YOUR LONDON AIRPORT
Gatwick

GATWICK AIRPORT LIMITED
INVESTOR REPORT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

24 November 2016

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 Ivy Holdco Limited ("the Security Parent") Report and Interim Consolidated Financial Statements for the six months ended 30 September 2016, and the Compliance Certificate for the period then ended.

Overview of the period ended 30 September 2016

During the six months ended 30 September 2016 a total of 25.0 million passengers travelled through Gatwick Airport, an increase of 1.5 million or 6.3% compared to the same period in the prior year.

This was the busiest six months in Gatwick's history, and included the two busiest months the Airport has seen: July (4.6 million passengers) and August (4.8 million). There were 45 days with over 900 ATMs, compared to 10 days in the same period last year.

There was a 4.1% increase in the number of ATMs compared to the same period in the prior year. This accounted for 66.0% of the growth in passenger numbers. The remaining growth was achieved mainly through an increase in the average number of seats per aircraft from 181.2 to 185.1, whilst maintaining load factors of 87.2%.

A number of airlines have increased frequencies on European routes and introduced new destinations. As a result, there were 4.6% more ATMs on European routes than in the prior year, carrying an additional 1.0 million passengers. The biggest growth was seen in southern European destinations, most notably Spain, Italy, the Canary Islands and Greece.

North American routes showed a particularly strong growth in the period, with an increase of 0.5 million passengers or 39.5% compared to the prior year. Two airlines in particular contributed to this growth: the Canadian carrier WestJet began operating from Gatwick in May 2016, flying to six destinations in Canada, while Norwegian Air Shuttle more than doubled the number of passengers on its services to destinations across the USA.

Passenger numbers on domestic routes (i.e. the UK and Channel islands) grew by 0.1 million or 7.0%. Aer Lingus discontinued its flights to Belfast but this route was taken up by Ryanair, with both larger aircraft and a higher average load factor, leading to a net increase in passenger numbers on this route.

Traffic on North African routes has continued to decline, with 1,415 fewer ATMs: a reduction of 36.2% leading to a drop in passenger numbers of 0.3 million or 42.7%. Egypt was affected most: all flights to Sharm El Sheikh have been cancelled, with a reduction of 0.2 million passengers compared to the same period in the prior year.

The Group made an operating profit of £193.7 million for the six months ended 30 September 2016 compared to £172.8 million in the six months ended 30 September 2015.

Further information is available at www.gatwickairport.com/investor and in the Ivy Holdco Limited Report and Unaudited and Condensed Interim Consolidated Financial Statements for the six months ended 30 September 2016.

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Regulatory and business update

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 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. 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. As planned, the CAA is undertaking 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 is expected to be concluded by the end of 2016.

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.

Regulatory and business update (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.

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 2016 to 30 September 2016.

Capital expenditure

The Group spent £125.7 million on Gatwick's Capital Investment Plan during the six months ended 30 September 2016 (30 September 2015: £92.3 million).

The business review in the Group's Directors' report and interim financial statements for the six months ended 30 September 2016 details the major capital projects delivered during the period and in progress at the period end.

Financing

There have been no significant changes to the financing structure during the period ended 30 September 2016. No changes have occurred to the General Purpose Revolving Credit Facility and no bonds had been issued by Gatwick Funding Limited.

On 7 October 2016, Gatwick Funding Limited, issued £300.0 million of publicly listed fixed rate secured bonds comprising £300 million Class A 2.625 per cent; bonds with scheduled and legal maturities of 2046 and 2048 respectively. The proceeds of the bond issuance by Gatwick Funding Limited were lent to Gatwick Airport Limited under the Borrower Loan Agreement, the terms of which are "back-to-back" with those of the Bonds.

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Acquisitions and Disposals

No acquisitions or disposals occurred during the six months ended 30 September 2016.

On 31 March 2015 Ivy Midco Limited (the Company's ultimate parent in the UK), sold 100% of the issued share capital of Ivy Bidco Limited to Ivy Holdco Limited. Following this transaction, Gatwick Airport Limited acquired 100% of the issued share capital of Ivy Bidco Limited from Ivy Holdco Limited. Following its acquisition, Ivy Bidco Limited acceded to the CTA and became a borrower.

Restricted Payments

During the six months ended 30 September 2016 total restricted payments of £75.0 million were made. The payments took the form of a dividend payment in July 2016.

Ratios

We confirm that in respect of this investor report dated 24 November 2016, 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 2016 was 3.79;
(b) the forecast Senior ICR for the Relevant Period ending 31 March 2017 is 3.29;
(c) the historical Senior RAR for the Relevant Period ending 30 September 2016 was 0.49; and
(d) the forecast Senior RAR for the Relevant Period ending 31 March 2017 is 0.52;
(together the **Ratios**).

Current Hedging Position

As at 30 September 2016, after taking hedging with derivatives into account, fixed and inflation-linked debt represented 91.2% 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