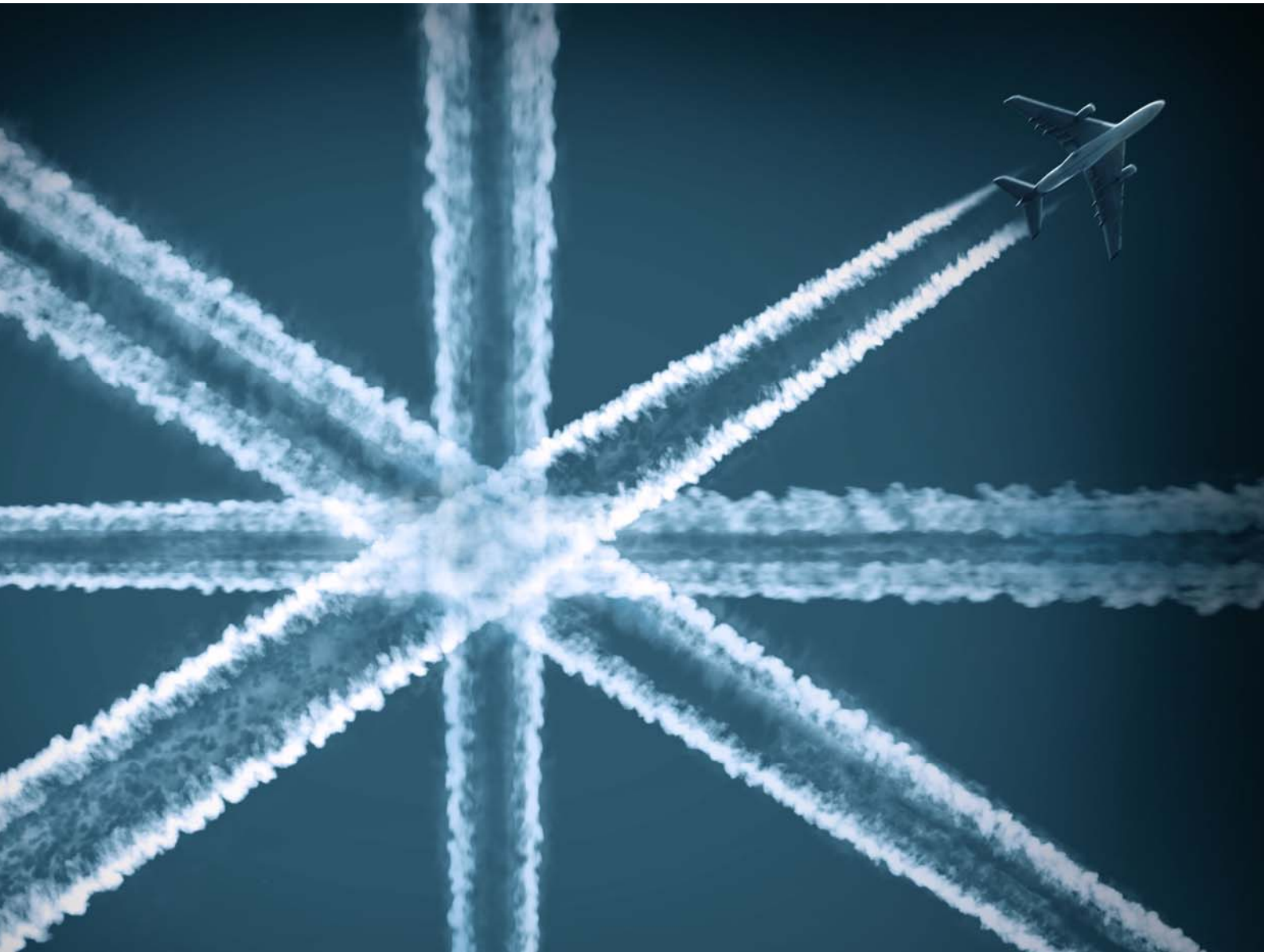




Manchester Airports Group

FY15 Investor Report

July 2015



Important Notice

This investor report is prepared in accordance with the requirements of the Common Terms Agreement dated 14 February 2014 between, among others, the Issuer, the Obligors and Citicorp Trustee Company Limited (“the Common Terms Agreement”). It summarises certain information contained in the Manchester Airport Group Investments Limited and Manchester Airports Holdings Limited reports and financial statements for the year ended 31 March 2015 and the Annual Presentation and Compliance Certificate for the period then ended.

Defined terms used in this document have the same meanings as set out in the Master Definitions Agreement unless otherwise stated.

Contents

1. Business Update
2. Regulatory Update
3. Financing
4. Changes to the Security Group Structure
5. Current Hedging Position
6. Ratios
7. Distributions
8. Other

1. Business Update

Further information is available at magworld.co.uk/investors and in the Manchester Airport Group Investments Limited and Manchester Airports Holdings Limited reports and financial statements for the year ended 31 March 2015, as well as the Annual Presentation and Compliance Certificate for the period then ended.

MAG has delivered the commercial and operational strategy first described to investors in February 2014 and then during the Investor Presentations in July 2014 and December 2014. Prospects going forward are strong with the Security Group benefitting from the increased scale following the Stansted acquisition and management firmly focused on commercial development, operational efficiency and investment in long-term infrastructure.

Passenger numbers

In the year ended 31 March 2015, a total of 48.5 million passengers (2014: 43.8 million) travelled through a MAG airport, an increase of 4.7 million passengers or 10.7%.

Passengers	FY15	FY14	Variance (m)	Variance (%)
MAN	22.3	20.8	+1.5	+7.2%
STN	20.9	18.0	+2.9	+16.1%
EMA	4.6	4.3	+0.3	+7.0%
BOH	0.7	0.7	-	-
Total	48.5	43.8	+4.7	+10.7%

Source: MAG Annual Report & Accounts FY15

Manchester ("MAN"), Stansted ("STN") and East Midlands ("EMA") all grew passenger numbers while Bournemouth ("BOH") was broadly stable.

Passenger numbers at MAN were up 1.5 million or 7.2% for the year ended 31 March 2015. Total passengers for the year were 22.3 million and is the most in the airport's history - beating the previous record set in 2006.

The strong performance is due mainly to extra capacity from Ryanair, EasyJet, Thomson, Thomas Cook and Jet2 along with continued growth of Middle East carriers, the continued development of the Flybe domestic hub and the extension of the short-haul and long-haul route network.

A particular milestone for the airport came in December 2014 when MAN celebrated the launch of a direct service to Hong Kong with Cathay Pacific. MAN is the only UK airport outside London with a direct scheduled link to China. Similarly, MAN is also the only UK airport outside of the London system with direct routes to a host of long-haul destinations including Miami, Jeddah, Singapore and Atlanta, with services to Los Angeles and Boston scheduled to commence in 2016.

Passenger numbers at STN were up 2.9 million or 16.1% for the year ended 31 March 2015. Passenger numbers are now back on a positive trajectory after a number of years of decline and, moreover, the airport is now the fastest growing airport in the London system.

The long-term commercial agreements with airline partners underpin a strategy that incentivises growth and since the acquisition of the airport in February 2013 has delivered over 30 new routes and an additional three million passengers.

STN has excellent European connectivity and significant progress has also been made in broadening the network and developing a long-haul offering. Thomas Cook commenced the first direct long-haul routes from STN with services to Las Vegas, Cancun and Orlando. Ryanair's Winter 2014 schedule included 8 new routes, increased frequencies and improved schedules on 36 routes and growth from 490 to 700 weekly flights. Their announcement for Winter 2015 includes 2 new routes and extra flights on 23 existing routes.

Passenger numbers at EMA were up 0.3 million or 7.0% for the year ended 31 March 2015. The strong performance demonstrates the value that a high performing local airport can bring to a region and the cities of Nottingham, Derby and Leicester. The increase in passenger numbers is due mainly to existing airline partners but we were particularly pleased to see the return of Aer Lingus to the airport after an 18 year absence.

Passenger numbers at BOH were broadly stable for the year ended 31 March 2015. Flybe adding 10 new routes and setting up a southern base at the airport will significantly increase passenger numbers in FY16.

Financial Results for FY15

£m	Group FY15	Group FY14	Variance (£)	Variance (%)
Aeronautical	378.8	342.7	+36.1	+10.5%
Retail	134.3	119.4	+14.9	+12.5%
Car Parking	125.7	104.4	+21.3	+20.4%
Other	99.6	104.7	(5.1)	(4.9%)
Revenue	738.4	671.2	+67.2	+10.0%
Employee costs	(165.9)	(153.5)	(12.4)	(8.1%)
Non-employee costs	(288.9)	(277.2)	(11.7)	(4.2%)
Operating Costs	(454.8)	(430.7)	(24.1)	(5.6%)
Disposal of fixed assets	-	1.4	(1.4)	n/a
EBITDA	283.6	241.9	+41.7	+17.2%

Source: MAG Annual Report & Accounts FY15

The growth in passenger numbers combined with yield improvements, investment in customer service and security to support volume growth, and on-going underlying cost management translated into a strong set of financial results that are significantly ahead of our Business Plan.

Group EBITDA increased £7 million to £284 million (+17.2%) with a particularly encouraging set of results from MAN and STN.

Aeronautical Revenue

Group aeronautical revenue increased by £36 million to £379 million (+10.5%). Robust growth in passenger numbers at MAN (+7.2%), STN (+16.1%) and EMA (+7.0%) drives most of the growth while aeronautical yields are broadly stable. The MAG commercial strategy, underpinned by long-term contracts with airline partners, is to incentivize growth – increased frequencies, additional capacity and new routes – whilst making the best use of capacity.

Retail Revenue

Retail revenue is up by £15 million to £134 million (+12.5%) driven by passenger growth and partially offset by the adverse effect of a change in passenger mix as growth is delivered through short-haul passengers. Retail yield is a key on going area of focus as we maximise the returns next year from the investments in the terminal and retail offerings, in particular at STN and EMA, coupled with improvements in security facilities at MAN to improve the customer journey.

Car Parking Revenue

Car parking revenue increased by £21 million to £126 million (+20.4%). Growth in passenger numbers drives just over 50% of the increase with yields increasing significantly across all of the airports. The yield improvement reflect the returns from investment in additional car parking capacity and continued development of the product mix and distribution channels, notably at MAN, following the extension of the Meet & Greet offer.

Operating Costs

Operating costs (excluding depreciation) increased by £24 million to £455 million (+5.6%). The increase is largely driven by careful investment in security and customer service in support of the additional passenger volumes and the increased security regulations introduced during the summer at MAN. Other costs continue to be tightly controlled, mitigating these increases through a wide range of ongoing efficiency improvements across the Group to maintain an efficient cost base for the business.

STN integration

The STN integration programme is now complete and will provide a resilient platform for growth through the commercialisation of key activities and operational improvements:

- Long term commercial contract with Ryanair has significantly de-risked revenue growth;
- New car parking products introduced and distribution channels opened;
- Major long-term concessions agreements underpinning the terminal re-development have been agreed;
- Tight cost control and focus on delivery of operational efficiency programmes;

- IT separation from Heathrow completed;
- Full supply chain review and leverage of Group-wide scale.

During the year the Group undertook a significant restructuring and organisational efficiency programme at STN that focused on employee rostering, Terms & Conditions and pension provision. The restructuring will yield material benefits over the coming years but for the year ended 31 March 2015 a total of £11.4m has been recognised as a significant item within the consolidated income statement.

Capital Expenditure

MAG continues to benefit from a well-invested asset base and discretionary capital expenditure is subject to need and a robust investment appraisal process. Total capital expenditure for the year ended 31 March 2015 was £123 million including £49 million on maintenance capex, £63 million on growth capex and £11 million on property investment.

The EMA terminal transformation is now complete, and the STN transformation is significantly progressed and will complete as planned in FY16. MAN has invested in both car parking capacity and additional security lanes to improve the customer journey and experience, whilst complying with increased security regulations. The final £10.5m tranche of the £50.5m investment in the MAN spur of the Metrolink was paid in the year, with the line becoming operational from November 2014.

MAN also announced the 'Manchester Airport Transformation Programme' – a 10 year commitment that will deliver a significant upgrade of the facilities at MAN. The Transformation Programme will adopt a phased approach to implementation of the improvements so as to ensure minimal disruption to airport operations, passengers and airlines. The £1 billion programme updates and re-profiles existing long term capital investment plans and the phasing and financing reflects the Group's ongoing commitment to maintaining its strong investment-grade credit rating.

Significant Management Changes

There have been no changes to the executive management team since the Initial Issue date on 14 February 2014 with the exception of Ken O'Toole's appointment as Managing Director (Manchester Airport) and Andrew Cowan's appointment as Chief Strategy Officer. Mr O'Toole

was previously Chief Commercial Officer and Mr Cowan was previously Chief Operating Officer.

There have been no changes to the Board of Directors for Manchester Airport Group Investments Limited.

The Chairman of the Board of Directors for Manchester Airports Holdings Limited, Mike Davies OBE, resigned in September 2014. Sir Adrian Montague was appointed to the Board of Manchester Airports Holdings Limited in September 2014 as Mr Davies' successor.

International Activities

In May 2015, MAG announced the appointment of Rosie Andolino as Chief Executive Officer and President of M.A.G US to oversee the development of MAG's airport services business in North America. MAG US will look to develop potential opportunities in the US market, including working with airports to develop and operate terminal and retail solutions, passenger lounges and car parking facilities. MAG US has been established outside of the Security Group and is mentioned in this report for information only.

2. Regulatory Update

Economic Regulation

The four airports in the MAG portfolio are not subject to economic regulation by the CAA.

MAN was deregulated by the CAA in April 2009.

On 10 January 2014, the Civil Aviation Authority (CAA) published its final decision on economic regulation at STN, Heathrow and Gatwick between April 2014 and 2019. In relation to STN, the CAA concluded that the airport currently operates in two distinct markets:

- the STN passenger market as determined by the CAA (comprising the provision of airport operation services to passenger airlines covering a geographic market that includes STN, Luton and Southend) (the STN Passenger Market); and
- the STN Cargo Market.

The CAA determined that STN did not have Substantial Market Power in the STN Passenger Market and that no economic regulation would therefore be imposed in this market from 1 April 2014.

The CAA announced on 24 March 2014 that it had concluded that STN does not have Substantial Market Power in its cargo operations and that it should be free from regulation to compete with other airports for cargo services from 1 April 2014.

3. Financing

MAG has successfully refinanced the majority of the STN acquisition bank debt through the issuance of two listed bonds. Strong trading performance combined with an appropriate financing policy underpins stable financial leverage and enables MAG to continue to invest in the asset base and fund future growth.

MAG remains committed to sustaining strong investment grade credit ratings with dividend levels guided by the appropriate financial risk profile.

Capital Markets Transactions

Since the Initial Issue Date on 14 February 2014 Manchester Airport Group Funding PLC has issued a second capital markets instrument:

- MAGAIR £360 million 4.125% 2024 – issued April 2014, London Stock Exchange

Loan Facilities

Since the Initial Issue Date on 14 February 2014 Manchester Airport Group Finance Limited repaid £360 million of the Secured Term Loan in April 2014 using the proceeds from the aforementioned capital markets transaction.

Credit Rating Agencies

Both MAGAIR bonds are rated BBB+ (stable) and Baa1 (stable) by Fitch and Moody's respectively.

Liquidity

There is sufficient liquidity to fund MAG's operations over the short and medium-term with £20 million of the £300 million Revolving Credit Facility utilised at 31 March 2015. £13 million of the Revolving Credit Facility has been carved-out in respect of £10 million of overdrafts and £3 million performance bonds.

4. Changes to the Security Group Structure

Acquisitions, Disposals and Joint Ventures

There have been no acquisitions or disposals of Subsidiaries or interests in any Permitted Joint Venture by any member of the Security Group or joint ventures related to any member of the Security Group since the Initial Issue Date on 14 February 2014.

Obligors

There have been no new Obligors, or release of any Obligors, since the Initial Issue Date on 14 February 2014.

5. Current Hedging Position

Interest Rate Risk

The Company and the Issuer will (taken together) hedge the interest rate risk in relation to the total outstanding Relevant Debt to ensure that at any time a minimum of 60% of the total outstanding Relevant Debt:

- Is fixed rate;
- Is index-linked; or
- Effectively bears a fixed rate (or a maximum fixed rate) or an index-linked rate (or a maximum index-linked rate) pursuant to one or more Hedging Agreements.

As at 31 March 2015 fixed debt represents 88% of the Company's outstanding Relevant Debt.

Hedging Transactions

Since the Initial Issue Date, the Company has terminated - in two tranches - all of the interest rate swaps extant at 14 February 2014:

- February 2014: £4.1 million receipt; and
- April 2014: £18.3 million payment.

Following the termination of the interest rate swaps in February 2014 and April 2014, MAG no longer has any derivative financial instruments and manages interest rate risk by ensuring there is an appropriate balance of fixed and floating rate sources of funding.

Currency Risk

As at 31 March 2015 there was no currency risk in respect of the interest payable to expected maturity and the repayment of principal under any foreign currency denominated debt instruments.

6. Ratios

Financial Ratios

We confirm that in respect of this investor report dated 22 July 2015 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 (Security Group Covenants) of the Common Terms Agreement:

- the Interest Coverage Ratio in respect of the Relevant Historic Period is estimated to be greater than or equal to 6.7x; and
- the Leverage Ratio in respect of the Relevant Historic Period is or is estimated to be less than or equal to 3.2x (together the Ratios).

We confirm that each of the above Ratios, together with the Distribution Ratios in respect of the Relevant Forward Looking Period, have been calculated in respect of the Relevant Period or as at the Calculation Dates for which it is required to be calculated under the Common Terms Agreement.

7. Distributions

Distribution Ratios

We confirm that the Distribution Ratios in respect of the Relevant Forward Looking Period are satisfied.

Distributions

We confirm that the amount of Distributions made since the Investor Report dated 15 July 2014 is £107.2 million.

- July 2014: £46.0 million Final Dividend
- September 2014: £15.1 million Interest on Shareholders' Loan
- December 2014: £31.0 million Interim Dividend
- March 2015: £15.1 million Interest on Shareholders' Loan

Proposed distributions

The Security Group will make a distribution of £62.0 million in July 2015. Taking into account the proposed distribution the Distribution Ratios will continue to be satisfied.

8. Other

Confirmation

We confirm that:

- no Obligor Default has occurred and is continuing;
- the Security Group is in compliance with the Hedging Policy; and
- the statements set out in this Investor Report are accurate in all material respects.

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Neil Thompson', with a long horizontal flourish extending to the right.

Neil Thompson, Chief Financial Officer

Signing without personal liability, for and on behalf of Manchester Airport Group Investments Limited as Security Group Agent.

Disclaimer

The terms and conditions below set out important legal and regulatory information about the information contained in this report and all documents and materials in relation to this report (the “materials”) by Manchester Airport Group Investments Limited and its shareholders, affiliates or subsidiaries (the “MAG Group Companies”). No other third party has been involved in the preparation of, or takes responsibility for, the contents of the materials.

The materials are confidential and are being provided to you solely for your information and may not be copied, reproduced, forwarded or published in any electronic or physical form or distributed, communicated or disclosed in whole or in part except strictly in accordance with the terms and conditions set out below, including any modifications to them from time to time. The information contained in the materials has been obtained from sources believed to be reliable but none of the MAG Group Companies guarantees its accuracy or completeness.

EACH RECIPIENT AGREES TO BE BOUND BY THE TERMS AND CONDITIONS BELOW.

The materials are intended for authorised use only and may not be published, reproduced, transmitted, copied or distributed to any other person or otherwise to be made publicly available. The information contained in the materials may not be disclosed or distributed to anyone. Any forwarding, redistribution or reproduction of any material in whole or in part is unauthorised. Failure to comply with this notice may result in a violation of the applicable laws of the relevant jurisdictions. Any of the MAG Group Companies has the right to suspend or withdraw any recipient’s use of the materials without prior notice at any time.

The information contained in the materials has not been independently verified. The MAG Group Companies are under no obligation to update or keep current the information contained herein. Accordingly, no representation or warranty or undertaking, express or implied, is given by or on behalf of the MAG Group Companies or any of their respective members, directors, officers, agents or employees or any other person as to, and no reliance should be placed on, the accuracy, completeness or fairness of the information or opinions contained herein. None of the MAG Group Companies, nor any of their respective members, directors, officers or employees nor any other person accepts any liability whatsoever for any loss howsoever arising from any use of the materials or their contents or otherwise arising in connection with the materials.

The information and opinions contained herein are provided as at the date of this report and are subject to change without notice.

Where the materials have been made available in an electronic form, such materials may be altered or changed during the process of electronic transmission. Consequently none of the MAG Group Companies accepts any liability or responsibility whatsoever in respect of any difference between the materials distributed in electronic format and the hard copy versions. Each recipient consents to receiving the materials in electronic form.

Each recipient is reminded that it has received the materials on the basis that it is a person into whose possession the materials may be lawfully delivered in accordance with the laws of the jurisdiction in which the recipient is located and the recipient may not nor is the recipient authorised to deliver the materials, electronically or otherwise, to any other person.

The materials do not constitute or form part of and should not be construed as, an offer to sell or issue or the solicitation of an offer to buy or acquire securities of the MAG Group Companies in relation to any offering in any jurisdiction or an inducement to enter into investment activity. No part of the materials, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever. Any investment decision in any offering should be made solely on the basis of the information contained in the prospectus relating to any transaction in final form prepared by the MAG Group Companies.

Neither the materials nor any copy of them may be taken or transmitted into the United States of America, its territories or possessions, or distributed, directly or indirectly, in the United States of America, its territories or possessions. Any failure to comply with this restriction may constitute a violation of U.S. securities laws. The materials are not an offer of securities for sale in the United States. The MAG Group Companies do not intend to conduct a public offering of any securities in the United States. The securities issued under any offering may not be offered or sold in the United States except pursuant to an exemption from, or transaction not subject to, the registration requirements of the Securities Act.

This report is made to and is directed only at, and the materials are only to be used by, persons in the United Kingdom having professional experience in matters relating to investments who fall within the definition of "investment professionals" in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (the "Order"), and to those persons to whom it can otherwise lawfully be distributed (such persons being referred to as "relevant persons").

In respect of any material, none of the MAG Group Companies makes any representation as to the accuracy of forecast information. These forecasts involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forecasts. No other persons should act on or rely on it.

The materials may include forward-looking statements. These forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The words "believe," "expect," "anticipate," "intends," "estimate," "forecast," "project," "will," "may," "should" and similar expressions identify forward-looking statements. Forward-looking statements include statements regarding: strategies, outlook and growth prospects; future plans and potential for future growth; liquidity, capital resources and capital expenditures; growth in demand for products; economic outlook and industry trends; developments of markets; the impact of regulatory initiatives; and the strength of competitors.

The materials may contain statements about future events and expectations that are forward-looking statements. Any statement in these materials that is not a statement of historical fact is a forward-looking statement that involves known and unknown risks, uncertainties and other factors which may cause the MAG Group Companies' actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. No person should rely on such statements and the MAG Group Companies do not assume any obligations to update the forward-looking statements contained herein to reflect actual results, changes in assumptions or changes in factors affecting these statements.

The forward-looking statements in the materials are based upon various assumptions, many of which are based, in turn, upon further assumptions, including, without limitation, management's examination of historical operating trends, data contained in the MAG Group Companies' records and other data available from third parties. Although the MAG Group Companies believe that these assumptions were reasonable when made, these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond its control, and the MAG Group Companies may not achieve or accomplish these expectations, beliefs or projections. Neither the MAG Group Companies, nor any of their members, directors, officers, agents, employees or advisers intend or have any duty or obligation to supplement, amend, update or revise any of the forward-looking statements contained in the materials.

The information and opinions contained herein are provided as at the date of the materials and are subject to change without notice.