MAG

INTERIM REPORT & ACCOUNTS
FOR THE SIX MONTHS ENDED
30 SEPTEMBER 2018

MAG is a leading UK airport group which owns and operates three major UK airports and a successful airport property business.

- Manchester
- London Stansted
- East Midlands
- MAG Property

280+ destinations by 70 airlines

745k tonnes of cargo shipped per annum

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Financial highlights (Six months ended 30 September 2018)

Revenue
£508.5m

2018	508.5
2017	469.4
2016	430.8

+£39.1m
+8.3%

Adjusted EBITDA*
£244.5m

2018	244.5
2017	235.7
2016	215.9

+£8.8m
+3.7%

Adjusted operating profit*
£167.8m

2018	167.8
2017	164.4
2016	148.4

+£3.4m
+2.1%

Passenger numbers
35.7m

2018	35.7
2017	34.4
2016	31.6

+1.3m
+3.8%

Cash generated from operations
£246.3m

2018	246.3
2017	188.0
2016	180.5

+£58.3m
+31.0%

Profit from operations
£164.9m

2018	164.9
2017	159.7
2016	145.5

+£5.2m
+3.2%

35.7m passengers (six months ended 30 Sept 2018)

Operating highlights

- Summer season demonstrates strength of demand for flights from MAG airports
- Jet2.com establishes major new base at London Stansted, its first in the South East
- Investment in passenger facilities: transformation programmes with a combined value of more than £1.5bn now underway
- Manchester Airport Transformation Programme ('MAN-TP'), the largest ever private investment in the North West, now under construction
- London Stansted secures permission to grow up to 43 million passengers per annum
- Major new employment programme, MAG Connect, now established in response to expected growth in the coming years

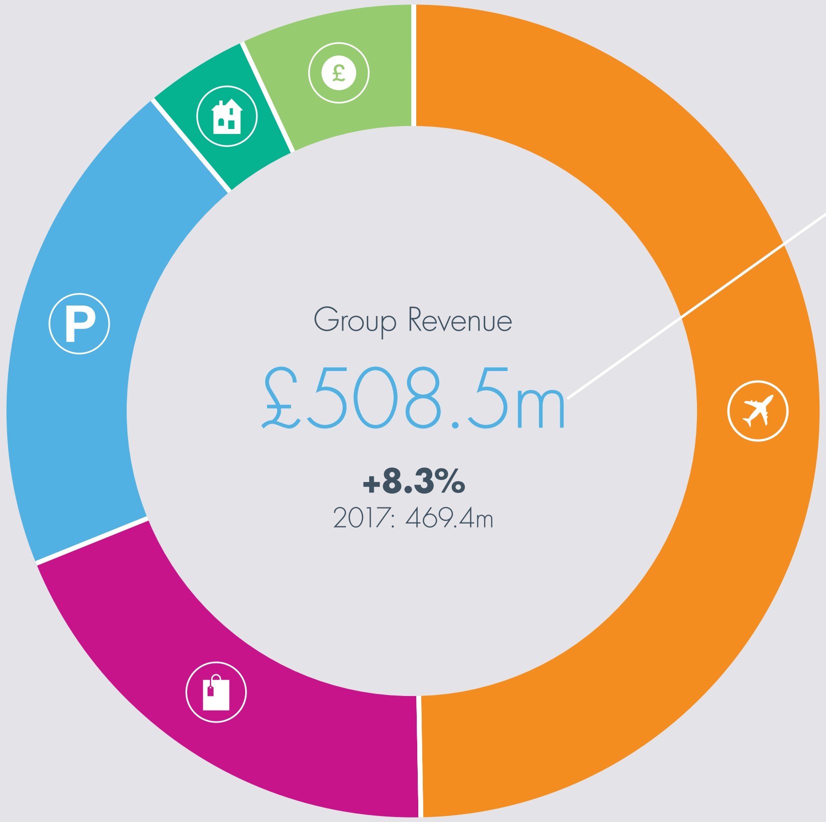
Our vision

To be the premier airport management and services company.

Notes
[1] All numbers relate to continuing operations unless stated, and 2017 & 2016 numbers have been restated as explained on page 15.
* Before Significant Items as explained in the financial review on page 15

At a glance

The Group serves 60m passengers annually flying through its airports, which together employ over 5,000 MAG personnel and support over 40,000 jobs on-site.



8.3%

GROWTH IN REVENUE

MAG's overall strategic intent is to increase long-term shareholder value by generating profitable growth, developing its assets and deploying efficient and customer-focused operating processes throughout the business.

Aviation	£203.1m
Retail	£111.9m
Car parking	£129.4m
Property	£24.4m
Other	£39.7m

Our strategic values

INVESTING

- Deliver great service at every touch point
- Provide modern and customer focused infrastructure

CONNECTING

- Enhance the reputation and profile of MAG
- Achieve profitable growth in all our businesses

TRANSFORMING

- Focus on operational excellence
- Energise and unlock the potential of our people

Aviation

MAG has a diverse carrier mix from across the globe, with an excellent track record of supporting and delivering passenger growth.

By forging strong commercial partnerships with airlines, our airports have been able to increase choice and convenience for our passengers and make a stronger contribution to economic growth in their regions.

MAG owns and operates three of the top four cargo airports in the UK, which handle over £27.5bn and 745,000 tonnes of air cargo to and from the UK every year.

Aviation revenue
£203.1m
2017: £193.7m

280+
More than 70 airlines serving 280+ destinations

Retail

Across our airports, retail space at MAG extends to in excess of 400,000 sq ft with over 50 operators and we work with a diverse range of brands, both new and established, to help them operate successfully in an airport environment.

Partnering with MAG gives retailers access to potentially more than 60m customers each year.

Retail revenue
£111.9m
2017: £104.0m

200+
shops, bars and restaurants across our airports

Car Parking

We use a combination of market leading analytical, ecommerce, marketing and trading expertise to deliver a tried and tested formula for our highly successful airport car parking businesses. Our car parks cater for all tastes and budgets ranging from our competitively priced JetParks brand through to Meet & Greet and Valet services.

Car Parking revenue
£129.4m
2017: £110.8m

75,000+
parking spaces across all our sites

Property

MAG Property manages almost 6m sq ft of high-quality space in offices, terminals, hangars, warehouses and hotels across our airport portfolio at Manchester, London Stansted and East Midlands.

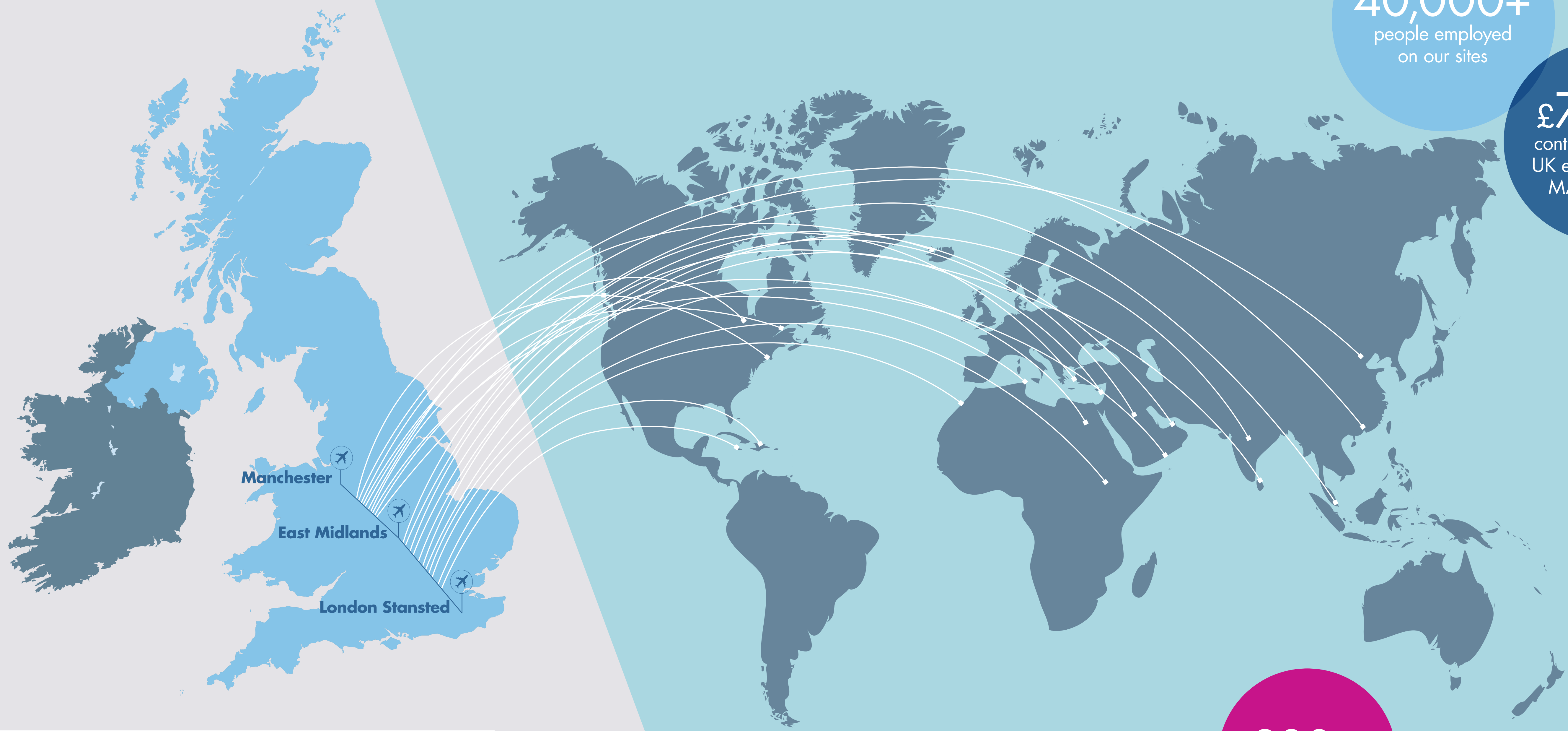
We do much more than simply let the space: we understand the complexities of the infrastructure and services that make airports work, so we know how to help businesses based there take full advantage of them.

Property revenue
£24.4m
2017: £23.1m

£522m
of investment property assets across all airports

* Numbers relate to continuing operations unless stated, and 2018 and 2017 numbers have been restated as explained on page 15.

Global connectivity



40,000+
people employed on our sites

£7.75bn
contributed to the UK economy from MAG airports

280+
destinations

70+
airlines

Investing in the future of UK aviation

MAG serves 60m passengers per annum flying through its airports, travelling to over 280 destinations through over 70 different airlines

Chief Executive's operating review

Investing in the future of UK aviation.

Revenue

£508.5m

2018	508.5
2017	469.4
2016	430.8

+£39.1m
+8.3%

Adjusted EBITDA*

£244.5m

2018	244.5
2017	235.7
2016	215.9

+£8.8m
+3.7%

Notes
1 All numbers relate to continuing operations unless stated, and 2017 and 2016 numbers have been restated as explained on page 15
* As explained in the financial review on page 15.

> "Following a successful start to the year, the next 6 months will see the first phase of our infrastructure investment move towards completion, facilitating further growth for summer '19 and beyond."

CHARLIE CORNISH,
GROUP CHIEF EXECUTIVE, MAG

Our dynamic and innovative approach to operating airports has once again delivered a strong performance, with MAG ending the six months to September 2018 on a real high, passing the milestone of handling 60 million passengers per annum across our three airports.

In the first half of the year, MAG welcomed 35.7m passengers, growth of 1.3m. This 3.8% year on year growth in passenger numbers across the Group in the six months to September demonstrates the strong demand for flights and the recognition by airlines of the huge opportunities to grow their networks at our airports.

Overall, the strength of demand for aviation, coupled with an expanding and popular retail, food and beverage operation, led MAG's EBITDA to grow £8.8m to £244.5m, underpinning the Group's ongoing £1.5bn investment programme.

Manchester Airport had a resilient summer, with passenger numbers holding up flat year on year, despite the loss of Monarch, the airport's seventh largest airline in October 2017. The airport has continued to develop its long haul route network, and I was delighted to be able to announce new direct links to Mumbai and Addis Ababa, the first ever links from the North to India and Sub-Saharan Africa respectively.

This, coupled with strong short haul growth that backfilled Monarch's capacity and a resurgence in summer traffic to Turkey, means we forecast a return to significant growth for Manchester for the remainder of the year, and for next summer.

This growth will be supported by the opening of the first phases of our £1bn transformation programme, on time in Spring 2019, offering a first class passenger experience and more terminal capacity. When complete, the transformation programme will allow Manchester to capitalise on its two existing runways, the only major airport in the country outside of London to offer such runway capacity and long term potential for growth.

60m+
passengers per annum passing through our three airports

Chief Executive's operating review continued

Integrating Manchester Airport into a high speed rail network across the North will further enable the airport to maximise the use of its two runways. An interchange between HS2 and Northern Powerhouse Rail at the airport will deliver huge benefits for the region, bringing cities such as Liverpool, Sheffield, Leeds, Hull and Newcastle much closer to the airport by public transport, facilitating trade and inward investment across the North, as well as the immediate area of South Manchester and Cheshire. We would like to see government commitment to this scheme as soon as possible.

At **London Stansted Airport** we achieved a new record high of 15.9 million passengers per annum in the first half of the year – a growth of 8.9%.

We are proud of the growth in routes and choice since we acquired London Stansted in 2013; the airport is now welcoming more than 40% more passengers than it was at that time. The first half of this year offered a window into the next phase of Stansted's development, with the much-anticipated launch of Emirates' daily Boeing 777 service to Dubai, offering three classes of service to businesses and leisure travellers. It is great to have Emirates with us at Stansted. The inaugural flight in June was a magnificent moment for the airport, and testament to the hard work of the team there.

8.3%
revenue growth

The Dubai route opens up an unprecedented array of onward global destinations for passengers travelling east from Stansted, and has already proved extremely popular with the hi-tech businesses in the London-Cambridge corridor. We are optimistic that this route will grow further in the coming years and that other new airlines will follow in providing long haul connections from Stansted.

Elsewhere, Stansted's core European markets have also grown, with Ryanair and Jet2.com both continuing to expand operations at the airport and new links introduced by the likes of WOW Air, Air Corsica and Pobeda.

The airport is also optimistic about quickly replacing routes to New York and other North Atlantic destinations which had been served by Primera Air. Although the airline went into administration in October 2018, it had achieved excellent ticket sales on its Stansted transatlantic routes, demonstrating the strength of demand for these destinations from Stansted's catchment area in London and the East of England.

To ensure Stansted is able to continue to grow, we recently applied to raise the 'planning cap' on the number of passengers the airport is able to serve each year. Raising this limit from 35 to 43 million Stansted will provide vital new capacity for the next decade. We were delighted that, in November, Uttlesford District Council approved our planning application.

The decision will enable Stansted to make best use of its capacity, while also importantly providing the local community with the assurance that our future growth will be delivered in a measured and sustainable way, within the existing flight limits and noise footprint.

It will also boost economic growth and deliver 5,000 additional jobs at Stansted, while offering our airline partners the long-term clarity they need to plan new routes.

East Midlands Airport is playing an ever more critical role, not just in powering the 'Midlands Engine' but also the whole of the UK's economy. By day, East Midlands is a popular passenger airport with ambitions to grow (HY performance: 3.2m passengers (-0.3%)). At night the airport transforms into the most important airport for cargo aircraft in the UK, making it one of the most important ecommerce hubs in the country. DHL's operation at the airport continues to expand, and UPS are building a new facility which will boost further the airport's express freight credentials. A 6 million sq ft new logistics park and rail freight terminal at SEGRO, next door to the airport, will contribute to the ongoing success of this element of the airport's operation.

MAG as a group is investing in our airports now because we believe that they will play an increasingly important role in meeting aviation demand in the UK over the coming years. Manchester and London Stansted are both in a position to provide more of the connectivity this country needs, using their spare capacity to support significant growth.

In the forthcoming Aviation Strategy, we expect Government to set out an ambitious programme that will enable the UK's major airports to maximise their economic contribution to the UK. Investing in those UK airports with capacity to grow over the next decade will drive economic growth into their regions and across the country. In our view, there is a strong case to be made for prioritising investment in better transport links to airports, and reducing the burden of a punitive Air Passenger Duty regime to encourage airlines to establish new routes from airports in the UK, rather than elsewhere in Europe.

The hugely positive effect that new long haul connectivity, especially to airports outside of London, can have on the national economy is clear. Our China Dividend report, published in September, analysed the effect of the new routes from Manchester to Beijing and Hong Kong that we have introduced in the past few years.

Growth will be further enabled by the opening of the first phases of our £1bn Transformation Programme

The findings of the report are clear. As a result of this direct connectivity to China, levels of growth in trade, tourism and knowledge exchange between the North and the Far East are outstripping national averages. Chinese companies are increasing their investments in the North of England with hundreds of millions of pounds recently committed to big infrastructure schemes across the North, including projects in Greater Manchester, Sheffield, Liverpool and Lancashire. This investment and economic stimulus is good for UK Plc. There needs to be a much stronger focus on the new direct routes that can be established to dynamic overseas economies, something which will become even more important once Britain leaves the EU.

Earlier in the year I was delighted to travel to Bulgaria to announce MAG's intention to bid to operate Sofia Airport, the country's largest, for the next 35 years. We are targeting this opportunity because we have a clear vision of the airport's potential growth and how we can use our expertise to deliver a passenger experience and global route network for Sofia Airport that is comparable to other top tier airports around the world.

Our international ambitions, together with a significant UK growth programme means this is an exciting time for MAG as an airport group.

I write this at a time of significant political uncertainty, with a draft Brexit deal recently agreed and due to be put before the UK Parliament in the coming weeks. We have been clear that the best result for the aviation industry would be a Brexit deal which preserves the liberal flying freedoms and competitive approach to the aviation market that have driven so much important connectivity and economic growth across the continent over the last couple of decades. We are hopeful and optimistic that such a deal is within reach.

However, it is important that there are contingency plans in place for aviation were such a deal not to be signed. To this end, we welcomed the publication of technical notices from both the UK and the EU which set out a clear and positive commitment to allow airlines access to fly between the UK and the EU, even in a no deal scenario.

Our latest set of financial results demonstrates that MAG is a business which continues to grow, resilient to challenges and external impacts. The business is well balanced across UK market and geographies, and we have ambitions to expand further into new markets, which will grow both scale and resilience for the business, with strong growth prospects over the coming years. As we leave the EU, UK Plc will need to connect and do business with an increasing range of global markets. MAG airports can deliver the connectivity that the whole of the UK needs to these markets, and we stand ready for the demand for air travel to and from the UK to continue growing.

Passenger numbers

35.7m

2018	35.7
2017	34.4
2016	31.6

+1.3m
+3.8%

Profit from operations

£164.9m

2018	164.9
2017	159.7
2016	145.5

+£5.2m
+3.2%

Business model

Our business model is based on long-term relationships with our owners and partners, and well invested assets, creating value for all of our stakeholders.

WHAT WE DO

Aviation
MAG has a diverse carrier mix from across the globe, with an excellent track record of supporting and delivering passenger growth. We also own and operate three of the top four UK cargo airports.

39.9% of Revenue

Retail
We work with a diverse range of brands, both new and established, to help them operate successfully in an airport environment.

22.0% of Revenue

Car parking
We use a combination of market leading analytical, ecommerce, marketing and trading expertise to deliver a tried and tested formula for our highly successful airport car parking businesses.

25.5% of Revenue

Property
We do much more than simply let the space on our airport sites: we understand the complexities of the infrastructure and services that make airports work, so we know how to help businesses based there take full advantage of them.

4.8% of Revenue

HOW WE CREATE VALUE THROUGH OUR COMPETITIVE ADVANTAGES

Broad catchment
More than 70% of the UK's population live within two hours of a MAG airport.

Talented people
Our skilled employees bring commercial expertise and an innovative approach to product development and excellent customer service.

Well-invested assets
Manchester and London Stansted have significant spare runway capacity, and MAG's capital plan is for continued investment in our asset base.

Long-standing partnerships
We have long-term incentivised commercial agreements with our diverse carrier mix and retail partners.

Strong capital position
MAG is committed to retaining its strong investment grade credit ratings, supporting access to long-term capital markets.

Long-term, supportive shareholders
Our unique ownership structure comprises an effective blend of public and private shareholders, including Manchester City Council (35.5%), IFM Investors (35.5%) and the nine other Greater Manchester local authorities. (29%).

HOW WE DELIVER VALUE

Shareholders
A progressive dividend reflecting strong performance and future prospects

Commercial Partners
(airlines and retailers)
Excellent quality facilities
Available capacity Access to catchment of 50m

Customers
Convenience
Choice of airlines
Attractive facilities
Excellent customer service

Employees
Rewarding careers
Opportunities for development

Communities
Jobs
Economic activity
Education
Regeneration
40,000+
employed on our sites, of which 5,000+ employed by MAG

Financial review

MAG has built on last year's strong results with delivery of sustained growth in the first half of this financial year.

The solid half year results are driven by continued implementation of MAG's growth strategy, with increased passenger volumes, strong commercial performance and cash generation, together with continued focus on the management of our operating cost base.

We have also continued to invest significantly across all our airports to set the foundations for customer focused infrastructure in support of our continuing long-term growth strategy.

With the continued growth we've achieved this year, together with the strong long-term prospects for the Group, we are pleased to continue to declare sustainable and growing dividends to our shareholders.

3.7%
Adjusted EBITDA growth*

Revenue
£508.5m

2018	508.5
2017	469.4
2016	430.8

+£39.1m
+8.3%

Profit from operations
£164.9m

2018	164.9
2017	159.7
2016	145.5

+£5.2m
+3.2%

Adjusted EBITDA*
£244.5m

2018	244.5
2017	235.7
2016	215.9

+£8.8m
+3.7%

Cash generated from operations
£246.3m

2018	246.3
2017	188.0
2016	180.5

+£58.3m
+31.0%

Adjusted cash generated from operations*
£249.2m

2018	249.2
2017	192.7
2016	183.4

+£56.5m
+29.3%

Notes
[1] All numbers relate to continuing operations unless stated, and 2017 and 2016 numbers have been restated as explained on page 15.
* As explained in the financial review on page 15.

Summary of the period's results (£m)

	Six months ended 30 September 2018	Six months ended 30 September 2017[4]	2018/2017 Change £m	2018/17 Change %
Passenger numbers	**35.7**	34.4	1.3	3.8%
Revenue	**508.5**	469.4	39.1	8.3%
Adjusted EBITDA[1]	**244.5**	235.7	8.8	3.7%
Adjusted operating profit[2]	**167.8**	164.4	3.4	2.1%
Profit from operations	**164.9**	159.7	5.2	3.2%
Profit before taxation	**130.5**	132.1	(1.6)	(1.2%)
Adjusted cash generated from operations[3]	**249.2**	192.7	56.5	29.3%
Cash generated from operations	**246.3**	188.0	58.3	31.0%
Capital Investment	**277.5**	128.1	149.4	116.6%
Dividends paid in the period	**110.7**	93.9	16.8	17.9%
Net debt	**(1,559.4)**	(1,222.3)	(337.1)	(27.6%)
Equity shareholders' funds	**1,547.9**	1,568.6	(20.7)	(1.3%)

Notes
1 Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation, and before significant items
2 Adjusted operating profit is operating profit before significant items
3 Adjusted cash generated from operations is cash generated from operations before significant items
4 Comparative figures relate to continuing activities (excluding Bournmouth disposal) and restated to account for IFRS 15 adoption

Reconciliation of adjusted EBITDA to adjusted operating profit and profit from operations (£m)

	Six months ended 30 September 2018			Six months ended 30 September 2017		
	Before significant items	Significant items	After significant items	Before significant items	Significant items	After significant items
Adjusted EBITDA	**244.5**	**(2.9)**	**241.6**	235.7	(4.7)	231.0
Depreciation and amortisation	**(76.7)**	**–**	**(76.7)**	(71.3)	–	(71.3)
Adjusted operating profit / profit from operations	**167.8**	**(2.9)**	**164.9**	164.4	(4.7)	159.7

Measures used to assess performance

The Group uses a number of measures to assess financial performance that are not defined within IFRS and are widely referred to as 'Alternative Performance Measures' (APMs). The directors use these measures to review the performance of the Group, as evidenced by performance targets being significantly based on Adjusted EBITDA. As such, these measures are important and should be considered alongside the IFRS performance measures. The adjustments from IFRS measures are separately disclosed and are items that are significant in size or non-recurring in nature, and where, in the directors' view, their separate disclosure gives a more accurate indication of the Group's underlying financial performance. For example, costs incurred on Groupwide restructuring programs, certain costs associated with significant new systems implementations or costs associated with the new terminal, and M&A activity, are considered one-off and are presented within significant items as adjustments to the IFRS measures of financial performance. Alternative performance measures used within these statements are accompanied by a reference to the relevant IFRS measure and the adjustments made.

Summary trading performance

The Group has delivered further growth in the first half of the financial year, with all our Airport divisions exceeding the prior period performance at both a revenue and adjusted EBITDA level. This has been driven predominantly by an increase in passenger numbers of 3.8% to 35.7m and improved commercial yields. During the first 6 months of the year the effect of the Monarch Airlines collapse together with air traffic and pilot strikes across Europe has impacted on earnings growth right across UK airports, and has driven a circa 3% drag on MAG's year-on-year growth, and a 5% drag at Manchester. However MAG PAX growth is outperforming the UK market and adjusted EBITDA performance is above our plan, up £8.8m (3.7%) at £244.5m.

The largest increase in passengers is at London Stansted (growth of 8.9% on prior period), where an increased number of airlines has led to a 5% increase in the routes served. This has been driven by increased capacity from Ryanair and Jet2.com and new routes such as the Emirates service to Dubai.

New long-haul routes with new and existing airlines have also been added, to increase the breadth of destinations across our airports, including the new Emirates service to Dubai from Stansted. The new routes have more than compensated for the loss of Monarch Airlines passengers following the airline's collapse in October 2017.

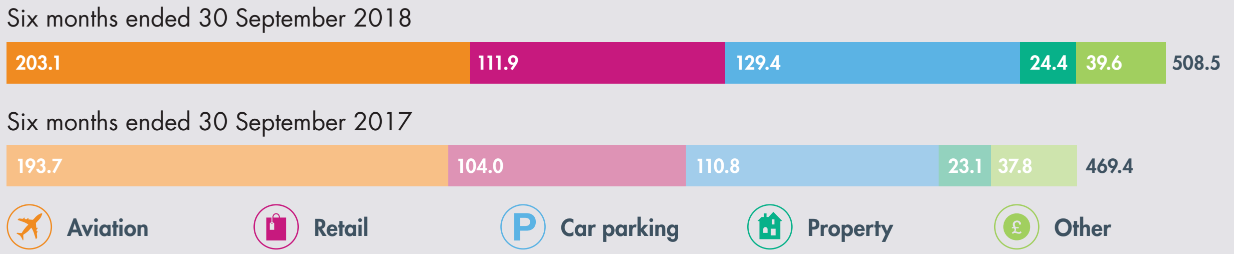
Financial review continued

East Midlands Airport has seen continued growth in express freight traffic predominantly driven by DHL.

Bournemouth Airport, which was sold in the previous financial year contributed 0.5m passengers to the prior period. However, the increased passenger numbers experienced at Stansted have more than compensated for this in the current period.

The Group's passenger growth has led to an 8.3% increase in total revenues to £508.5m, with the Group's commercial strategy, and the impact of targeted investments across retail and car parking, driving improvements in the overall income per passenger.

Income analysis



Passenger traffic

	Six months ended 30 September 2018 (m)	Six months ended 30 September 2017 (m)	Change (m)	Change %
Manchester Airport	**16.6**	16.6	0.0	–
London Stansted Airport	**15.9**	14.6	1.3	8.9%
East Midlands Airport	**3.2**	3.2	0.0	(0.3%)
Continuing Business	**35.7**	34.4	1.3	3.8%
Bournemouth Airport	**–**	0.5	(0.5)	(100.0%)
Total Business	**35.7**	34.9	0.8	2.4%

Aviation income of £203.1m represents growth of 4.9% on the equivalent period in the prior year, reflecting the additional passenger growth from London Stansted. Cargo income, which represents 4.2% of aviation income, has seen growth of 4.4% to £12.5m driven by a greater volume of express freight traffic in East Midlands.

Retail income of £111.9m for the first six months of the year has grown by 7.5%, driven by increased passenger volumes, and improved yields. This has been supported by the continuing food and beverage performance within food led bars and casual dining including the piloting of the "Proof 65" own branded bar at East Midlands Airport.

Car parking has seen increased revenue growth over the first six months of the year, with revenues 16.8% higher than prior period. MAG acquired the Looking4Parking business which provides a service for the public to book parking online and which added £0.9m of revenue. Additionally, the revenue increases were driven by additional capacity to serve the increased passenger volumes, and effective management of the customer trend of moving to pre-book channels.

Property income across the Group has increased by £1.3m (5.7%) to £24.4m. This is due to additional letting activity across each site, including the newly refurbished top 3 floors in 4M at Manchester, a new cargo facility at East Midlands, together with new lettings at Stansted. Occupancy levels across the group's investment portfolio have grown to 94.7%. Other income, which includes utilities recharges and fees for airline services and aviation fuel sales, has grown by £1.9m (5.0%) on prior period.

Operating costs before depreciation have increased by £30.3m, largely driven by additional costs to support higher volumes, higher income in car parking and investment in customer service. Together with inflationary cost increases.

Depreciation and amortisation costs of £76.7m are £5.4m higher than the prior period, reflecting the accelerated investment in infrastructure across the Group.

During the first half year the Group undertook a restructuring of our property portfolio (£0.6m) and worked on potential international growth opportunities (£1.6m). These are the main projects in the £2.9m being recognised as a significant item within the consolidated income statement.

After deducting the above depreciation, amortisation and significant items from adjusted EBITDA, the profit from operations for the period is £164.9m, an increase of £5.2m (3.2%) on the prior period.

Property

The MAG Property division manages the investment property portfolio comprising offices, hotels and cargo properties on an overall investment property portfolio of £522m. MAG also holds a 50% interest in the Airport City development at Manchester Airport.

The property team continue to create opportunities to maximise value across its property portfolio as part of MAG's commitment to investing in and developing the property and land at our airports.

Adjusted EBITDA* by division (£m)

	Six months ended 30 September 2018 (m)	Six months ended 30 September 2017 (m)	Change (m)	Change %
Manchester Airport	**121.1**	118.1	3.0	2.6%
London Stansted Airport	**103.5**	92.1	11.4	12.4%
East Midlands Airport	**18.0**	17.7	0.3	1.5%
MAG Property	**9.1**	10.9	(1.8)	(16.3%)
Group, consolidation and other	**(7.2)**	(3.1)	(4.1)	133.0%
Continuing Business	**244.5**	235.7	8.8	3.7%
Bournemouth Airport	**–**	0.9	(0.9)	(100.0%)
Total Business	**244.5**	236.6	7.9	3.3%

Profit from operations by division (£m)

	Six months ended 30 September 2018 (m)	Six months ended 30 September 2017 (m)	Change (m)	Change %
Manchester Airport	**82.0**	80.7	1.3	1.6%
London Stansted Airport	**71.6**	61.9	9.7	15.7%
East Midlands Airport	**12.5**	11.9	0.6	4.8%
MAG Property	**9.1**	10.5	(1.4)	(13.1%)
Other businesses and consolidation	**(10.3)**	(5.3)	(5.0)	95.8%
Continuing Business	**164.9**	159.7	5.2	3.2%
Bournemouth Airport	**–**	0.2	(0.2)	(100.0%)
Total Business	**164.9**	159.9	5.0	3.1%

Cash flow

Adjusted cash generated from operations during the first six months of the year has increased on the prior year by £56.5m (29.3%) reflecting good translation of profits into cash and working capital management. Strong cashflow is a key part of supporting our long-term financing position and allows the Group to continue to invest in infrastructure and development opportunities.

Financing and interest

Group net interest payable for the period, at £33.5m, has increased in line with borrowings. The underlying finance charge was higher at £44.6m, partially offset by £11.2m of interest costs capitalised.

Net debt has increased from 31 March 2018 to £1,559.4m. During the period, the Group received £175m from our shareholders in the form of shareholder loans. A second tranche of £175m will be received in the second half of the year. This will support the funding of our transformation projects whilst maintaining a healthy and balanced funding position.

The Group continues to retain two strong investment grade credit ratings which support ongoing access to long-term capital markets to facilitate growth.

Capital investment

The Group increased its rate of investment in its infrastructure across all its airports, with expenditure totalling £277.5m during the first half of the year.

The Manchester Transformation Programme continues to be the largest individual project in the period with spend of £161.5m taking our cumulative spend to £376.6m. We also saw significant transformation activity at London Stansted.

The significant investments at both airports will both improve the experience for passengers and airlines using the airports, and provide the foundations to unlock their significant future growth potential.

Financial review continued

Pensions

The accounting deficit for all Group schemes is calculated by independent scheme actuaries PricewaterhouseCoopers, who incorporate data taken from a number of markets in calculating the closing deficit position at the Balance Sheet date.

During the six-month period the IAS19 accounting deficit of the aggregate of the Group's defined benefit schemes reduced from £87.3m to £34.4m. The reduction in the deficit reflects the strong positive asset returns over the period, coupled with an improvement on corporate bond yields over the same period.

Tax

The tax charge for the six months ended 30 September is £36.0m (2017: £37.0m). The effective tax rate for the period is higher than the actual corporation tax rate of 20%, predominantly due to the level of disallowable depreciation in excess of capital allowances, as has been the case since the abolition of industrial buildings allowances.

Equity shareholders' funds and dividends

Equity shareholders' funds are £1,547.9m (31 March 2018: £1,520.6m). The movement comprises £94.5m profit after tax, remeasurement gains on pension liabilities (net of tax) of £43.5m recorded in reserves, and the payment of a dividend of £110.7m during the first half of the year, reflecting the final dividend for the year ended 31 March 2018.

In line with our dividend policy, in light of the growth achieved during the first six months of the financial year, and consistent with the strong long-term growth prospects, the directors have declared an interim dividend of £64.0m, which will be paid to the shareholders upon the signing of these financial statements.

Post Balance Sheet events

Primera Air filed for insolvency on 2nd October 2018. The business does not anticipate any financial exposure to its net asset position as at the balance sheet date resulting from the insolvency.

On 26th October 2018 the high court handed down a judgement in a case involving Lloyds Banking Group's defined benefit pension scheme regarding equalisation of Guaranteed Minimum Pension (GMP) for men and women. We are currently working with the trustees and our advisors to identify and quantify any additional pension liability which we expect to be recognised in the second half of the 2018/19 year.

Responsibility statement of the directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU; and
- the interim management report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period, and any changes in the related party transactions described in the last Annual Report that could do so.

By order of the Board

Charles T. Cornish

CHARLIE CORNISH
GROUP CHIEF EXECUTIVE, MAG
6 DECEMBER 2018

NEIL THOMPSON
CHIEF FINANCIAL OFFICER, MAG
6 DECEMBER 2018

Accounting Policies

Basis of accounting

This condensed consolidated interim financial information for the six months ended 30 September 2018 has been prepared on a going concern basis, and in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and IAS 34 'Interim Financial Reporting' as adopted by the European Union. The condensed consolidated interim financial information should be read in conjunction with the Annual Report and Accounts for the year ended 31 March 2018, which has been prepared in accordance with IFRS as adopted by the European Union. The historical cost convention is applicable to these financial statements with the exception of investment properties, financial instruments and employee benefit scheme assets and obligations, which are fair valued at each reporting date.

The condensed set of interim financial statements has been prepared by the Group applying the same accounting policies and significant judgements as were applied by the Group in its published consolidated financial statements as at 31 March 2018, except for the following standards and interpretations, which are effective for the Group from 1 April 2018:

Effective for the year ending 31 March 2019 (EU endorsed)

- IFRS 9 'Financial Instruments' – Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.

  The revised standard has replaced IAS 39 'Financial Instruments: Recognition and Measurement', and introduces new guidance for classification and measurement, impairment of financial instruments, and hedge accounting. The impact of the revised standard has not had a material impact upon the Group's financial statements.

Effective for the year ending 31 March 2020 (not yet EU endorsed)

- IFRS 16 'Leases'

The new standard fundamentally changes the accounting for leases by lessees. It eliminates the current IAS 17 dual accounting model, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases, and instead introduces a single, on-balance sheet accounting model that is similar to current finance lease accounting.

In preparation for the adoption of IFRS 16 in the financial statements for the year ending 31 March 2020, the directors are in the process of assessing the potential impact, which is expected to be material.

The results for the six months to 30 September 2018 have not been audited, but at the Group's request have been reviewed by the auditors, KPMG LLP, and a private review opinion has been issued to the Group.

The financial information for the full year ended 31 March 2018 is an abbreviated version of the Group's Annual Report and Accounts for that year, which has been delivered to the Registrar of Companies. The report of the auditor was:

(i) unqualified;

(ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report; and

(iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The preparation of these financial statements in accordance with prevailing accounting practice requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. The assumptions and estimates are based on management's best knowledge of the event or actions in question; however, actual results may ultimately differ from these estimates.

The accounting policies that the Group has adopted to determine the amounts included in respect of material items shown in the statement of financial position, and also to determine the profit or loss, are listed in full in the Group's Annual Report and Accounts for the year ended 31 March 2018. Unless stated otherwise, these have been applied on a consistent basis.

Going concern

The current economic conditions create uncertainty, particularly over passenger numbers, which has a direct impact on income. The Group has demonstrated its ability to grow operating margins together with the ability to manage its investment programme according to affordability and business performance. At the interim period ended 30 September 2018, the Group had £2,021.9m (31 March 2018: £1,846.9m) of committed facilities and a net debt position of £1,559.4m (31 March 2018: £1,326.8m).

The Group had financial headroom in excess of £457.7m at 30 September 2018 (31 March 2018: £515.0m), and based on the Board approved five-year business plan, MAG is forecast to have available spare facilities throughout the next 12 months that are more than adequate for the Group's financing requirements.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, including Brexit scenarios, show that the Group should be able to operate within the level of its current facilities.

The Group is subject to two historical financial covenants: net debt/EBITDA and EBITDA less tax paid/net finance charges. The covenants are tested half yearly on 31 March and 30 September. As at 30 September 2018 the Group had complied with both of the covenants, and as a result of the Group's prudent financial policy, there is significant covenant headroom. The directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Interim Report and Accounts.

Risks and uncertainties

The principal strategic level risks and uncertainties affecting the Group, together with the approach to their mitigation, remain as set out on pages 40 to 43 in the 2018 Annual Report and Accounts, which is available on the Group's website (www.magairports.com). In summary the Group's principal risks and uncertainties are:

- Security breach
- Material sustained disruption to operations
- Major Health and Safety incident affecting our customers or colleagues
- Cyber security
- Brexit
- Regulatory risk
- Delivering major programmes
- Recruitment, development and retention of talented people.

Forward-looking statements

This condensed consolidated interim financial information contains forward-looking statements. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to be correct. Due to the inherent uncertainties, including both economic and business risk factors underlying such forward-looking information, actual results may differ materially from those expressed or implied by these forward looking statements.

The Group undertakes no obligation to update any forward looking statements, whether as a result of new information, future events or otherwise.

Condensed consolidated income statement
for the six months ended 30 September 2018

	Note	Six months ended 30 September 2018 £m Total before significant items	Six months ended 30 September 2018 £m Significant items	Six months ended 30 September 2018 £m Total after significant items	Restated Six months ended 30 September 2017 £m Total before significant items	Restated Six months ended 30 September 2017 £m Significant items	Restated Six months ended 30 September 2017 £m Total after significant items	Year ended 31 March 2018 £m Total after significant items
Continuing operations								
Revenue	1	**508.5**	–	**508.5**	469.4	–	469.4	818.1
Profit from operations before significant items	4	**167.8**	–	**167.8**	164.4	–	164.4	215.4
Significant items								
Exceptional costs	3	–	(2.9)	(2.9)	–	(4.7)	(4.7)	(8.6)
Profit from operations		**167.8**	**(2.9)**	**164.9**	164.4	(4.7)	159.7	206.8
Share of (loss)/profit of associate	10	(0.1)	–	(0.1)	4.3	–	4.3	4.2
Gains and losses on sales and valuation of investment properties	9	(0.8)	–	(0.8)	0.8	–	0.8	14.5
Finance costs		(33.5)	–	(33.5)	(32.7)	–	(32.7)	(67.6)
Profit before taxation		**133.4**	**(2.9)**	**130.5**	136.8	(4.7)	132.1	157.9
Taxation	5	**(36.6)**	**0.6**	**(36.0)**	(37.9)	0.9	(37.0)	(35.4)
Profit from continuing operations		**96.8**	**(2.3)**	**94.5**	98.9	(3.8)	95.1	122.5
Discontinued operations								
Profit/(loss) from discontinued operation (net of tax)	6	–	–	–	0.2	–	0.2	(12.8)
Profit for the period		**96.8**	**(2.3)**	**94.5**	99.1	(3.8)	95.3	109.7
Earnings per share expressed in pence per share								
Continuing operations				**29.8**			30.1	38.7
Discontinued operations				–			0.1	(4.0)

The accompanying notes form an integral part of the condensed consolidated financial statements.

Condensed consolidated statement of comprehensive income
for the six months ended 30 September 2018

	Note	Six months ended 30 September 2018 £m	Six months ended 30 September 2017 £m	Year ended 31 March 2018 £m
Profit for the period		**94.5**	95.3	109.7
Other comprehensive income/(expense)				
Items that will not be reclassified to profit or loss:				
Remeasurement of retirement benefit liabilities	14	**52.5**	30.2	21.8
Deferred tax on remeasurement of retirement benefit liabilities	5	**(9.0)**	(5.0)	(3.7)
Other comprehensive income/(expense) for the period		**43.5**	25.2	18.1
Total comprehensive income for the period		**138.0**	120.5	127.8

Condensed consolidated statement of changes in equity
for the six months ended 30 September 2018

	Note	Attributable to equity holders of the Company Share capital £m	Share premium £m	Reserves £m	Total £m
Balance at 1 April 2018		**316.7**	**687.2**	**516.7**	**1,520.6**
Total comprehensive income for the year					
Profit for the year		–	–	**94.5**	**94.5**
Remeasurement of retirement benefit liabilities, net of tax	5, 14	–	–	**43.5**	**43.5**
		–	–	**138.0**	**138.0**
Transactions with owners recorded directly in equity					
Dividends paid to equity holders	7	–	–	**(110.7)**	**(110.7)**
Balance at 30 September 2018		**316.7**	**687.2**	**544.0**	**1,547.9**

The accompanying notes form an integral part of the condensed consolidated financial statements.

Condensed consolidated statement of changes in equity
for the six months ended 30 September 2017

	Note	Attributable to equity holders of the Company			
		Share capital £m	Share premium £m	Reserves £m	Total £m
Balance at 1 April 2017		316.7	687.2	538.1	1,542.0
Total comprehensive income for the year					
Profit for the year		–	–	95.3	95.3
Remeasurement of retirement benefit liabilities, net of tax	5, 14	–	–	25.2	25.2
		–	–	120.5	120.5
Transactions with owners recorded directly in equity					
Dividends paid to equity holders		–	–	(93.9)	(93.9)
Balance at 30 September 2017		**316.7**	**687.2**	**564.7**	**1,568.6**

Condensed consolidated statement of changes in equity
for the year ended 31 March 2018

	Note	Attributable to equity holders of the Company			
		Share capital £m	Share premium £m	Reserves £m	Total £m
Balance at 1 April 2017		316.7	687.2	538.1	1,542.0
Total comprehensive income for the year					
Profit for the year		–	–	109.7	109.7
Remeasurement of retirement benefit liabilities, net of tax	5, 14	–	–	18.1	18.1
		–	–	127.8	127.8
Transactions with owners recorded directly in equity					
Dividends paid to equity holders		–	–	(149.2)	(149.2)
Balance at 31 March 2018		**316.7**	**687.2**	**516.7**	**1,520.6**

The accompanying notes form an integral part of the condensed consolidated financial statements.

Condensed consolidated statement of financial position
as at 30 September 2018

	Note	**Six months ended 30 September 2018 £m**	Six months ended 30 September 2017 £m	Year ended 31 March 2018 £m
ASSETS				
Non-current assets				
Goodwill		**169.3**	166.3	166.3
Property, plant and equipment	8	**2,736.6**	2,405.6	2,535.2
Investment properties	9	**521.6**	602.7	526.1
Intangible assets		**44.1**	43.1	42.0
Investment in associate	10	**17.0**	11.4	15.7
Deferred tax assets	15	**5.8**	14.0	14.8
		3,494.4	3,243.1	3,300.1
CURRENT ASSETS				
Inventories		**2.7**	2.5	2.5
Trade and other receivables		**206.5**	177.3	149.2
Cash and cash equivalents		**22.7**	36.4	20.0
		231.9	216.2	171.7
LIABILITIES				
Current liabilities				
Borrowings	11, 12	**(57.0)**	(203.9)	–
Trade and other payables		**(250.0)**	(240.2)	(222.3)
Deferred income		**(38.3)**	(29.3)	(24.8)
Current tax liabilities		**(41.5)**	(39.7)	(37.4)
		(386.8)	(513.1)	(284.5)
NET CURRENT LIABILITIES		**(154.9)**	(296.9)	(112.8)
Non-current liabilities				
Borrowings	11–13	**(1,525.1)**	(1,054.8)	(1,346.8)
Retirement benefit liabilities	14	**(34.4)**	(77.2)	(87.3)
Deferred tax liabilities	15	**(220.0)**	(233.2)	(220.2)
Other non-current liabilities		**(12.1)**	(12.4)	(12.4)
		(1,791.6)	(1,377.6)	(1,666.7)
NET ASSETS		**1,547.9**	1,568.6	1,520.6
Shareholders' equity				
Share capital		**316.7**	316.7	316.7
Share premium		**687.2**	687.2	687.2
Retained earnings		**544.0**	564.7	516.7
TOTAL EQUITY		**1,547.9**	1,568.6	1,520.6

The accompanying notes form an integral part of the condensed consolidated financial statements.

The financial statements on pages 20 to 41 were approved by the Board of Directors on 6 December 2018 and signed on its behalf by:

CHARLIE CORNISH
GROUP CHIEF EXECUTIVE, MAG

Condensed consolidated statement of cash flows

for the six months ended 30 September 2018

	Note	Six months ended 30 September 2018 £m Before significant items	Six months ended 30 September 2018 £m Significant items	Six months ended 30 September 2018 £m After significant items	Six months ended 30 September 2017 £m After significant items	Year ended 31 March 2018 £m After significant items
Cash flows from operating activities						
Profit for the year		133.4	(2.9)	130.5	132.3	157.9
Gains and losses on sales and valuations of investment properties		–	–	–	(0.8)	(14.5)
Share of loss/(profit) of associate		0.1	–	0.1	(4.3)	(4.2)
Net finance income and expense		44.6	–	44.6	32.7	67.6
Depreciation and amortisation		76.7	–	76.7	72.0	143.4
Profit on sale of property, plant and equipment		0.4	–	0.4	(1.3)	(1.3)
Increase in trade and other receivables and inventories		(54.9)	–	(54.9)	(81.3)	(26.4)
Increase in trade and other payables		49.5	–	49.5	35.6	1.4
(Decrease)/ Increase of grants		(0.2)	–	(0.2)	0.3	0.4
(Decrease)/ Increase in retirement benefits provision		(0.4)	–	(0.4)	2.8	4.5
Cash generated from continuing operations		249.2	(2.9)	246.3	188.0	328.8
Profit before taxation – discontinued operation				–	–	1.9
Depreciation and amortisation – discontinued operation				–	–	1.0
Movement in working capital from discontinued operation				2.4	–	(0.2)
Interest paid				(44.7)	(31.9)	(76.5)
Tax paid				(27.2)	(19.9)	(38.2)
Net cash from operating activities				176.8	136.2	216.8
Cash flows from investing activities						
Purchase of property, plant and equipment				(303.9)	(115.2)	(319.1)
(Investment in)/ Distributions from associate				(1.4)	8.0	3.5
Proceeds (net of selling costs) from sale of property, plant, equipment and investment properties				6.6	14.8	48.3
Proceeds from sale of discontinued operation				–	–	44.9
Cash outflow from discontinued operation				–	–	(0.1)
Net cash used in investing activities				(298.7)	(92.4)	(222.5)
Cash flows from financing activities						
Increase/ (Decrease) in bank loan borrowings, net of debt issue costs				60.3	69.8	(136.9)
Issue of shareholder loans				175.0	–	–
Bond issued in the year, net of issue costs				–	–	295.1
Dividends paid to shareholders				(110.7)	(93.9)	(149.2)
Net cash from/(used in) financing activities				124.6	(24.1)	9.0
Net increase in cash and cash equivalents	17			2.7	19.7	3.3
Cash and cash equivalents at beginning of the period				20.0	16.7	16.7
Cash and cash equivalents at end of the period				22.7	36.4	20.0

The accompanying notes form an integral part of the condensed consolidated financial statements.

Notes to the financial statements

for the six months ended 30 September 2018

1. Revenue

An analysis of the Group's revenue is as follows:

	Six months ended 30 September 2018 Continuing operations £m	Six months ended 30 September 2018 Discontinued operation £m	Restated[1] Six months ended 30 September 2017 Continuing operations £m	Restated[1] Six months ended 30 September 2017 Discontinued operation £m	Year ended 31 March 2018 Continuing operations £m	Year ended 31 March 2018 Discontinued operation £m
Aviation income	203.1	–	193.7	1.8	332.7	2.3
Commercial income						
Retail concessions	111.9	–	104.0	0.6	181.6	0.7
Car parking	129.4	–	110.8	1.6	187.2	2.0
Property and property related income	24.4	–	23.1	0.5	44.4	3.0
Other	39.7	–	37.8	1.0	72.2	2.3
Total commercial income	305.4	–	275.7	3.7	485.4	8.0
Total income	508.5	–	469.4	5.5	818.1	10.3

Note:
[1]2017 restatement is due to the adoption of IFRS 15 'Revenue from Contracts with Customers' during 2018 (see 2018 Annual Report and Financial Statements).

Other income includes utility cost recharges, fees for airline services and aviation fuel sales.

Aviation income includes passenger charges, aircraft arrival and departure charges and aircraft parking charges, all of which are recognised at point of departure.

Revenue from the remaining income streams is recognised over time on a straight line basis.

As at 30 September 2018 there were no performance obligations that were unsatisfied.

Notes to the financial statements continued

for the six months ended 30 September 2018

2. Business and geographical segments

For management purposes, the Group is organised into four main operating divisions: Manchester Airport, London Stansted Airport, East Midlands Airport and MAG Property.

The reportable segments are consistent with how information is presented to the Group Chief Executive (Chief Operating Decision Maker) to report its primary information for the purpose of assessment of performance and allocation of resources.

The primary business of all of these Operating Divisions is the operation and development of airport facilities in the UK, and accordingly, no separate secondary segmental information is provided.

Six months ended 30 September 2018

	Manchester Airport £m	London Stansted Airport £m	East Midlands Airport £m	MAG Property £m	Group, consolidation and other[3] £m	**Consolidated – continuing operations £m**
Revenue						
External sales	243.4	203.5	42.0	13.7	5.8	**508.5**
Inter–segment sales[4]	(1.8)	–	–	1.8	–	**–**
Total revenue	241.6	203.5	42.0	15.5	5.8	**508.5**
Result						
Segment operating profit/(loss) before significant items	82.3	71.6	12.5	9.1	(7.7)	**167.8**
Significant items	(0.3)	–	–	–	(2.6)	**(2.9)**
Segment operating profit/(loss) after significant items	82.0	71.6	12.5	9.1	(10.3)	**164.9**
Share of loss of associate						**(0.1)**
Gains and losses on sales and valuation of investment properties						**(0.8)**
Finance costs						**(33.5)**
Profit before taxation						**130.5**
Other information						
Segment assets	1,882.5	883.1	249.1	(Note 1)	711.4	**3,726.1**
Segment liabilities	(212.4)	(153.1)	(65.4)	(Note 1)	(1,747.5)	**(2,178.4)**
Capital expenditure	198.7	67.0	7.1	(Note 1)	4.7	**277.5**
Depreciation	37.0	31.9	5.5	(Note 1)	0.4	**74.8**
Amortisation	1.9	–	–	(Note 1)	–	**1.9**
Taxation	18.0	14.5	2.4	(Note 1)	1.1	**36.0**
Result – geographical location[2]						
Segment operating profit/(loss) before significant items	91.4	71.6	12.5	(Note 2)	(7.7)	**167.8**

See next page for footnotes.

Notes to the financial statements

for the six months ended 30 September 2018

2. Business and geographical segments continued

Six months ended 30 September 2017

	Manchester Airport £m	London Stansted Airport £m	East Midlands Airport £m	MAG Property £m	Bournemouth Airport (Discontinued) £m	Group, consolidation and other[3] £m	**Restated consolidated operations £m**
Revenue							
External sales	230.6	183.2	39.6	15.3	5.4	0.8	**474.8**
Inter–segment sales[4]	(1.0)	–	–	(0.7)	–	1.7	**–**
Total revenue	229.6	183.2	39.6	14.6	5.4	2.5	**474.8**
Result							
Segment operating profit/(loss) before significant items	83.0	61.9	11.9	10.9	0.2	(3.3)	**164.6**
Significant items	(2.3)	–	–	(0.4)	–	(2.0)	**(4.7)**
Segment operating profit/(loss) after significant items	80.7	61.9	11.9	10.5	0.2	(5.3)	**159.9**
Share of profit of associate							**4.3**
Gains and losses on sales and valuation of investment properties							**0.8**
Finance costs							**(32.7)**
Profit before taxation							**132.3**
Other information							
Segment assets	1,497.1	982.9	247.5	Note 1	19.0	712.8	**3,459.3**
Segment liabilities	(180.4)	(168.1)	(64.6)	Note 1	(6.3)	(1,471.3)	**(1,890.7)**
Capital expenditure	99.6	24.6	3.8	Note 1	–	0.1	**128.1**
Depreciation	33.8	30.2	5.8	Note 1	0.7	0.2	**70.7**
Amortisation	1.3	–	–	Note 1	–	–	**1.3**
Taxation	26.4	18.4	2.7	Note 1	0.1	(10.6)	**37.0**
Result – geographical location[2]							
Segment operating profit/(loss) before significant items	93.9	61.9	11.9	Note 2	0.2	(3.3)	**164.6**

Notes:

1 The Group's reporting structure is such that the assets and liabilities of MAG Property are included in the Manchester Airport statement of financial position.

2 For management accounting purposes MAG reports property income and profit on sale of property assets (excluding London Stansted) within the MAG Property division. For statutory purposes property income and profit on disposal of property assets is reported in the subsidiary companies depending on the geographical location of the investment properties and property, plant and equipment. The table shows how profit from operations would appear with property reported by geographical location.

3 Group consolidation and other includes, Group, Head Office, MAG USA, and other subsidiary companies and balances arising on consolidation, which are not specific to the other main operating divisions. Assets include goodwill and fair value adjustments arising on consolidation. Liabilities include borrowings, further details of which can be found in Note 20 Borrowings.

4 Sales between segments are at arm's length.

Notes to the financial statements continued
for the six months ended 30 September 2018

3. Significant items

	Six months ended 30 September 2018 £m	Six months ended 30 September 2017 £m	Year ended 31 March 2018 £m
Recorded in profit from operations			
Significant Items[1]	**2.9**	4.7	8.6
Total significant items recorded in profit from continuing operations	**2.9**	4.7	8.6
Recorded in profit/(loss) from discontinued operations			
Loss on sale of discontinued operation[2]	**–**	–	14.1
Total significant items recorded in profit/(loss) from discontinued operations	**–**	–	14.1
Total significant items	**2.9**	4.7	22.7

Notes:
1 **Significant Items**
Significant Items of £2.9m (2017: £4.7m) include costs of property restructuring programmes, M&A activity, and costs incurred as a result of the ongoing Manchester Transformation Programme works.
2 **Loss on disposal**
On 4 December 2017, the Group disposed of Bournemouth International Airport Limited and its subsidiaries: Bournemouth Airport Property Investments (Offices) Limited, Bournemouth Airport Property Investments (Industrial) Limited and Bournemouth Airport Core Property Investments Limited.

4. Profit from continuing operations before significant items

	Six months ended 30 September 2018 £m	Six months ended 30 September 2017 £m	Year ended 31 March 2018 £m
Turnover	**508.5**	469.4 [2]	818.1
Wages and salaries	**(105.6)**	(89.6)	(183.3)
Social security costs	**(10.0)**	(8.5)	(17.6)
Pension costs	**(9.6)**	(8.6)	(17.5)
Employee benefit costs	**(125.2)**	(106.7)	(218.4)
Depreciation and amortisation	**(76.7)**	(71.3)	(143.4)
Profit on disposal of property, plant and equipment	**(0.4)**	1.3	1.3
Other operating charges[1]	**(138.4)**	(128.3)	(242.2)
Profit from continuing operations before significant items	**167.8**	164.4	215.4

Notes:
1 Other operating charges includes maintenance, rent, rates, utility costs and other operating expenses.
2 Restated see note 1

Notes to the financial statements
for the six months ended 30 September 2018

5. Taxation

Analysis of charge in the year

	Six months ended 30 September 2018 £m	Six months ended 30 September 2017 £m	Year ended 31 March 2018 £m
Current taxation			
UK corporation tax on profits for the period	**36.2**	40.0	44.2
Adjustment in respect of prior period	**–**	–	2.2
Total current taxation	**36.2**	40.0	46.4
Deferred taxation			
Temporary differences arising in the period	**(0.2)**	(2.7)	(10.4)
Adjustment in respect of prior period	**–**	(0.3)	(0.6)
Total ordinary deferred taxation	**(0.2)**	(3.0)	(11.0)
Total taxation charge/(credit)	**36.0**	37.0	35.4

Taxation on items charged/(credited) to equity:

	Six months ended 30 September 2018 £m	Six months ended 30 September 2017 £m	Year ended 31 March 2018 £m
Deferred taxation on remeasurement of retirement benefit liabilities	**9.0**	5.0	3.7
Total taxation charge/(credit)	**9.0**	5.0	3.7

The current taxation charge for the period has been calculated based on the forecast underlying effective tax rate for the full year of 25.2% (2017: 27.5%).

The March 2016 Budget included a reduction in the rate of Corporation tax from 1 April 2020 of 2% to 17%. This change was substantively enacted on 5 September 2016. Deferred tax balances at 30 September 2018 have therefore been calculated at 17%, unless they are expected to unwind earlier than 1 April 2020, in which case the deferred tax balances have been calculated at the prevailing rate at the time the unwind is expected.

Notes to the financial statements continued

for the six months ended 30 September 2018

6. Discontinued operations

On 4 December 2017, the Group entered into a sale agreement to dispose of its entire shareholding of Bournemouth International Airport Limited and its subsidiaries: Bournemouth Airport Property Investments (Offices) Limited, Bournemouth Airport Property Investments (Industrial) Limited and Bournemouth Airport Core Property Investments Limited, which carried out all of the Group's Bournemouth Airport operations. The disposal was effected in order to generate cash flow for the expansion of the Group's other businesses.

The results of the discontinued operation, which have been included in the consolidated income statement, were as follows:

	Six months ended 30 September 2018 £m	Six months ended 30 September 2017 £m	Year ended 31 March 2018 £m
Revenue	–	5.5	10.3
Operating costs	–	(5.3)	(8.4)
Operating profit	–	0.2	1.9
Significant items	–	–	(14.1)
Gains and losses on sales and valuation of investment properties	–	–	–
Attributable tax expense	–	–	(0.6)
Profit/ (Loss) of discontinued operation	–	0.2	(12.8)
Net profit/ (loss) attributable to discontinued operation (attributable to owners of the Company)	–	0.2	(12.8)

A loss of £14.1m arose on the disposal of Bournemouth International Airport Limited and its subsidiaries, being the difference between the proceeds of disposal and the carrying amount of the subsidiary's net assets and attributable goodwill.

7. Dividends

	Six months ended 30 September 2018 £m	Six months ended 30 September 2017 £m
Amounts recognised as distributions to equity holders in the period		
Dividend paid in relation to the year ended 31 March 2018 of 34.95 pence (2017: 29.65 pence) per share	**110.7**	93.9
Proposed interim dividend for the year ended 31 March 2019 of 20.21 pence (2017: 17.46 pence) per share	**64.0**	55.3

Notes to the financial statements

for the six months ended 30 September 2018

8. Property, plant and equipment

	Freehold land and property £m	Long leasehold property £m	Airport infrastructure £m	Plant, fixtures and equipment £m	Assets in the course of construction £m	Total £m
Cost						
At 1 April 2018	203.2	451.7	2,105.3	659.4	369.0	3,788.6
Additions	–	–	11.7	15.4	250.4	277.5
Reclassification from Assets in the course of construction	0.2	16.4	41.0	34.9	(92.5)	–
Reclassification to investment properties (note 9)	–	–	–	0.9	(1.7)	(0.8)
Disposals	(0.5)	–	(2.6)	–	–	(3.1)
At 30 September 2018	**202.9**	**468.1**	**2,155.4**	**710.6**	**525.2**	**4,062.2**
Depreciation						
At 1 April 2018	64.5	187.1	513.3	488.5	–	1,253.4
Charge for the period	0.2	6.0	38.1	30.5	–	74.8
Depreciation on disposals	–	–	(2.6)	–	–	(2.6)
At 30 September 2018	**64.7**	**193.1**	**548.8**	**519.0**	**–**	**1,325.6**
Carrying amount						
At 30 September 2018	**138.2**	**275.0**	**1,606.6**	**191.6**	**525.2**	**2,736.6**
Carrying amount						
At 31 March 2018	138.7	264.6	1,592.0	170.9	369.0	2,535.2

The carrying amount of land not depreciated as at 30 September 2018 is £57.4m (31 March 2018: £57.4m).

Capitalised borrowing costs

During the period ended 30 September 2018, borrowing costs of £11.2m were capitalised (30 September 2017: £4.4m). Capitalised borrowing costs were calculated by applying an average interest rate of 5.88% in the current period to cumulative expenditure incurred on qualifying assets, pro rated to give the charge for the period ended 30 September 2018.

Notes to the financial statements continued
for the six months ended 30 September 2018

9. Investment properties

	Investment properties £m
Valuation	
At 1 April 2018	526.1
Reclassification from assets in the course of construction (note 8)	0.8
Disposals	(5.3)
Revaluation	–
At 30 September 2018	**521.6**
Carrying amount	
At 30 September 2017	**602.7**
At 31 March 2018	526.1

Investment properties

The fair value of the Group's commercial investment property at 31 March 2018 has been arrived at on the basis of a valuation carried out at that date by Deloitte LLP. Strutt & Parker carried out the valuation of the London Stansted residential property portfolio, and Meller Braggins carried out the Manchester residential property portfolio at 31 March 2018. The valuers are independent and have appropriate, recognised professional qualifications, and recent experience in the locations and categories of the locations being valued. The valuations, which conform to International Valuation Standards, were arrived at by reference to market evidence of transaction prices for similar properties, land valuations and discounted cash flow methods.

The fair value of the Group's commercial property at 30 September 2018 was updated by Deloitte Chartered Surveyors as at the statement of financial position date. No fair value gains or losses have been recognised at 30 September 2018 as the difference between the fair value and the carrying value of the commercial investment property at that date was immaterial.

Gains and losses on sales and valuation of investment properties reported in the consolidated income statement of (£0.8m) in the period (30 September 2017: £0.8m) comprise a loss on sale of (£0.8m) (30 September 2017: £0.8m).

Notes to the financial statements
for the six months ended 30 September 2018

10. Investment in associate

	£m
Cost and carrying value	
At 1 April 2018	15.7
Investment in associate	1.4
Group's share of associate's loss	(0.1)
At 30 September 2018	**17.0**

The investment in associate relates to the Group's investment in Airport City.

Included within the investment in associate balance is an amount of £2.5m (31 March 2018: £2.5m) relating to MAG's own costs incurred in the setting up of its share in Airport City. This will be released to the consolidated income statement on a proportional basis on the sale of plots within the Airport City development.

Airport City, a partnership with three other partners to develop part of the land around Manchester Airport for hotels, offices and logistics and advanced manufacturing, was formally constituted on 8 October 2014. The directors have applied IFRS 10 'Consolidated Financial Statements' and IAS 28 Revised 'Investment in Associates' in classifying the Group's 50% share in Airport City as an Associate, determining that MAG has significant influence over Airport City by virtue of its shareholding, but not control given that all key matters require a super–majority of more than 79.9%, such that MAG plus all but one other party must be in agreement to exercise control.

Airport City's year end date is coterminous with the Group's year end, and the financial information detailed below is consistent with the Airport City financial statements prepared to the same date. Summarised financial information of the Group's investment in Airport City is as follows.

	Six months ended 30 September 2018 £m	Six months ended 30 September 2017 £m
Current assets	**31.4**	31.7
Current liabilities	**(3.8)**	(13.9)
Net assets	**27.6**	17.8
Group's share of associate's net assets	**14.5**	8.9
Revenue	**–**	28.4
(Loss)/profit for the period	**(0.3)**	10.5
Group's share of associate's (loss)/profit for the period	**(0.1)**	5.2

As part of its investment in Airport City, the Group has agreed to make an equity contribution up to a maximum of £30m if required.

Airport City has no significant contingent liabilities to which the Group is exposed, and there are no restrictions that would prevent the transfer of funds to the Group (2017: none).

Notes to the financial statements continued
for the six months ended 30 September 2018

11. Borrowings

	Note	30 September 2018 £m	30 September 2017 £m	31 March 2018 £m
Bank loans	12	**57.0**	203.9	(2.8)
Bonds	13	**1,098.6**	803.3	1,098.1
Shareholder Loans		**426.5**	251.5	251.5
		1,582.1	1,258.7	1,346.8
Borrowings are repayable as follows:				
In one year or less, or on demand				
Bank loans	12	**57.0**	203.9	–
		57.0	203.9	–
In more than one year, but no more than two years				
Bank loans		**–**	–	–
		–	–	–
In more than two years, but no more than five years				
Bank loans	12	**–**	–	(2.8)
In more than five years – due other than by instalments				
Bonds	13	**1,098.6**	803.3	1,098.1
Shareholder Loans		**426.5**	251.5	251.5
		1,525.1	1,054.8	1,349.6
Non–current borrowings		**1,525.1**	1,054.8	1,346.8
Total borrowings		**1,582.1**	1,258.7	1,346.8

The Group is party to a Common Terms Agreement (CTA) where bank and bond creditors benefit from the same suite of representations, warranties and covenants. The CTA was signed on 14 February 2014.

The CTA, together with a Master Definitions Agreement, covers inter alia, The Amended and Restated Initial Authorised Credit Facility Agreement (ACF), The Amended and Restated Liquidity Facility Agreement (LF), and the Group's issue of publicly listed fixed rate secured bonds in February 2014 and April 2014 respectively.

The Group issued a £450.0m publicly listed fixed rate secured bond on 14 February 2014 with a scheduled and legal maturity of 31 March 2034.

The Group issued a £360.0m publicly listed fixed rate secured bond on 16 April 2014 with a scheduled and legal maturity of 2024. All proceeds from the issue of the bonds (net of certain issuance fees) were used to repay a large portion of the Secured Senior Term Facility.

The Group issued a £300.0m publicly listed fixed rate secured bond on 15 November 2017 with a scheduled and legal maturity of 31 March 2039. All proceeds from the issue of the bonds (net of certain issuance fees) were used to repay the Revolving Credit Facility.

The Amended and Restated LF Agreement has total facilities of £60.0m and is sized to cover 12 months interest on secured debt. The LF Agreement is a 364–day revolving facility with a five year term on each annual renewal.

The Group's borrowings are all secured by a fixed and floating charge over substantially all of the assets of the Group.

Shareholder Loans increased to £426.5m as at 30 September 2018 following the issue of £175m of loans during the period.

Notes to the financial statements
for the six months ended 30 September 2018

12. Bank loans

	30 September 2018 £m	30 September 2017 £m	31 March 2018 £m
Secured Revolving Credit Facility	**60.0**	207.0	–
Less: unamortised debt issue costs[1]	**(3.0)**	(3.1)	(2.8)
	57.0	203.9	(2.8)

Note:
1 Issue costs arising in relation to obtaining finance are amortised over the duration of the financing as part of the effective interest rate.

At 30 September 2018 the Group had £425.0m (31 March 2018: £485.0m) undrawn committed borrowing facilities in respect of which all conditions precedent had been met at that date. The undrawn committed borrowing facilities consist of a £500.0m Secured Revolving Credit Facility (£60.0m drawn at 30 September 2018), less certain carve–outs in respect of ancillary facilities of £15.0m. The Group also had access to £10.0m of overdraft facilities.

Interest on the Secured Revolving Credit Facility is linked to LIBOR plus a margin.

See Note 11 for further information on financial liabilities, including maturity analysis.

13. Bonds

	30 September 2018 £m	30 September 2017 £m	31 March 2018 £m
Repayable other than by instalments			
MAG bond 4.125% £360.0m due 2024	**360.0**	360.0	360.0
MAG bond 4.75% £450.0m due 2034	**450.0**	450.0	450.0
MAG bond 2.875% £300.0m due 2039	**300.0**	–	300.0
Less: discount on issue	**(6.2)**	(1.9)	(5.4)
Less: unamortised debt issue costs	**(5.2)**	(4.8)	(6.5)
	1,098.6	803.3	1,098.1

See Note 11 for further information on financial liabilities, including maturity analysis.

14. Retirement benefits

	30 September 2018 £m	30 September 2017 £m	31 March 2018 £m
Balance in scheme at start of the period	**(87.3)**	(104.6)	(104.6)
Movement in period			
Current service cost recognised in income statement	**(6.1)**	(6.2)	(12.4)
Contributions	**7.6**	4.8	10.7
Net interest expense recognised in income statement	**(1.1)**	(1.4)	(2.8)
Total remeasurements in statement of comprehensive income	**52.5**	30.2	21.8
Balance in scheme at end of the period	**(34.4)**	(77.2)	(87.3)

Related deferred tax assets on any pension deficits are reported separately under the requirements of IAS 12 'Income taxes'.

Notes to the financial statements continued
for the six months ended 30 September 2018

15. Deferred taxation

	Deferred taxation asset £m	Deferred taxation liability £m	Total £m
At 1 April 2018	14.8	(220.2)	(205.4)
Credit to income	–	0.2	0.2
(Charge) to equity	(9.0)	–	(9.0)
At 30 September 2018	**5.8**	**(220.0)**	**(214.2)**

16. Related party transactions

The ultimate parent entity is Manchester Airports Holdings Limited, a company registered in England and Wales. The ultimate controlling entity is Manchester Airports Holdings Limited.

Transactions involving The Council of the City of Manchester and the other council shareholders

The Council of the City of Manchester ('MCC') is a related party to Manchester Airports Holdings Limited as MCC owns 35.5% of the share capital of the Company.

As at 30 September 2018 the amount of loans outstanding owed to MCC by the Group was £145.3m (30 September 2017: £83.2m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (30 September 2017: £nil) to MCC during the year and paid interest of £6.5m (30 September 2017: £5.0m).

As at 30 September 2018 the amount of loans outstanding owed to the other nine councils (each of which is a related party to Manchester Airports Holdings Limited by virtue of its shareholding) by the Group was £130.1m (30 September 2017: £79.4m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (2017: £nil) to the other nine councils during the year and paid interest of £6.0m (30 September 2017: £4.8m).

Included in external charges are charges for rent and rates amounting to £12.8m (30 September 2017: £14.0m) and other sundry charges of £0.4m (30 September 2017: £0.4m). The majority of these amounts are due to MCC. The remainder are collected by MCC and distributed to other local authorities.

Transactions involving IFM

Industry Funds Management (IFM), through its subsidiary, is a related party to Manchester Airports Holdings Limited as IFM owns 35.5% of the share capital of the Company. During the year, the Group was party to the following transactions with IFM.

As at 30 September 2018 the amount of loans outstanding owed to IFM by the Group was £151.5m (30 September 2017: £89.4m). Manchester Airport Finance Holdings Limited made loan repayments of £nil (30 September 2017: £nil) to IFM during the year and paid interest of £6.9m (30 September 2017: £5.4m).

Transactions involving associate

As at 30 September 2018 the amounts owing to the Group were £nil (30 September 2017: £0.1m) and amounts owed by the Group were £nil (30 September 2017: £nil). Net assets of £nil (30 September 2017: £4.7m), comprising freehold land, were sold to the associate by the Group during the period.

Notes to the financial statements
for the six months ended 30 September 2018

17. Reconciliation of net cash flow to movement in net debt

	At 1 April 2018 £m	Cash flow £m	Other non–cash movements £m	**At 30 September 2018 £m**
Cash at bank and in hand	20.0	2.7	–	**22.7**
Cash on short term deposit	–	–	–	**–**
Cash and cash equivalents disclosed on the statement of financial position	20.0	2.7	–	**22.7**
Overdrafts	–	–	–	**–**
Total cash and cash equivalents (including overdrafts)	20.0	2.7	–	**22.7**
Current debt	–	(57.0)	–	**(57.0)**
Non–current debt	(1,346.8)	(178.3)	–	**(1,525.1)**
Net debt	(1,326.8)	(232.6)	–	**(1,559.4)**

18. Capital commitments and contingent liabilities

	30 September 2018 £m	30 September 2017 £m	31 March 2018 £m
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**212.9**	–	225.8

In addition the Group has performance bonds and other items arising in the normal course of business amounting to £1.3m at 30 September 2018 (30 September 2017: £1.4m). As part of its investment in Airport City the Group has agreed to pay an equity contribution up to a maximum of £30m if required.

Notes to the financial statements continued

for the six months ended 30 September 2018

19. Acquisitions and disposals

Current Period Acquisitions

Looking4Parking

On 21 June 2018, the Group acquired 100% of the issued share capital of Agency of the North Limited ('AOTN') for cash consideration of £3.8 million with an additional payment of up to £5.0 million payable if certain criteria are met. As at the half year the Group are regarding consideration as amounting to the £3.8m up front payment as current estimates are that the criteria for additional payments will not be met.

AOTN currently trades through its wholly owned subsidiary Looking4Parking Limited.

The Board believes that the excess of cash consideration paid over net identifiable assets on acquisition of £3.3m is best considered as goodwill on acquisition. The provisional goodwill calculation is summarised below:

	Book Value £m	Measurement Adjustments £m	Provisional fair value at 30 September 2018 £m
Acquiree's net assets at acquisition date:			
Goodwill	2.3	–	**2.3**
Property, plant and equipment	0.1	–	**0.1**
Intangible Assets	1.3	3.2	**4.5**
Cash	2.0	–	**2.0**
Trade and other receivables	0.7	–	**0.7**
Trade and other payables	(6.1)	–	**(6.1)**
Deferred Tax Liability	–	(0.2)	**(0.2)**
Net identifiable assets	0.3	3.0	**3.3**
Goodwill on acquisition			**0.5**
Total consideration			**3.8**

Included in the six month period ended 30 September 2018 is revenue of £917,000 and a profit before tax of £100,000 in respect of AOTN.

Half Year Impact of Acquisitions

Had the acquisition of AOTN been effected at 31 March 2018, the revenue and profit before tax of the Group for the 26 week period to 30 September 2018 would have been £1.6m and £0.2m respectively.

Acquisition Costs

Acquisition related costs amounting to £235,000 have been excluded from the consideration transferred and have been recognised as an expense in the year, within administrative expenses in the Consolidated Income Statement.

Notes to the financial statements

for the six months ended 30 September 2018

20. Post balance sheet events

Primera Air filed for insolvency on 2 October 2018. The business does not anticipate any financial exposure to its net asset position as at the balance sheet date resulting from the insolvency.

On 26 October 2018 the high court ruled against Lloyds Banking Group in its case regarding equalisation of Guaranteed Minimum Pension (GMP) for men and women. The impact of this ruling upon individual pension schemes will need to be fully assessed. Business expectation would be that the impact on the company schemes would be at the lower end of impacted schemes. The accounting for this increase in liabilities will be reflected in the annual report.

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