YOUR LONDON AIRPORT
Gatwick

GATWICK AIRPORT LIMITED
INVESTOR REPORT
FOR THE YEAR ENDED 31 MARCH 2014

25 June 2014

This investor report is prepared in accordance with the requirements of the Common Terms Agreement dated 15 February 2011 between, among others, the Issuer, the Obligors and Deutsche Trustee Borrower Limited ("the Borrower Security Trustee") ("the Common Terms Agreement"). It summarises certain information contained in the Gatwick Airport Limited Annual Report and Financial Statements for the year ended 31 March 2014, and the Compliance Certificate for the period then ended.

Overview of the year ended 31 March 2014

In the year ended 31 March 2014, a total of 35.9 million (2013: 34.2 million) passengers travelled through Gatwick; an increase of 1.7 million passengers or 4.8%. During the year, Gatwick achieved its record monthly passenger number in August 2013 of 4.03 million passengers. Total Air Transport Movements ("ATMs") were up 4.0% or 9.5k compared to the prior year. The majority (84%) of the passenger growth was due to the increase in ATMs. Load factors increased by 0.6% points to 83.2%.

The European market continued to be Gatwick's largest market (82.8%) and grew significantly by 6.3% (1.8 million passengers). The majority (64.3%) of the overall total growth was generated routes to Spain. Middle East and Central Asian routes recorded the second highest growth, mainly due to Emirates, which operated larger and fuller planes (seats per movement increased by 5.9% coupled with 7.3% point increase in load factor to 89.3%).

Incumbent airlines such as easyJet, Norwegian Air Shuttle and British Airways continue to contribute to majority of the growth by increasing frequencies, operating new routes, and fuller planes. In particular, Norwegian Air Shuttle's traffic increased by 66.6% (0.9 million passengers) against the same period in the prior year; 47.3% of this growth was due to the 14 new routes including Barcelona, Alicante, Nice, and Las Palmas, with the remainder of the growth resulting from an increase in frequencies on existing routes and fuller planes. New routes operated by easyJet including Moscow and Bergen and increases in frequencies on existing routes contributed to majority of the overall growth of 6.7% (0.9 million passengers).

New airlines from the previous year having operated for a full year contributed to the increase in passengers, most notably Vueling with 0.2 million passengers in total.

The Borrower made an operating profit of £147.0 million for the year ended 31 March 2014 compared to £116.4 million in the year ended 31 March 2013.

Further information is available at www.gatwickairport.com/investor and in the Borrower's Directors' report and financial statements for the year ended 31 March 2014.

Regulatory and business update

In March 2008 the Civil Aviation Authority ("CAA") published its price control review for Gatwick Airport for the five year period ended 31 March 2013 ("Q5"). This was extended by one year so that the Q5 regulatory period expired on 31 March 2014. The price control constrained the growth in aeronautical revenue yield per passenger to no more than RPI+2% at Gatwick for the five years to 31 March 2013, and to RPI-0.5% for the year to 31 March 2014.

In the CAA's Q5 decision there were incentive arrangements to promote quality of service and the timely completion of capital projects.

On 19 December 2012, the Civil Aviation Act 2012 ("CA Act 2012") was passed modernising the system of economic regulation of airports in the UK.

The CA Act 2012 provides for the economic licensing of dominant airports (and dominant airport areas) where operators are determined by the CAA to have passed the Market Power Test in the CA Act 2012, which includes the CAA determining that the operator has Substantial Market Power. Where the CAA determines that a licence is required, the CA Act 2012 gives the CAA greater flexibility to align the regulatory requirements that it imposes with the market and competitive position at the relevant airport, concentrating more on service quality and performance incentives. Where a licence is not required, an airport's activities will remain subject to general competition law and the provisions of the Airport Charges Regulations, in respect of both of which the CAA will have an enforcement role.

All airport operators are subject to aerodrome licensing under the Air Navigation Order 2009, which requires an airport operator to demonstrate that it is competent to conduct aerodrome operations safely. That licensing requirement is not affected by the CA Act 2012.

The CAA published its decision on the assessment of Gatwick's market power in January 2014, where it concluded that Gatwick passed the Market Power Test in the CA Act 2012 and should be issued with a licence. The Company submitted to the CAA various analyses of airport competition during the CAA's consultation process, setting out reasons why the Market Power Test is not met at Gatwick. The Company decided not to appeal to the Competition Appeal Tribunal the CAA's decision that the Market Power Test was met.

The CAA, as part of its preparations for any regulation beyond the end of Q5, required the Company to participate in constructive engagement with the airlines operating at Gatwick (assessing key themes such as capital investment, traffic forecasts, operating costs and commercial revenue opportunities) and to submit a Business Plan to the CAA in January 2013.

As part of the Business Plan submission to the CAA the Company proposed that the Airport would enter into a set of legally enforceable Commitments to airlines covering price, service, transparency, financial resilience, operational resilience and dispute resolution. The proposal was that these Commitments would be in place for seven years from April 2014 and would replace the need for economic regulation of Gatwick by the CAA. In addition, the Company envisaged that there would be a series of bilateral Contracts, incorporating, for example, price, service and duration, agreed on a commercial basis between the Company and individual airlines.

Regulatory and business update (continued)

In parallel with the regulatory review, and under the framework of the Commitments, the Airport continued discussions with airlines to agree bilateral Contracts, incorporating, for example, price, service and duration, agreed on a commercial basis between the Company and individual airlines. As of 31 March 2014, the Company had signed contracts or agreed Heads of Terms with all of the significant airlines by passenger volume operating at the Airport.

In February 2014, the CAA published its Decision and Notice granting a licence to Gatwick, with this coming into force on 1 April 2014. The CAA's Decision incorporates Commitments proposed by the Airport within a licence. It is therefore a requirement of the licence that GAL complies with its obligations in the Commitments. This includes that GAL complies with its commitment to incorporate a maximum average revenue yield over the next seven years, based on published prices at RPI+1.0% per year, and average prices (taking into account bilateral contracts) at RPI+0.0% per year (i.e. the 'blended price'). It also includes that GAL complies with its Commitment to undertake capital investment expenditure of at least £100.0 million per annum over the next seven years. Obligations on third parties, contained in the Commitments do not form part of the licence.

In the Decision, the CAA set out, amongst other things, its view of the "fair price" in the five years from April 2014 of RPI-1.6% per year. The CAA also considered that GAL should undertake capital investment expenditure of at least £160.0 million per annum on average. The CAA stated that it intends to monitor GAL'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) is 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 GAL 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 will also undertake a review of Commitments in the second half of 2016 to assess whether they are operating in the passenger interest.

The CAA's decision also includes a financial resilience condition. This requires GAL 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 GAL 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 GAL to comply with the licence.

Requirements as to operational resilience are included within GAL's Commitments and as such are not subject to a separate licence condition. However, as with pricing 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.

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Regulatory and business update (continued)

The CAA has also stated that as part of the monitoring regime, GAL should produce a shadow 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. Again, this requirement does not form part of the licence, but if the CAA proposes to modify the licence in such a way that decision modification could be appealed by the Airport or airlines, to the Competition and Markets Authority.

The CAA's decision to grant a licence could have been appealed by the Company or airlines, to the Competition and Markets Authority. No appeal of the Decision was submitted.

Significant Board changes

Sir Roy McNulty was appointed Chairman of Gatwick Airport Limited on 1 April 2013, having first joined the Board in April 2011 as a non-executive director. Sir Roy was Deputy Chairman of the Olympic Delivery Authority, Chairman of Advantage West Midlands, and a non-executive director of Norbrook Laboratories Limited.

John McCarthy was appointed to the Board on 25 September 2013. John is a Global Head of Infrastructure at the Abu Dhabi Investment Authority (ADIA).

Significant Board changes (continued)

David McMillan was appointed to the Board as a non-executive director on 1 April 2013. David is Chair of the Board of Governors of the Flight Safety Foundation. He was Director General of Eurocontrol, which co-ordinates air traffic across 40 European states, from 2008 to 2012.

Khadem Alremeithi resigned from the Board on 7 November 2013.

Capital expenditure

The Borrower spent £201.0 million (2013: £226.7m) on Gatwick's Capital Investment Plan during the year ended 31 March 2014, the extension year of Q5. This brings total capital expenditure for Q5-to-date to £1,184.5 million including car parks and £1,163.7 million excluding car parks (2013: £983.5 million including car parks).

The business review in the Borrower's Annual report and financial statements for the year ended 31 March 2014 details the major capital projects delivered during the year and in progress at year end.

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Financing

On 27 March 2014, Gatwick Funding Limited, issued a further £350.0 million of publicly listed fixed rate secured bonds comprising Class A 4.625 per cent. Bonds with scheduled and legal maturities of 2034 and 2036 respectively.

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

The £343.7 million net proceeds received by the Borrower on 27 March 2014 were utilised to 'prepay' and terminate the Term, Capex and Revolving facilities under the Initial ACF Agreement.

On 27 March 2014 the Borrower entered into a new five year Authorised Credit Facility comprising a General Purpose Revolving Credit Facility of £300million; no drawings were made under the new facility during the year ended 31 March 2014.

Acquisitions and Disposals

There have been no acquisitions of subsidiaries or subsidiary undertakings or of any Borrower or business, and no disposals in the year ended 31 March 2014 or since the previously delivered Investor Report.

Restricted Payments

During the year ended 31 March 2014 total restricted payments of £105 million were made. The payments took the form of shareholder loan repayments totalling £95million and a dividend of £10 million.

Ratios

We confirm that in respect of this investor report dated 25 June 2014, by reference to the most recent financial statements that we are obliged to deliver to you in accordance with Paragraph 1 (Financial Statements) of Part 1 (Information Covenants) of Schedule 2 (Covenants) of the Common Terms Agreement:

(a) the historical Senior ICR for the Relevant Period ended 31 March 2014 was 3.15;
(b) the forecast Senior ICR for the Relevant Period ended 31 March 2015 is 2.94;
(c) the historical Senior RAR for the Relevant Period ended 31 March 2014 was 0.64; and
(d) the forecast Senior RAR for the Relevant Period ended 31 March 2015 is 0.61;
(together the **Ratios**).

Current Hedging Position

As at 31 March 2014, after taking hedging with derivatives into account, fixed and inflation-linked debt represented 102.1% of the Borrower's Relevant Debt.

Confirmations

We confirm that each of the above Ratios has been calculated in respect of the Relevant Period or as at the Relevant Dates for which it is required to be calculated under the Common Terms Agreement.

We confirm that:

(a) no Default or Trigger Event has occurred and is continuing;
(b) the Borrower is in compliance with the Hedging Policy; and
(c) the statements set out in this Investor Report are accurate in all material respects.

Yours faithfully,

Stewart Wingate	Nicholas Dunn
Chief Executive Officer	Chief Financial Officer

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