YOUR LONDON AIRPORT
Gatwick

GATWICK AIRPORT LIMITED
INVESTOR REPORT
FOR THE YEAR ENDED 31 MARCH 2017

28 June 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 Gatwick Airport Limited Annual Report and Financial Statements and the Security Group's (Ivy Holdco Limited) Annual Report and the Consolidated Financial Statements for the year ended 31 March 2017, and the Compliance Certificate for the period then ended.

Overview of the Securitisation Group's performance for the year ended 31 March 2017

In the year ended 31 March 2017, a total of 44.1 million (2016: 40.9 million) passengers travelled through Gatwick: an increase of 3.2 million passengers or 7.7%.

The growth in passenger numbers came mainly from an increase in ATMs, which were up 4.9% compared to the prior year, with additional capacity seen across both the established European network and emerging long haul markets.

Aircraft seat capacity also grew by 2.3%, reflecting an increase in the number of long-haul flights, most notably on North American routes and also on the short haul European routes where carriers are beginning to either upgrade the size of their aircraft or reconfigure cabin designs to increase capacity.

Average load factors were 85.2%, an increase of 0.4% points compared to the year ended 31 March 2016.

83.0% of Gatwick's passenger traffic was on European routes (including the UK and Channel Islands). Traffic on these routes grew by 2.3 million passengers (6.7%), with growth not only in the southern European destinations of Spain, Italy, Greece, Portugal and France, but also the Czech Republic, Iceland, Sweden and Ireland.

Apart from newcomer WestJet, the airlines contributing most to Gatwick's growth were primarily the established incumbent companies such as easyJet, Norwegian and British Airways.

The Group made an operating profit of £207.9 million for the year ended 31 March 2017 compared to £196.8 million in the year ended 31 March 2016.

Further information is available at www.gatwickairport.com/investor and in the Group's Strategic report, Directors' report and consolidated financial statements for the year ended 31 March 2017.

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Regulatory Environment

Background

On 1 April 2014 the new regulatory framework based on Commitments backed by a licence, 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's Decision and Notice, granting a licence to Gatwick, incorporates the Commitments within the licence, and requires GAL to comply with its obligations in the Commitments. This includes that GAL's commitments 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"). GAL also has the requirement to ensure it complies with its Commitment to undertake capital investment expenditure of at least £100.0 million per annum over the next seven years.

Basis of licence

In its 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) and 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'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 ownership 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.

Regulatory Environment (continued)

Update

As planned, 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 interests of passengers. The review was concluded in December 2016.The review concluded that there was general support for the new regulatory framework and that many aspects of the new framework appeared to be working well. It did also note issues with airline punctuality at Gatwick and, while the root causes of this are investigated further, the CAA will monitor Gatwick's investment performance in airfield capacity to ensure that such investment is at a level which the CAA considers appropriate.

Requirements as to operational resilience are included within GAL's Commitments and as such are not subject to a separate licence condition. The CAA has also stated that as part of the monitoring regime, GAL should produce a shadow regulatory asset base ("RAB") calculation. This requirement is in case, at some time in the future, the CAA considers that the passenger interest would be better served 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. 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

In January 2017, Sir David Higgins was appointed non-executive Chairman of Gatwick Airport Limited; Sir Roy McNulty was appointed as Deputy Chairman.

Capital expenditure

The Group spent £272.6 million (2016: £220.1 million) on the Airport's Capital Investment Plan during the year ended 31 March 2017.

The business review in the Ivy Holdco Limited Annual Report and the Consolidated Financial Statements for the year ended 31 March 2017 details the major capital projects delivered during the year and in progress at year end.

Financing

On 7 October 2016, Gatwick Funding Limited, issued a further £300.0 million of publicly listed fixed rate secured bonds comprising Class A 2.625 per cent. Bonds with scheduled and legal maturities of 2046 and 2048 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 £294.7 million net proceeds received by the Borrower on 7 October 2016 were utilised to prepay the outstanding revolving credit facility balance under the ACF Agreement and fund capital expenditure for the remainder of the financial year.

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Acquisitions and Disposals

No acquisitions or disposals occurred during the year ended 31 March 2017.

Restricted Payments

During the year ended 31 March 2017 total restricted payments of £125.0 million were made. The payments took the form of dividends of £75.0 million (June 2016) and £50.0 million (November 2016).

Ratios

We confirm that in respect of this investor report dated 28 June 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 31 March 2017 was 3.96;
(b) the forecast Senior ICR for the Relevant Period ended 31 March 2018 is 3.39;
(c) the historical Senior RAR for the Relevant Period ended 31 March 2017 was 0.51; and
(d) the forecast Senior RAR for the Relevant Period ended 31 March 2018 is 0.64;
(together the **Ratios**).

Current Hedging Position

As at 31 March 2017, after taking hedging with derivatives into account, fixed and inflation-linked debt represented 99.6% 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