

YOUR LONDON AIRPORT

Gatwick

GATWICK AIRPORT LIMITED INVESTOR REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

22 November 2017

This investor report is prepared in accordance with the requirements of the Common Terms Agreement dated 15 February 2011 between, among others, the Issuer, the Obligors and Deutsche Trustee Borrower Limited (“the Borrower Security Trustee”) (“the Common Terms Agreement”). It summarises certain information contained in the Security Group’s (Ivy Holdco Limited) Report and Interim Consolidated Financial Statements for the six months ended 30 September 2017, and the Compliance Certificate for the period then ended.

Overview of the Securitisation Group’s performance for the period ended 30 September 2017

During the six months ended 30 September 2017 a total of 26.4 million passengers travelled through Gatwick Airport, an increase of 1.3 million or 5.1% compared to the same period in the prior year.

This was the busiest six months in Gatwick’s history. The number of ATMs increased by 2.4% compared to the same period last year, reflecting a continued improvement in the usage of the Airport’s single runway. On 1 September 2017, the Airport had the busiest day ever recorded at Gatwick with 950 movements.

Gatwick has continued to develop its long-haul market and this is proving successful with 40% of the growth in ATMs on long-haul routes. This included the introduction of Norwegian’s morning flight to JFK which has proved popular as it is the first London flight to reach New York, enabling passengers to go to New York and back in a day, or to be in the city in time for morning meetings, supporting the ongoing focus on business traffic. This long-haul growth contributed to the increase in the average number of seats per ATM from 185.1 to 186.9.

Average load factors also grew, particularly on domestic and short-haul flights. Passenger numbers on long-haul routes grew by 0.4 million, most notably on North American routes, where both Norwegian and British Airways increased frequencies on their USA services. In addition, WestJet, which began flying from Gatwick last year, grew its Canadian routes by 23k passengers.

Other notable areas of growth included the Far East Asia region with passenger numbers on routes to this area more than tripling (104k passengers compared to 22k last year). This was mainly due to the daily Hong Kong service introduced by Cathay Pacific and also Tianjin Airlines almost doubling their traffic to China. Passengers to the Caribbean and Latin America likewise increased, with both British Airways and TUI growing their traffic on routes to this region. After a period of decline, Northern Africa has begun to show signs of recovery, with traffic to Egypt and Morocco increasing by 9.6% compared to the prior year.

European routes accounted for 57.6% of the passenger growth, primarily to destinations such as Spain, France, Portugal and Greece.

Long-haul traffic benefited from the expansion of Norwegian’s USA offering to include Seattle and Denver, as well as their new Singapore service which began in September. British Airways started services to Oakland and Fort Lauderdale, two routes already served by Norwegian, and Rwandair began flying from Gatwick to Kigali, with 11k passengers in the six months to 30 September 2017. New European routes included Aeroflot’s Moscow service, which carried 43k passengers in the period under review, having started in November 2016.

easyJet also added new destinations, including Montenegro (17k passengers) and Granada (26k). New airlines included Georgian Airways, who started flying from Gatwick to Tbilisi from May 2017.

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Overview of the Securitisation Group's performance for the period ended 30 September 2017 (continued)

The Group made an operating profit of £213.5 million for the six months ended 30 September 2017 compared to £193.7 million for the six months ended 30 September 2016.

Further information is available at www.gatwickairport.com/investor and in the Ivy Holdco Limited Report and Interim Consolidated Financial Statements for the six months ended 30 September 2017.

Regulatory Environment

On 1 April 2014, a new regulatory framework based on Commitments backed by a licence and supplemented by a monitoring regime, came into operation at Gatwick. The Commitments are a set of legally enforceable undertakings, made by GAL to airlines, covering price, service, transparency, financial resilience, operational resilience and dispute resolution. The Commitments also enable GAL to enter into a series of bilateral contracts incorporating, for example, price, service and duration, agreed on a contractual basis between Gatwick and individual airlines.

The CAA published its Decision and Notice granting a licence to Gatwick in February 2014. The CAA's Decision incorporates the Commitments proposed by the Airport within a licence. It is therefore a requirement of the licence that 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 of the Commitment period. Obligations on third parties, contained in the Commitments do not form part of the licence.

In the Decision, the CAA set out, amongst other things, its view of the "fair price" for the period from 1 April 2014 of RPI-1.6% per year. The CAA also considered that GAL should undertake capital investment expenditure of at least £160.0 million per annum on average (in 2011/12 price base). The CAA stated that it intends to monitor 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 undertook a "short and focused review" of the Commitments in the second half of 2016 to assess whether they are operating in the passenger interest. The review was concluded in December 2016. The review did not recommend any changes to the Commitments.

The CAA's Decision also included a financial resilience condition. This requires 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.

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Regulatory Environment (continued)

Requirements as to operational resilience are included within GAL'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, GAL should produce a shadow regulatory asset base ("RAB") calculation. The purpose of this requirement is in case the CAA considers that the passenger interest would be better served in the future by tighter regulation being introduced. As with pricing, shadow RAB and capital investment expenditure above, the CAA can propose to introduce such licence conditions to the extent it considers such modification is in the passenger interest. Similarly, such a licence modification could be appealed by the Airport or airlines, to the Competition and Markets Authority.

The Commitments expire on 31 March 2021. Gatwick has undertaken to notify the CAA and all operators at the Airport at least two years prior to the end of the term of its intentions with regard to the continuation of Commitments.

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

Significant Board changes

There have been no changes to the members of the Board in the period 1 April 2017 to 30 September 2017.

Capital expenditure

The Group spent £98.1 million on Gatwick's Capital Investment Plan during the six months ended 30 September 2017 (30 September 2016: £125.7 million).

The business review in the Group's Directors' report and interim financial statements for the six months ended 30 September 2017 details the major capital projects delivered during the year and in progress at the period end.

Financing

On 28 September 2017, Gatwick Funding Limited, issued a further £350.0 million of publicly listed fixed rate secured bonds comprising Class A 3.125 per cent. Bonds with scheduled and legal maturities of 2039 and 2041 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 £346.4 million net proceeds received by the Borrower on 28 September 2017 were utilised to prepay the outstanding revolving credit facility balance under the ACF Agreement and fund an interim dividend in October 2017 of £175.0 million.

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Acquisitions and Disposals

No acquisitions or disposals occurred during the six months ended 30 September 2017.

Restricted Payments

During the six months ended 30 September 2017 total restricted payments of £175.0 million were made. The payments took the form of a dividend payment in August 2017.

Ratios

We confirm that in respect of this investor report dated 22 November 2017, by reference to the most recent financial statements that we are obliged to deliver to you in accordance with Paragraph 1 (Financial Statements) of Part 1 (Information Covenants) of Schedule 2 (Covenants) of the Common Terms Agreement:

- (a) the historical Senior ICR for the Relevant Period ended 30 September 2017 was 4.12;
 - (b) the forecast Senior ICR for the Relevant Period ended 31 March 2018 is 3.53;
 - (c) the historical Senior RAR for the Relevant Period ended 30 September 2017 was 0.49; and
 - (d) the forecast Senior RAR for the Relevant Period ended 31 March 2018 is 0.65;
- (together the **Ratios**).

Current Hedging Position

As at 30 September 2017, after taking hedging with derivatives into account, fixed and inflation-linked debt represented 101.8% of the Borrower's Relevant Debt.

Confirmations

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

We confirm that:

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

Yours faithfully,

Stewart Wingate
Chief Executive Officer

Nicholas Dunn
Chief Financial Officer

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