YOUR LONDON AIRPORT
Gatwick

GATWICK AIRPORT LIMITED
INVESTOR REPORT
FOR THE YEAR ENDED 31 MARCH 2011

24 June 2011

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 Company Limited (the Borrower Security Trustee) (the Common Terms Agreement). It summarises certain information contained in the Borrower's Report and Financial Statements for the year ended 31 March 2011, and the Compliance Certificate for the period then ended.

Overview of the year ended 31 March 2011

The year ended 31 March 2011 is the first 12-month reporting period since Gatwick Airport Limited (the Borrower) was acquired by the consortium led by Global Infrastructure Partners in December 2009.

During the year, the Borrower continued the separation of its information technology ("IT") environment from BAA, the last remaining of the transitional services provided by BAA post-sale. The separation is expected to be completed during the year ending 31 March 2012.

The Borrower experienced some significant events which negatively impacted its passenger numbers and operating performance during the year. The most significant was the intermittent closure of airspace in the first three months of the year following the eruption of Eyjafjallajökull in Iceland. This and other effects are discussed in more detail in the passenger traffic trends section below.

In anticipation of a refinancing (discussed in the refinancing section below), the Borrower made a bonus share issue of 487,234,060 ordinary shares at £1.00 per share on 10 February 2011. This was satisfied by way of a capitalisation of £487,234,060 of the Borrower's revaluation reserve. The Borrower then undertook a capital reduction of £487,234,060 of share capital by means of a special resolution supported by a solvency statement, resulting in the transfer of an equivalent amount into the profit and loss reserve.

The Group (comprising Ivy Bidco Limited, Ivy Holdco Limited, the Borrower, Ivy Subco Limited and Gatwick Funding Limited (the Issuer)) completed a refinancing on 2 March 2011. As part of this refinancing, the Borrower's ownership was transferred to Ivy Holdco Limited, a wholly-owned subsidiary of Ivy Bidco Limited, and the Borrower acquired a wholly-owned subsidiary, Gatwick Funding Limited.

The Borrower made an operating profit before exceptional items of £112.9 million for the year ended 31 March 2011 compared to £96.5 million in the 15 months to 31 March 2010. The Borrower incurred 'operating costs – exceptional' of £17.0 million in the year compared to £131.6 million in the 15 months to 31 March 2010.

Further information is available at www.gatwickairport.com/investor and in the Borrower's Report and Financial Statements for the year ended 31 March 2011.

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"). 31 March 2011 completes the third year of Q5. The price control constrains the growth in aeronautical revenue yield per passenger to no more than RPI+2% at Gatwick. 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 agreed a number of changes to the incentive arrangements for its capital expenditure programme both with the airlines and the CAA over the course of the year which will better align the price control incentives with the changes that have recently been made to the capital programme. In particular, new capital expenditure triggers were agreed for the South Terminal security project.

During the year, the CAA consulted on whether to extend Q5 by an extra year to 31 March 2014. The extension was confirmed on 31 March 2011. The CAA indicated that this extension was in part influenced by the potential delay in the passage through Parliament of the Airports Economic Regulation Bill ("AER"). The CAA invited the Borrower to agree the terms of the extension directly with the airlines operating at Gatwick. The Borrower reached agreement with the airlines that price increases for the year ending 31 March 2014 will be no higher than RPI-0.5% compared to the RPI+2% allowed in each of the years ending 31 March 2012 and 2013. It was agreed that the capital expenditure triggers relating to Pier 7 and South Terminal baggage will be removed for the year ending 31 March 2014 and the Borrower and the airlines will replace these with new triggers, to be agreed and submitted to the CAA by June 2012, covering 60 per cent. of the forecast capital expenditure in the year ending 31 March 2014.

The Borrower welcomed the decision to extend Q5. This will allow time for the CAA to undertake its analysis on the competitive position of Gatwick as well as considering any future regulatory framework at Gatwick.

In December 2009 the Department for Transport ("DfT") published its Decision on Reforming the Framework for the Economic Regulation of Airports. The review concluded: that the CAA should be given a new primary duty to promote the interests of passengers; a new licensing regime should be introduced similar to many other regulated sectors allowing a more effective and flexible approach to regulating airports; and that the Government would be introducing a financial resilience package that consists of a supplementary financing duty for the CAA, a minimum credit worthiness requirement for airports and ring-fencing provisions – similar to those in the energy, water and rail sectors – for airports with substantial market power.

The UK Government issued a statement in July 2010 confirming that the AER would be taken forward by the Government. The AER then appeared in the Queen's Speech. The Borrower's current understanding is that the Government is intending to introduce the AER early in the second session of this Parliament, currently expected to be in the first half of 2012. In the meantime, the DfT has made it clear that there will be no change to the current price control which covers the now six year period from 1 April 2008 to 31 March 2014.

The CAA continued its project to assess competition between airports during the year and published its final competition guidelines that are intended to guide its analysis of the competitive position of Gatwick (and other airports in the South East of England) during the year ending 31 March 2012. This work will be particularly important in the development of any future regulatory framework at Gatwick.

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Regulatory and business update (continued)

Finally, the CAA continued its work on identifying alternative forms of regulation for airports culminating in a “stock take and way forward” document published in March 2011. The CAA is now considering how best to undertake its initial groundwork for Q6, and formal engagement with the airlines operating at Gatwick is likely to start during the year ending 31 March 2012.

Significant Board changes

Sir Roy McNulty and Raphael Arndt were appointed to the Borrower’s Board of Directors in March 2011. Their short biography’s are detailed below:

Sir Roy McNulty (Non-executive director, appointed 23/03/2011)
Sir Roy was appointed by the former Secretary of State in February 2010 as Chairman to lead a special Rail Value for Money Study. Sir Roy was previously Chairman of the UK Civil Aviation Authority (CAA), the specialist aviation regulator, a post he held for eight years. Prior to this he was Chairman of National Air Traffic Services Limited (NATS) from May 1999 to July 2001.

He was Chief Executive and latterly Chairman of Short Brothers plc, the Belfast-based aerospace company now part of Bombardier Inc. Previous posts include being President of the Society of British Aerospace Companies and Chairman of the former Department of Trade and Industry Aviation Committee. Sir Roy was appointed as Chairman of Advantage West Midlands in May 2009 and is also Deputy Chairman of the Board of the Olympic Delivery Authority, Chairman of the Ilex Urban Regeneration Company in Northern Ireland, and a non-executive director of Norbrook Laboratories Limited.

Raphael Arndt (Non-executive director, Future Fund representative, appointed 23/03/2011)
Raphael has been Head of Infrastructure and Timberland at the Future Fund since 2007 with a particular focus on building and managing the Fund’s investments in these areas. He joined from Hastings Funds Management where he was an Investment Director responsible for managing successful infrastructure and timberland portfolios as well as leading infrastructure and timberland transactions.

Raphael also has significant asset management experience in both sectors. Previously he was Director, Policy at the Australian Council for Infrastructure Development (AusCID) and completed a Ph.D at Melbourne University which addressed “Efficient Risk Allocation in the Private Provision of Infrastructure”. Raphael has advised on infrastructure and capital works projects at the Victorian Department of Treasury and Finance.

Capital expenditure

The Borrower spent £211.4 million on Gatwick's Capital Investment Programme ("the Programme") during 2011, the third year of Q5 (2010: £181.4 million). In addition, the Borrower acquired two car parks from Ivy Subco Limited for £20.8 million as part of the refinancing (discussed below). This brings total capital expenditure for Q5 to £517.6 million (2010: £285.4 million). Approximately a further £400 million will be invested in the next two years of Q5. For the year ending 31 March 2014 (the last year of the now extended Q5), consultation is underway with the airlines operating at Gatwick on approximately £250 million of additional capital expenditure

The business review in the Borrower's Financial Statements for the year ended 31 March 2011 details the major capital projects delivered during the year and in progress at year end.

Financing

In February 2011, the Group refinanced the debt that initially provided Ivy Bidco Limited with funds to complete the acquisition of the Gatwick Airport Limited. The existing Ivy Bidco Limited Group Facilities Agreement was terminated and principal of £846.0 million was fully repaid.

The New Initial ACF Agreement has total facilities of £970.0 million, comprising a term facility of £620.0 million, a non-revolving capex facility of £300.0 million and a revolving facility of £50.0 million. On 2 March 2011, £599.4 million of the term facility was drawn (after a mandatory reduction of £20.6 million in the term facility).

On 2 March 2011, the Borrower's subsidiary Gatwick Funding Limited issued £600.0 million publicly listed fixed rate secured bonds comprising £300 million Class A 6.125 per cent. Bonds with scheduled and legal maturities of 2026 and 2028 respectively, and £300 million Class A 6.5 per cent. Bonds with scheduled and legal maturities of 2041 and 2043. The proceeds of the issue were lent to Gatwick Airport Limited under the Borrower Loan Agreement.

Acquisitions and Disposals

On 10 February 2011, in anticipation of the refinancing (discussed above), the Borrower acquired a subsidiary, Gatwick Funding Limited, for consideration of £250. Gatwick Funding Limited is incorporated in Jersey and has a share capital of £2.00 comprising two ordinary shares at £1.00 per share.

On 2 March 2011, also as part of the refinancing, the Borrower acquired two investment properties (car parks) from Ivy Subco Limited for £20,770,000. Ivy Subco Limited is a wholly-owned subsidiary of Ivy Bidco Limited, the parent of the Borrower's parent.

Restricted Payments

On 2 March 2011, the Borrower declared and paid an interim dividend of £350.5 million.

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Ratios

We confirm that in respect of this investor report dated 24 June 2011, 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 31 March 2011 was 3.45;
(b) the forecast Senior ICR for the Relevant Period ending 31 March 2012 is 3.63;
(c) the historical Senior RAR for the Relevant Period ending 31 March 2011 was 0.61;
(d) the forecast Senior RAR for the Relevant Period ending 31 March 2012 is 0.58;

(together the **Ratios**).

Current Hedging Position

As at 31 March 2011, after taking hedging with derivatives into account, fixed and inflation linked debt represented 76.7% 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