

Air Traffic Services Licence for NATS (En Route) plc (“NERL”)

1. This note should be read alongside the Transport Act 2000 and the air traffic services licence held by NERL under the Transport Act 2000 (the “Licence”).
2. Condition 5 of the Licence sets out certain obligations placed on NERL in respect of the availability of resources and financial ring-fencing. This note focuses on two aspects of the financial ring-fence for which NERL requires the written consent of the CAA:
 - a. the granting of security over assets - Condition 5.19 (a); and
 - b. entering into agreements with cross default obligations - Condition 5.19 (d), (e) and (f).
3. On several occasions since the Licence was introduced in 2001 NERL has requested, and the CAA has provided written consents or confirmation that no further consents are required. The first consent was in July 2001 (as part of the Public Private Partnership) and most recently in July 2015 the CAA confirmed that the amendment and restatement of NERL’s bank facilities (the “2015 Refinancing”) did not require any further consents under the Licence.
4. In return for confirming that no further consents under the Licence were required for the 2015 Refinancing, the CAA received a letter from the intercreditor agent of the parties to the 2015 Refinancing (the “Intercreditor Comfort Letter”) confirming that the existing comfort letter of 17 November 2005 (the “2005 Intercreditor Comfort Letter”) will apply equally to the 2015 Refinancing. The comfort letter restricts the enforcement of security (and thus reinforces the HMG direct agreement and the Air Traffic Administration regime) and gives the CAA the opportunity to participate in discussions in the event that creditors are considering the enforcement of security.
5. Copies of (i) the letter from NERL to the CAA setting out NERL’s views and reasoning as to why no further CAA consents were required for the refinancing, (ii) the Intercreditor Comfort Letter (iii) the 2005 Intercreditor Comfort Letter, and (iv) the letters from the CAA to NERL and to the intercreditor agent confirming that no further consents were required under the licence, are each published below.

17 August 2015

i) Letter from NERL to CAA

NATS



NATS (En Route) plc, 4000 Parkway, Whiteley, Fareham, Hampshire PO15 7FL

31 July 2015

Civil Aviation Authority
CAA House
45/59 Kingsway
London WC2B 6TE

Dear Sirs

NATS (EN ROUTE) PLC ("NERL") - LICENCE UNDER THE TRANSPORT ACT 2000 (THE "LICENCE")

We refer to our recent correspondence and discussions relating to the proposed amendment and restatement of NERL's existing bank facilities in order to increase those bank facilities up to an aggregate principal amount of four hundred million pounds (the "**Amended Facility**") together with certain limited associated amendments to the company's finance documentation (together with the Amended Facility, the "**Refinancing**").

NERL's primary objective in undertaking the Refinancing is to secure continued access to sufficient bank facilities for the duration of Reference Period 2 to 31 December 2019. In undertaking the Refinancing, NERL is seeking to achieve the best commercial outcome it reasonably can with respect to the financial terms under current market conditions and is not seeking to make any material changes to the non-financial terms.


We are now writing formally to you pursuant to Condition 5 of the Licence in connection with the Refinancing. In this letter terms defined in the Licence shall, unless otherwise expressly stated, have the same meaning.

1. By this letter we formally confirm our intention to undertake the Refinancing not later than 14 August 2015 and that the copies of the documentation relevant to the Refinancing ("**Relevant Documents**") provided to you on 24 July 2015 represent substantially final forms. We confirm that the Relevant Documents together with other information provided to you constitute all of the facts and information relating to the Amended Facility of which we are aware and reasonably consider material to the Refinancing.
2. Under the Refinancing:
 - (a) in all areas of substance the non-financial terms applicable to the Amended Facility will substantively incorporate the terms applicable to NERL's current senior debt bank facilities and that the changes to the non-financial terms of those facilities (and other relevant documentation) will not result in those terms being materially more onerous for NERL than those currently applicable; and
 - (b) the providers of the Amended Facility will continue to benefit from the security package which currently benefits them as providers of NERL's current senior debt (the "**Existing Security**").

3. We do not consider that the entry by NERL into the documentation required to implement the Amended Facility gives rise to any requirement for consent under Condition 5 of the Licence. Our reasons for concluding that no such consent is required include, without limitation, that
 - (a) no new security is being created in connection with the Amended Facility, as the providers of that facility will remain as beneficiaries of the Existing Security only;
 - (b) in the context of the repayment profile of NERL's bonds and the anticipated drawdown schedule of the Amended Facility, we do not anticipate that the Refinancing will result in NERL incurring any material additional indebtedness;
 - (c) there are no changes to the non-financial terms applicable to the Amended Facility (including, without limitation, the cross-default obligations) applicable to NERL's senior indebtedness as a result of the Refinancing which would, taking account of the provisions of its existing indebtedness and other constraints to which it is subject under the Licence or otherwise, give rise to material additional risk for NERL; and
 - (d) as a result of these factors we do not believe that entry into the Amended Facility will cause a material increase in risk NERL as referred to in Condition 5(19) of the Licence.
4. We also consider that the letter from Barclays Bank plc (as Intercreditor Agent) dated 17 November 2005 (the "**Intercreditor Letter**") will continue to apply to the position unaffected following completion of the Refinancing. We attach a letter from the Intercreditor Agent confirming this.
5. We therefore consider that both the consents granted by you in connection with the Licence ("**Existing Consents**") and currently applicable to NERL's senior finance indebtedness and the Existing Security and the Intercreditor Letter will continue to apply notwithstanding the Refinancing.
6. We therefore anticipate that the only step in connection with the Licence necessary to complete the Refinancing is a confirmation, as an administrative matter, that that the Existing Consents formally continue to apply to the position following completion of the Refinancing interpreted appropriately to refer to the Amended Facility.

If you have any questions on this letter or otherwise in connection with the Amended Facility, please do not hesitate to contact Richard Churchill-Coleman or Stuart Gray at the above address.

Yours faithfully,



for and on behalf of

NATS (En Route) plc

ii) Intercreditor Comfort Letter to CAA



Civil Aviation Authority
CAA House
45/59 Kingsway
London WC2B 6TE

1 Churchill Place
London
E14 5HP
United Kingdom

barclays.com

31 July 2015

Dear Sirs

NATS (EN ROUTE) PLC ("NERL")

We refer to:


- the Licence granted to NERL under the Transport Act 2000 (the "**Licence**")
- the consents granted by CAA in connection with the Licence and currently applicable to NERL's senior finance indebtedness (the "**Existing Consents**")
- the letter from us to you dated 17 November 2005 (the "**Existing Intercreditor Letter**") and written in connection with the Existing Consents relating to the enforcement and exercise of security and certain related rights granted by NERL and certain other entities connected with NERL (together the "**Security**")
- the proposed amendment and restatement of NERL's existing bank facilities in order to increase those facilities up to an aggregate principal amount of four hundred million pounds (the "**Amended Facility**") together with related limited amendments to certain documents (together with the Amended Facility, the "**Refinancing**")
- the letter from NERL to you dated on or about the date of this letter applying for certain confirmations with respect to continued application of the Existing Consents following and notwithstanding the Refinancing (the "**Application Letter**")
- any letter from you to NERL, and an associated letter from you to us, in each case dated on or about the date of this letter confirming, in the form attached to this letter, that the Existing Consents continue to apply following and notwithstanding the Refinancing (the "**CAA Confirmation Letters**").

In anticipation of the CAA Confirmation Letters, and understanding that, in issuing the CAA Confirmation Letters, you will rely on this letter, we confirm that the Existing Intercreditor Letter shall remain in full force and effect and shall continue to apply following and notwithstanding, and shall not be voided, vitiated, rendered ineffective or otherwise varied by, the completion of the Refinancing provided always that any and all provisions of the Existing Intercreditor Letter which refer to the Existing Facilities, shall following completion of the Refinancing, be interpreted as referring to the Amended Facility.

Yours faithfully

For and on behalf of
Barclays Bank PLC as Intercreditor Agent

iii) 2005 Intercreditor Comfort Letter

 **BARCLAYS
CAPITAL**
The Secretary and Legal Adviser
Civil Aviation Authority
CAA House
45/59 Kingsway
London WC2B 6TE

5 The North Colonnade
Canary Wharf
London E14 4BB
United Kingdom

Tel +44 (0)20 7623 2323

17 November 2005

Dear Sirs

RE: NATS (EN ROUTE) PLC AIR TRAFFIC SERVICES LICENCE

We refer to the following documents:

- (a) the Air Traffic Services Licence granted to NATS (En Route) PLC (the "Licensee") on 28 March 2001 (as modified from time to time) (the "Licence");
- (b) the Bond Trust Deed dated 18 August 2003 between the Licensee as issuer, MBIA Assurance S.A. ("MBIA") as financial guarantor and The Bank of New York, London Branch as Bond Trustee (the "Bond Trust Deed");
- (c) the Global Debenture dated 18 August 2003 between the Licensee and The Bank of New York, London Branch as global security trustee to be modified by a deed of amendment on or about the 2005 Refinancing Effective Date (as defined in the Master Definitions Agreement referred to below) (the "Global Debenture");
- (d) the Northern Ireland Mortgage dated 18 August 2003 between the Licensee and The Bank of New York, London Branch as global security trustee to be modified by a deed of amendment on or about the 2005 Refinancing Effective Date (the "Northern Ireland Global Mortgage");
- (e) the Isle of Man Global Conditional Bond and Security dated 18 August 2003 between the Licensee and The Bank of New York, London Branch as global security trustee (the "Isle of Man Global Conditional Bond and Security") to be modified by a deed of amendment on or about the 2005 Refinancing Effective Date;
- (f) the Global Standard Securities entered into between the Licensee and The Bank of New York, London Branch as global security trustee over the Scottish Properties (as defined in the Global Debenture) to be modified by a minute of variation on or about the 2005 Refinancing Effective Date (the "Scottish Standard Securities");
- (g) the Intercreditor Deed dated 19 March 2003 between among others the Licensee as borrower and The Bank of New York, London Branch as global security trustee (the "Intercreditor Deed") as subsequently amended and restated and to be further amended and restated on or about the 2005 Refinancing Effective Date;
- (h) the Common Terms Agreement dated 18 August 2003 between among others the Licensee as borrower and The Bank of New York, London Branch as global security trustee to be amended and restated on or about the 2005 Refinancing Effective Date (the "Common Terms Agreement");

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- (i) the letter from the Licensee to you (the "**Application Letter**") applying for certain confirmations and consents pursuant to Conditions 5(14) and 5(19) of the Licence (the "**Consent**");
- (j) a master definitions agreement to be entered into between the Licensee and Barclays Bank PLC as Intercreditor Agent (the "**Master Definitions Agreement**").

We understand that in consideration of you issuing the Consent requested, you require an undertaking from us in the terms of this letter. This letter is in similar form to that previously issued by us to you on 23 July 2003 (the "**23 July Letter**") but takes into account the changes that are intended to be made in relation to the Licensee's financing on the 2005 Refinancing Effective Date, including the release and discharge of the Security Interests held by the Bank Security Trustee as referred to in the 23 July Letter.

Accordingly, in consideration of you issuing the Consent, we agree and acknowledge that:

- (a) we will not instruct the Global Security Trustee to enforce any of the Security Interests (as defined in the Master Definitions Agreement) granted by NATS Holdings Limited ("**NATS Holdings**") and / or National Air Traffic Services Limited ("**NATS**") in favour of the Global Security Trustee (on behalf of the Secured Creditors) (save only to the extent required solely to preserve such security in a manner which does not involve selling, or assuming management control over, the relevant assets) without the prior written consent of an Air Traffic Administrator (defined herein as defined in Section 31(7) of the Transport Act 2000) of the Licensee, where one has been appointed, and, prior to the appointment of an Air Traffic Administrator of the Licensee, such Security Interests will not be enforced: (i) without the prior written consent of the Secretary of State; and (ii) unless the Intercreditor Agent has given to the CAA at least 14 days' notice of its intention to take such step;
- (b) we will not instruct the Global Security Trustee to enforce the charge by The Airline Group Limited ("**AG**") in favour of the Global Security Trustee (on behalf of the Secured Creditors) of its shareholding in NATS Holdings (save only to the extent required solely to preserve such security in a manner which does not involve selling, or assuming management control over, the relevant assets) other than in accordance with the terms of the HMG Direct Agreement and unless the Intercreditor Agent has given to the CAA at least 14 days' notice of its intention to take such step;
- (c) the Security Interests granted by the Licensee in favour of the Global Security Trustee (on behalf of the Secured Creditors) are subject to all applicable regulatory and statutory provisions and, in particular, if such Security Interests are enforced, the rights of the Secretary of State for Transport and the CAA in accordance with the Transport Act 2000.

Except as otherwise defined in this letter terms used in this letter shall have the same meanings as in the HMG Direct Agreement.

We agree that the terms and conditions of this letter shall (to the extent necessary to give effect to the provisions hereof) override the terms and conditions of the Intercreditor Deed, the Common Terms Agreement, the Global Debenture, the Isle of Man Global Conditional Bond and Security, the Northern Ireland Global Mortgage and the Scottish Standard Securities and in the event of any inconsistency or conflict between the provisions of this letter and the Intercreditor Deed, the Common Terms Agreement, the Global Debenture, the Isle of Man Global Conditional Bond and Security, the Northern Ireland Global Mortgage and the Scottish Standard Securities the provisions of this letter shall prevail to the extent of the inconsistency or conflict.

We, as Intercreditor Agent, irrevocably and unconditionally agree that:

- (a) we shall not directly or indirectly divulge or communicate any information relating to national security or disaster planning or emanating from communications between the CAA and any member of the NATS Group and passed to us, whether by such member or another person, on a confidential basis ("**Confidential Information**"), to any person other than:
 - (i) with the prior written consent of the CAA;
 - (ii) as required by law (other than by reason of a contractual obligation);
 - (iii) as permitted in accordance with clause 22.26 (the "Intercreditor Agent Individually") of the Intercreditor Deed;
 - (iv) our legal advisers for the purpose of seeking advice and/or representation;
 - (v) any proposed bank or financial institution proposing to become a Bank/lender;
 - (vi) any rating agency;
 - (vii) any regulatory authority;
 - (viii) the UK Listing authority;
 - (ix) any other person in connection with the bond issue; and
- (b) we shall use reasonable endeavours to prevent the publication or disclosure of Confidential Information or any part thereof.

The provisions of this letter shall commence on the 2005 Refinancing Effective Date (as defined in the Master Definitions Agreement) (at which time the provisions of the 23 July Letter shall cease to be of force and effect) and shall continue in full force and effect until the latest of (i) the Secured Debt Discharge Date (as defined in the Master Definitions Agreement), (ii) the expiration of the Liability Period (as defined in the Master Definitions Agreement) in respect of each of the Global Debenture, the Northern Ireland Global Mortgage, the Isle of Man Global Conditional Bond and Security and the Scottish Standard Securities and (iii) the discharge or release of any security created under or pursuant to any of the Fourth Consent Documents (being the Senior Finance Documents and the documents listed in paragraphs 1.1(d) to 1.1(p) of the letter from the Licensee to the CAA applying for the Fourth Consent dated 22 July 2003). Provided that, in the event of our resignation as Intercreditor Agent under the Intercreditor Deed, we shall procure that the replacement Intercreditor Agent shall issue a letter to you on substantially the same terms as this letter. On receipt by you of such replacement letter, the provisions of this letter shall cease to be of force and effect.

Yours faithfully



For and on behalf of
Barclays Bank PLC as Intercreditor Agent

(iv) Letters from CAA to NERL and Intercreditor Agent



NATS (En Route) plc
("NERL" or "you")

31 July 2015

Dear Sirs

TRANSPORT ACT LICENCE (THE "LICENCE")

We refer to:

- your letter to us of 31 July 2015 (the "**Application Letter**") providing final details of the proposed refinancing of NERL's existing bank facilities in order to increase those bank facilities up to an aggregate principal amount of four hundred million pounds (the "**Amended Facility**") together with related amendments to certain documents (together with the Amended Facility, the "**Refinancing**"); and
- the letter from Barclays Bank plc (as Intercreditor Agent) to us in which the Intercreditor Agent confirms to us that the Existing Intercreditor Letter (as defined below) shall, notwithstanding the Refinancing, continue in full force and effect subject to being interpreted such that it applies to the correct parties and documents (as amended by the Refinancing),

upon each of which we rely in issuing this letter, and also to

- NERL's existing indebtedness and other documentation (together the "**Existing Facilities**") and to the existing consents (the "**Existing Consents**") granted by us and currently in force in relation to the Existing Facilities and the associated security and certain related rights granted by NERL and certain other entities connected with NERL (together the "**Security**"); and
- the letter associated with the Existing Consents to CAA from Barclays Bank plc (as Intercreditor Agent) dated 17 November 2005 (the "**Existing Intercreditor Letter**") relating to the enforcement of the Security.

I can now formally confirm that:

1. For the reasons described in the Application Letter, CAA does not consider that any further consents are required under the Licence in order for NERL to proceed with the Refinancing.
2. The Existing Consents will continue to apply following completion by you of the Refinancing subject only to any and all provisions which refer to the Existing Facilities being interpreted following that date as also referring to, and including, the Amended Facility.

Please do not hesitate to contact Stephen Gifford if you have any questions.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Iain Osborne'.

Iain Osborne



Barclays Bank PLC in its capacity as Intercreditor Agent
("Intercreditor Agent" or "you")

31 July 2015

Dear Sirs

TRANSPORT ACT LICENCE (THE "LICENCE")

We refer to:

- the letter to us from NATS (En Route) plc of 31 July 2015 (the "**Application Letter**") providing final details of the proposed amendment and restatement of NERL's existing bank facilities in order to increase those facilities up to an aggregate principal amount of four hundred million pounds (the "**Amended Facility**") together with certain related amendments to certain documents (together with the Amended Facility, the "**Refinancing**"); and
- the letter from you as Intercreditor Agent to us in which you confirm to us that the Existing Intercreditor Letter (as defined below) shall, notwithstanding the Refinancing, continue in full force and effect subject to being interpreted such that it applies to the correct parties and documents (as amended by the Refinancing),

upon each of which we rely in issuing this letter, and also to

- NERL's existing indebtedness and other documentation (together the "**Existing Facilities**") and to the existing consents (the "**Existing Consents**") granted by us and currently in force in relation to the Existing Facilities and the associated security and certain related rights granted by NERL and certain other entities connected with NERL (together the "**Security**");
- the letter associated with the Existing Consents to CAA from you (as Intercreditor Agent) dated 17 November 2005 (the "**Existing Intercreditor Letter**") relating to the enforcement of the Security; and
- a letter dated the date hereof from the CAA to NERL providing the confirmation requested in the Application Letter.

I can now formally confirm that:

1. For the reasons described in the Application Letter, CAA does not consider that any further consents are required under the Licence in order for NERL to proceed with the Refinancing.
2. The Existing Consents will continue to apply following completion of you entering into the Refinancing subject only to any and all provisions which refer to the Existing Facilities being interpreted following that date as also referring to, and including, the Amended Facility.

Please do not hesitate to contact Stephen Gifford if you have any questions.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Iain Osborne'.

Iain Osborne