2019: 4.74%, 31 December 2019: 4.45%).

At 30 June 2020, the Group had no (30 June 2019: £205.0 million, 31 December 2019: £215.0 million) undrawn committed borrowing facilities available in respect of which all conditions precedent had been met at that date.

Financial covenants

Due to reduced EBITDA in 2020 the Transfer RAB value has been negatively impacted causing an increase in the Senior RAR value to above the trigger level as at 30 June 2020, see note 1 for further information. Whilst the Senior RAR remains above the trigger level no restricted payments (as defined under the CTA) can be made by the Group.

The following table summarises the Group’s financial covenants compliance as at 30 June 2020 under the CTA, and lists the trigger and default levels:

| Covenant | Unaudited six months ended 30 June 2020 | Audited nine months ended 31 December 2019 | Trigger | Default |
|--|--|---|----------------|----------------|
| Minimum interest cover ratio (“Senior ICR”) | 1.94 | 11.78 | <1.50 | <1.10 |
| Maximum net indebtedness to the total regulatory asset base (“Senior RAR”) | 0.72 | 0.60 | >0.70 | >0.85 |

19. RETIREMENT BENEFIT OBLIGATIONS

For some employees, the Group operates a funded pension plan providing benefits based on final pensionable pay. Assets of the plan are held in a separate trustee administered fund.

Plan assets and liabilities at 30 June 2020 have been recognised at their fair value based on an interim valuation prepared by an independent qualified actuary in accordance with IAS 19.

The amount included in the Statement of Financial Position arising from the Group’s obligation in respect of its defined benefit plan is as follows:

| | Unaudited 30 June 2020 £m | Unaudited 30 June 2019 £m | Audited 31 December 2019 £m |
|-----------------------------------|--|------------------------------------|--------------------------------------|
| Present value of plan liabilities | (573.8) | (492.8) | (511.7) |
| Fair value of plan assets | 530.4 | 457.3 | 487.0 |
| Deficit | (43.4) | (35.5) | (24.7) |

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2020

20. TRADE AND OTHER PAYABLES

| | Unaudited 30 June 2020 £m | Unaudited 30 June 2019 £m | Audited 31 December 2019 £m |
|---------------------------|--|------------------------------------|--------------------------------------|
| Trade payables | 15.8 | 12.4 | 12.4 |
| Accruals | 61.2 | 32.7 | 49.4 |
| Capital payables | 30.8 | 54.9 | 43.2 |
| Corporation tax payable | - | 5.6 | - |
| Accrued financing charges | 0.1 | 0.1 | 0.2 |
| Accrued interest payable | 62.9 | 52.6 | 96.2 |
| Other payables | 3.8 | 4.7 | 4.8 |
| | 174.6 | 163.0 | 206.2 |

21. RELATED PARTY TRANSACTIONS

During the period the Group entered into transactions with related parties as follow:

| | Amounts receivable/(payable) to related party | | |
|--------------------------------|---|--|---|
| | Unaudited six months ended 30 June 2020 £m | Unaudited six months ended 30 June 2019 £m | Audited nine months ended 31 December 2019 £m |
| Ivy Midco Limited | - | - | - |
| Ivy Super Holdco Limited | 8.0 | - | 7.7 |
| VINCI Airports SAS | (1.8) | (0.9) | (4.3) |
| Global Infrastructure Partners | (1.5) | (0.7) | (3.1) |

| | Amounts owed from/(due to) related party | | |
|--------------------------------|--|--|---|
| | Unaudited as at 30 June 2020 £m | Unaudited as at 30 June 2019 £m | Audited as at 31 December 2019 £m |
| Ivy Midco Limited | 0.9 | 0.8 | 0.8 |
| Ivy Super Holdco Limited | 315.7 | - | 307.7 |
| VINCI Airports SAS | (6.1) | (0.9) | (4.3) |
| Global Infrastructure Partners | (4.6) | (0.7) | (3.1) |

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the six months ended 30 June 2020

22. CLAIMS AND CONTINGENT LIABILITIES

As part of the Group's financing agreements, the Group has granted security over their assets and share capital to the Group's secured creditors via a Security Agreement, with Deutsche Trustee Company Limited acting as the Borrower Security Trustee.

Other than the above and the disclosure in note 10, the Group has no contingent liabilities, comprising letters of credit, performance/surety bonds, performance guarantees and no other items arising in the normal course of business at 30 June 2020.