

YOUR LONDON AIRPORT

Gatwick

GATWICK AIRPORT LIMITED INVESTOR REPORT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

20 November 2013

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 Directors' report and financial statements for the six months ended 30 September 2013, and the Compliance Certificate for the period then ended.

Overview of the period ended 30 September 2013

During the six months ended 30 September 2013 a total of 20.8 million passengers travelled through Gatwick Airport ("Gatwick") ("the Airport"), an increase of 0.9 million or 4.4%.

Passenger numbers for the six months ended 30 September 2013 have been in line with expectations. There was a 2.7% increase in Air Transport Movements compared to the same period in the prior year which resulted in an increase in passengers of 0.5 million, equating to 55% of passenger growth. The remaining growth was achieved through an increase in load factors.

Passenger numbers in July and early August of the prior period were adversely affected as UK based travellers stayed in the country during the Olympic Games. This resulted in passenger growth in the comparable months of the current period of 0.2 million passengers relative to the prior period.

A number of carriers have increased frequencies on existing routes whilst others have expanded their route profile at Gatwick contributing to the increase in ATMs. The European region showed the largest growth, up 6.5% or 1.0 million passengers compared to the prior period. In particular, Spanish routes showed the strongest growth for the six months ended 30 September 2013, up 14.2% or 0.5 million passengers period-on-period.

Growth amongst long haul carriers servicing leisure destinations, such as the Caribbean and Africa, was complemented by growth in business routes such as Moscow, Dubai, and China, leading to an increase of 0.2 million passengers. However, during the six months ended 30 September 2013, a number of airlines also ceased to operate from Gatwick which dampened overall passenger growth by 0.3 million.

The Borrower made an operating profit of £141.0 million for the six months ended 30 September 2013 compared to £111.0 million in the six months ended 30 September 2012.

Further information is available at www.gatwickairport.com/investor and in the Borrower's Directors' report and financial statements for the period ended 30 September 2013.

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Regulatory and business update

In March 2008 the Civil Aviation Authority (“CAA”) published its price control review for Gatwick Airport for the five year period ending 31 March 2013 (the 5th regulatory quinquennium known as “Q5”). This was extended by one year so that the Q5 regulatory period now expires 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 5 years to 31 March 2013 and to RPI-0.5% for the year to 31 March 2014. There is an adjustment mechanism to allow for the recovery of 90% of the costs of any new security requirements (i.e. those not envisaged when the price control was set) that amount to more than £7.0 million per annum.

In the CAA’s Q5 decision there are incentive arrangements to promote quality of service and the timely completion of capital projects. Gatwick has continued to deliver its Q5 capital expenditure programme, including capital expenditure trigger projects (certain capital projects which, under the CAA’s price control, specify a reduction to the level of the revenues that the Airport would be allowed to recover in airport charges if certain milestones were not reached in respect of these capital projects by defined dates), as agreed both with the airlines and the CAA. New triggers, covering 60 per cent. of the forecast capital expenditure in the year ending 31 March 2014, were agreed with the airlines operating at Gatwick and subsequently approved by the CAA. In September 2013 the Airport failed to meet one of the new Q5+1 triggers (completion of new crew reporting facilities), by a period of one month. This resulted in a trigger payment of £0.2 million.

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 introduced a new general duty for the CAA to carry out its functions in a manner which furthers the interests of users of air transport services regarding the range, availability, continuity, cost and quality of airport operation services, by doing so where appropriate in a manner which will promote competition in the provision of airport operation services. In carrying out its general duty, the CAA is required, among other things, to have regard to “the need to secure that a licence holder is able to finance its provision of airport operation services in the area for which the licence is granted”.

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.

The Company submitted its initial analysis of competition in November 2011, setting out that the available evidence does not support a finding that Gatwick has Substantial Market Power and thus it should not be subject to economic regulation beyond the end of Q5. The CAA published its initial views on the competitive position of Gatwick, Heathrow and Stansted in February 2012. The CAA’s initial view was that each of the three airports currently subject to economic regulation have some degree of market power and thus could be subject to economic regulation beyond the end of Q5. The Company submitted further analysis in response to the CAA’s initial view, setting out that the available evidence does not support a finding that Gatwick has Substantial Market Power and that the Market Power Test in the CA Act 2012 is not met.

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Regulatory and business update (continued)

The CAA published, for consultation, its “minded to” position on Gatwick’s market power in May 2013. The Company submitted further analysis in response to the CAA’s “minded to” consultation, continuing to set out its position that the available evidence does not support a finding that Gatwick has Substantial Market Power and that the Market Power Test in the CA Act 2012 is not met. The CAA is expected to publish its decision on its assessment of Gatwick’s market power in January 2014. The CA Act 2012 includes provisions for the CAA’s decision on its assessment of Gatwick’s market power to be appealed to the Competition Appeal Tribunal.

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. This constructive engagement between the Company and represented airlines took place from April to December 2012. To facilitate constructive engagement, the Company provided to the airlines and the CAA its Initial Business Plan (April 2012) for the period to 2020. In particular, constructive engagement with the Airport’s airline community assessed key themes such as capital investment, traffic forecasts, operating costs and commercial revenue opportunities. The outputs of constructive engagement were then used, as appropriate, by the Company to inform the Revised Business Plan that the Company submitted to the CAA in January 2013.

As part of the Company’s Business Plan submission to the CAA, it 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. The Commitments proposal incorporated a price level which increases by RPI+1.3% for seven years following a one off price correction of 10.7% in April 2014.

On 30 April 2013, the CAA issued for consultation its Initial Proposals for regulation at Gatwick beyond 31 March 2014. This document, together with the Market Power assessment noted above, propose that Gatwick has sufficient market power to justify on-going regulation, together with the introduction of a licence, at a price level which increases by no more than RPI+1% for five years.

The Company submitted its response to the CAA’s Initial Proposals where it continued to propose to enter into a set of legally enforceable Commitments to all airlines and bilateral contracts with individual airlines. The Company proposed a number of revisions to the Commitments, including amendments to the service quality regime and a commitment to limit the maximum average revenue yield over the next seven years, based on published prices at RPI+1.5% per year, and average prices (taking into account bilateral contracts) at RPI+0.5% per year (i.e. the ‘blended price’).

On 3 October 2013 the CAA issued for consultation its Final Proposals for regulation at Gatwick beyond 31 March 2014, together with a draft licence incorporating Gatwick’s Commitments. The CAA requested responses to its Final Proposals by 4 November 2013. The Company’s response welcomed the CAA’s final proposals, which reflect the Commitments framework offered by Gatwick. The Company believes firmly that the Commitments framework can lead to a transformational change in the way Gatwick operates, how it co-operates with its airline customers, and how – together – we can transform the passenger experience at Gatwick. This tailored approach to the regulation of the London airports will also facilitate increased competition between the London airports which will also be to the benefit of passengers.

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Regulatory and business update (continued)

The Company continues the process of engagement with the CAA and airlines on a solution which protects airline and passenger interests, whilst accelerating Gatwick's drive for improved passenger service and operational excellence. Final decisions on market power and economic regulation will be published by the CAA in January 2014.

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.

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 is Deputy Chairman of the Olympic Delivery Authority, a non-executive director of Norbrook Laboratories Limited and of Monarch Group Limited. Sir Roy was previously Chairman of Advantage West Midlands and, before that, Chairman of the Civil Aviation Authority.

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.

John McCarthy was appointed to the Board on 25 September 2013. John is Global Head of Infrastructure in the Real Estate and Infrastructure Department at the Abu Dhabi Investment Authority ("ADIA").

Khadem Alremeithi resigned from the Board on 7 November 2013.

Capital expenditure

The Borrower spent £104.8 million (30 September 2012: £119.1m) on Gatwick's Capital Investment Plan during the period ended 30 September 2013. This brings total capital expenditure for Q5-to-date to £1,088.4 million (30 September 2012: £875.9 million).

During the previous financial year, the Borrower consulted with the airlines operating at Gatwick on a capital expenditure programme of approximately £210.0 million for the year ending 31 March 2014 following the one year extension to Q5 (i.e. 2013/2014), which will bring the total capital expenditure for Q5 to £1,172.0 million by the end of the quinquennium (excluding car parks acquired from another former group undertaking, Ivy Subco Limited (dissolved on 10 April 2012), for £20.8 million).

The business review in the Borrower's Directors' report and financial statements for the period ended 30 September 2013 details the major capital projects delivered during the period and in progress as at 30 September 2013.

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Financing

There have been no significant changes to the financing structure during the period ended 30 September 2013. During the period the Borrower has drawn a further £24 million under the Capex Facility and repaid the £30 million outstanding at 31 March 2013 in respect of the Revolving Credit Facility. No changes have occurred to the Term Loan and no bonds have been issued by Gatwick Funding Limited.

Acquisitions and Disposals

There have been no acquisitions of subsidiaries or subsidiary undertakings or of any Borrower or business, and no disposals in the period ended 30 September 2013 or since the previously delivered Investor Report.

Restricted Payments

During the period ended 30 September 2013 a restricted payment of £50 million was made. The restricted payment on 17 July 2013 took the form of a shareholder loan repayment.

Ratios

We confirm that in respect of this investor report dated 20 November 2013, 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 ending 30 September 2013 was 3.11;
 - (b) the forecast Senior ICR for the Relevant Period ending 31 March 2014 is 2.65;
 - (c) the historical Senior RAR for the Relevant Period ending 30 September 2013 was 0.60; and
 - (d) the forecast Senior RAR for the Relevant Period ending 31 March 2014 is 0.65;
- (together the **Ratios**).

Current Hedging Position

As at 30 September 2013, after taking hedging with derivatives into account, fixed and inflation-linked debt represented 96.3% of the Borrower's Relevant Debt.

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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