

Air Traffic Services Licence for NATS (En Route) plc

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.
2. Condition 5 of the licence sets out certain obligations placed on NERL in respect of the availability of resources and financial ring-fencing. The financial ring-fence contains several provisions, but this note focuses on two:
 - a. granting of security over assets - Condition 5.19 (a); and
 - b. cross default obligations - Condition 5.19 (d), (e) and, (f).
3. In accordance with the licence, NERL has requested, and the CAA has provided on several occasions since the Licence was introduced in 2001, 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 May 2012 the CAA confirmed that the refinancing of NERL's bank facilities did not require any further consents under the licence.
4. In return for confirming that no new consents under the licence were required for the May 2012 refinancing, the CAA received a comfort letter from the intercreditor agent of the parties under the refinancing (the 'Intercreditor Comfort Letter'), which 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 new CAA consents were required for the refinancing, (ii) the Intercreditor Comfort Letter (iii) the letters from the CAA to NERL and to the intercreditor agent confirming that no new consents were required under the licence all dated 14 May 2012, are included below.

13 July 2012



NATS (En Route) plc

Mail Box 6, Corporate & Technical Centre, 4000 Parkway, Whiteley, Fareham, Hampshire PO15 7FL
Switchboard: +44 (01489) 572288

14 May 2012

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 refinancing of NERL's principal bank facilities with a revolving credit facility of up to two hundred and seventy five million pounds (the "**New Facility**") together with certain limited associated amendments to the company's finance documentation (together with the New Facility, the "**Refinancing**").

As you know, NERL's primary objective in undertaking the Refinancing is to secure continued access to sufficient bank facilities in the context of the expiry of its existing facilities later this year. 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 17 May 2012 and that the copies of the documentation relevant to the Refinancing ("**Relevant Documents**") provided to you 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 New 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 New 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 New Facility will benefit from the security package which currently benefits the providers of NERL's current senior debt (the "**Existing Security**").
3. We do not consider that the entry by NERL into the Facilities Agreement 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 New Facility, as the providers of that facility will become beneficiaries of the Existing Security only;
 - (b) the Refinancing will not result in NERL incurring any material additional indebtedness, the New Facility substantively replacing existing similar facilities;
 - (c) there are no changes in the non-financial terms applicable to the New 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 Facilities Agreement 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 New Facility.

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

Yours faithfully,



for and on behalf of

NATS (En Route) plc

LETTER 2 : BARCLAYS BANK PLC TO CAA

14 May 2012

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

Dear Sirs

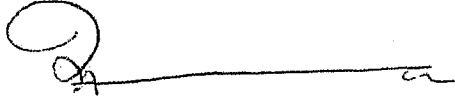
NATS (EN ROUTE) PLC ("NERL")

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 Agent 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 refinancing of NERL's principal bank facilities (the "**Refinancing**") with a revolving credit facility of up to two hundred and seventy five million pounds and related limited amendments to certain documents (the "**New Facility**")
- 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 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 New Facility.

Yours faithfully



Juana Huwaidi
Vice President

For and on behalf of
Barclays Bank plc as Intercreditor Agent

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

14 May 2012

Dear Sirs

TRANSPORT ACT LICENCE (THE "LICENCE")

We refer to:

- your letter to us of 14 May 2012 (the "**Application Letter**") providing final details of the proposed refinancing of NERL's principal bank facilities with a revolving credit facility of up to two hundred and seventy five million pounds (the "**New Facility**") and related amendments to certain documents (together with the New 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

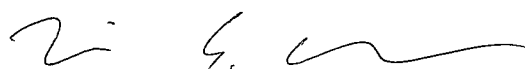
- NERL's existing indebtedness and other documentation (together the "**Existing Facilities**") and to the existing consents (the "**Existing Consents**") granted by us and currently in force in relation to the Existing Facilities and the associated security and certain related rights granted by NERL 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 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 New Facility.

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

Yours sincerely



Iain Osborne

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

14 May 2012

Dear Sirs

TRANSPORT ACT LICENCE (THE "LICENCE")

We refer to:

- the letter to us from NATS (En Route) plc of 14 May 2012 (the "**Application Letter**") providing final details of the proposed refinancing of NERL's principal bank facilities with a revolving credit facility of up to two hundred and seventy five million pounds (the "**New Facility**") and related amendments to certain documents (together with the New 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 (the "**May 2012 Confirmation Letter**").

I hereby confirm that pursuant to the May 2012 Confirmation Letter the CAA has confirmed 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. ~~4.~~ 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 New Facility.

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

Yours sincerely



Iain Osborne