Manchester Airports Group

Investor Presentation

Results for the Year Ended 31 March 2017

July 2017

Introduction

Introduction

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FY17 Highlights

FY17 Highlights

Another strong year for MAG with strong year on year growth, financial outperformance against budget and continued investment across the Group to support long-term growth

✓	Continued strong growth carrying over 55 million passengers with an increase in load factors and new destinations.
✓	MAN passenger numbers at an all-time high and more cargo processed than ever before.
✓	MAN passenger growth of 11% - 2nd fastest growing airport in the UK
✓	STN passenger numbers grew by 5% in the past year with the airport now having 6.8m more passengers than in 2013.
✓	EBITDA ahead of 5-year plan and 8% up on prior year.
✓	A new STN arrivals facility is in the planning stages as part of infrastructure developments to enhance passenger experience and capacity for growth.
✓	MAN TP underway - phased and modular infrastructure investment to optimise value and manage risk.
✓	Routes continue to increase with our airports now serving 282 destinations around the world.
✓	MAG Developments continues to maximise the value of MAG's property holdings.
✓	Well positioned for continued growth – aviation pipeline, spare runway capacity, focussed MAN & STN investment.

FY17 Financial Highlights

The continuing success of MAG's commercial and operational strategy is reflected in a 8% year on year increase in passenger numbers and an 8% increase in EBITDA

Group Pax: 55.9m (+8%)
Commercial strategy driving record passenger numbers and growth

MAN Pax: 26.2m (+12%)
MAN passengers at all time high

STN Pax: 24.3m (+5%)
Jet2.com now flying from STN, its first base in the South East

EMA and BOH Pax: 5.4m (+4%)
Important dual role for passengers and cargo

EBITDA: £343m (+8%)
Strong EBITDA growth ahead of plan

Cash generated from operations: £328m (+1%)
Excellent cash conversion

Capital Investment: £179m (+43%)
Improving efficiency and supporting growth

Leverage: 2.7x (-0.1x)
Conservative financial leverage

Source: MAHL FY17 Annual Report & Accounts

Note: For a reconciliation between MAHL and MAGIL FY17 Results see Appendix on Page 31

MAG

Brexit

Brexit consensus forecasts indicate potential lower levels of economic growth. MAG's Financial strategy means strong financial position to deal with the potential impacts of Brexit

- Strong Financial Position:
  - financial performance ahead of five-year plan and strong growth in its core businesses;
  - a capital programme that can be flexed to economic conditions;
  - low leverage and debt levels compared to its higher medium-term optimal levels; and
  - commitment to two strong BBB+/Baa1 ratings enabling efficient capital market access.
- The UK Government has identified aviation as its top transport Brexit issue, and highlighted the importance of minimising uncertainty for 'network industries' including aviation - MAG continues to work closely with airlines, other airports and the UK Government.
- The EU has highlighted the importance of securing a new deal for aviation.
- Latest set of results demonstrates resilience to economic and political uncertainty.

Airport Businesses in strong positions:

- Manchester:
  - Operates as northern hub – strong catchment area and good geographical location for airlines.
- Stansted:
  - Strength in low cost carrier base historically the most resilient passenger segment.
  - Significant passenger overspill from LHR/LGW system in the 10-15 years before a runway is built at LHR.
  - 50% inbound traffic benefit from FX rates.

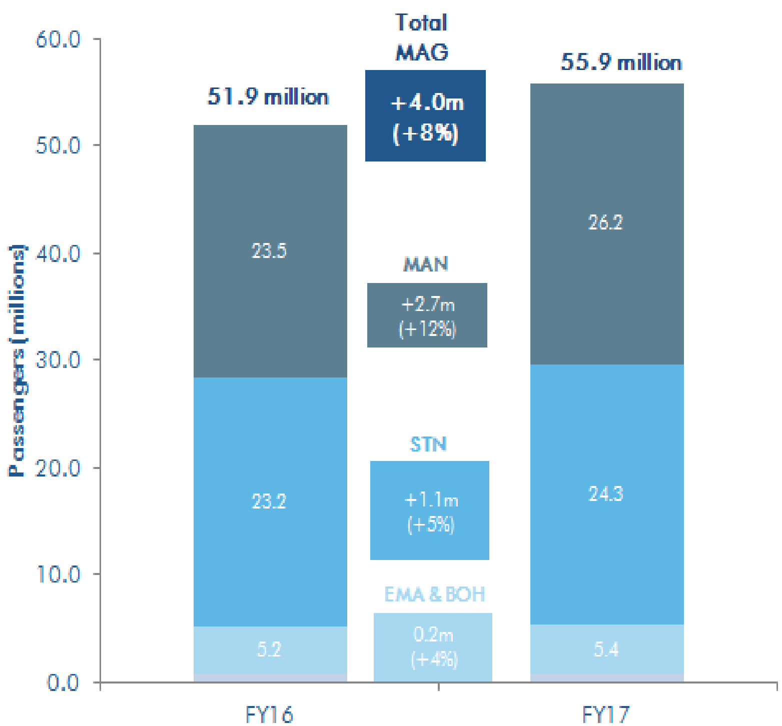
MAG

Passenger Growth & Commercial Development

Commercial Growth Strategy Yielding Results

The success of MAG's commercial strategy is reflected in a 8% year-on-year increase in passengers

FY17 Passengers (millions)



Group

- MAN and STN pax growing strongly.
- Benefiting from a commercial strategy that incentivises growth.
- Increased frequencies, additional capacity, and new routes.

MAN

- Record passenger numbers.
- Around 70 airlines flying to c.200 destinations
- Demonstrates importance of MAN to UK aviation and wider capacity debate.

STN

- 5% growth in passenger numbers in year
- Named 'Best London Airport' 2016.
- Jet2.com makes STN its South East base.

EMA & BOH

- EMA and BOH delivering good growth in passenger numbers even with the runway resurfacing works.
- EMA is the largest airport for dedicated cargo in the UK.

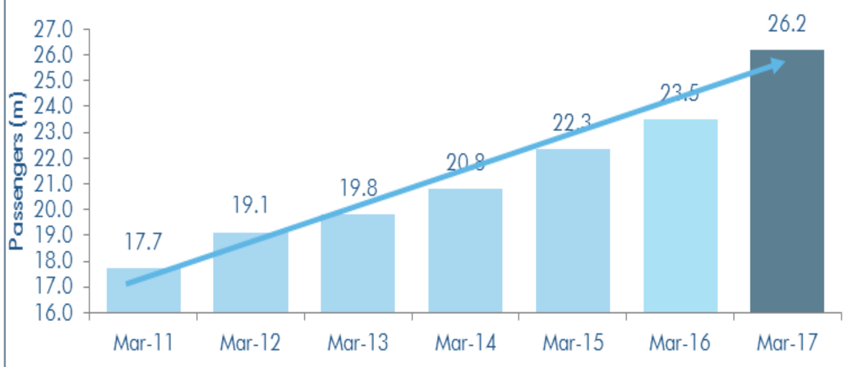
Source: MAHL FY17 Report & Accounts

Note: For a reconciliation between MAHL and MAGIL FY17 Results see Appendix on Page 31

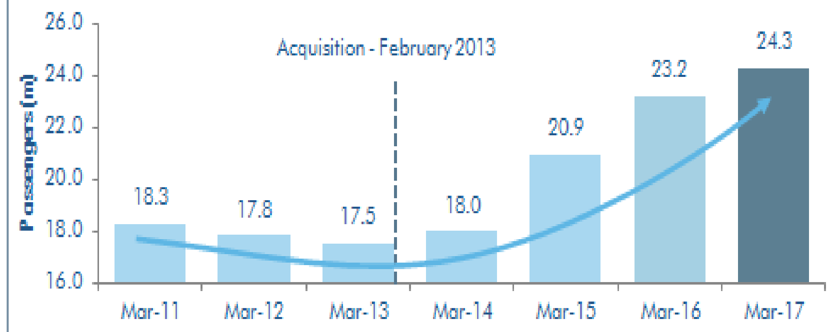
Long-term Passenger Trends…Success of MAG's Strategy

The continued strong growth at MAN and STN illustrates the success of MAG's commercial strategy and the extensive reach of the catchment areas

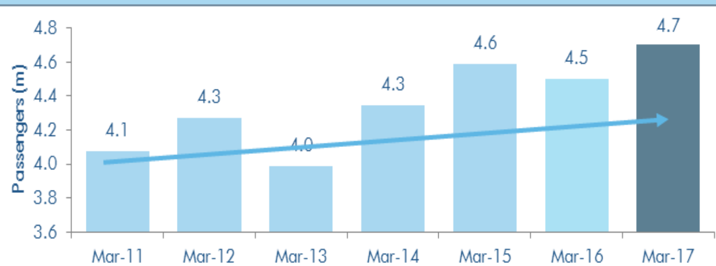
MAN…now in sixth year of sustained growth



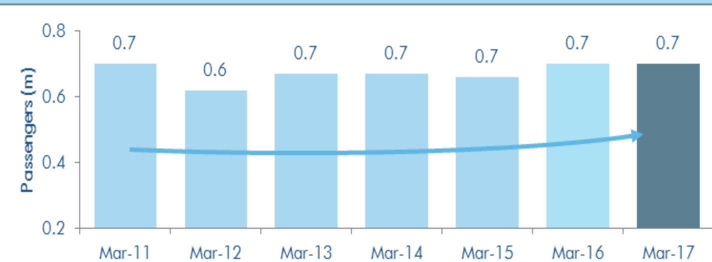
STN…strong growth since acquisition



EMA…consistent performance



BOH…broadly stable but small component of MAG total

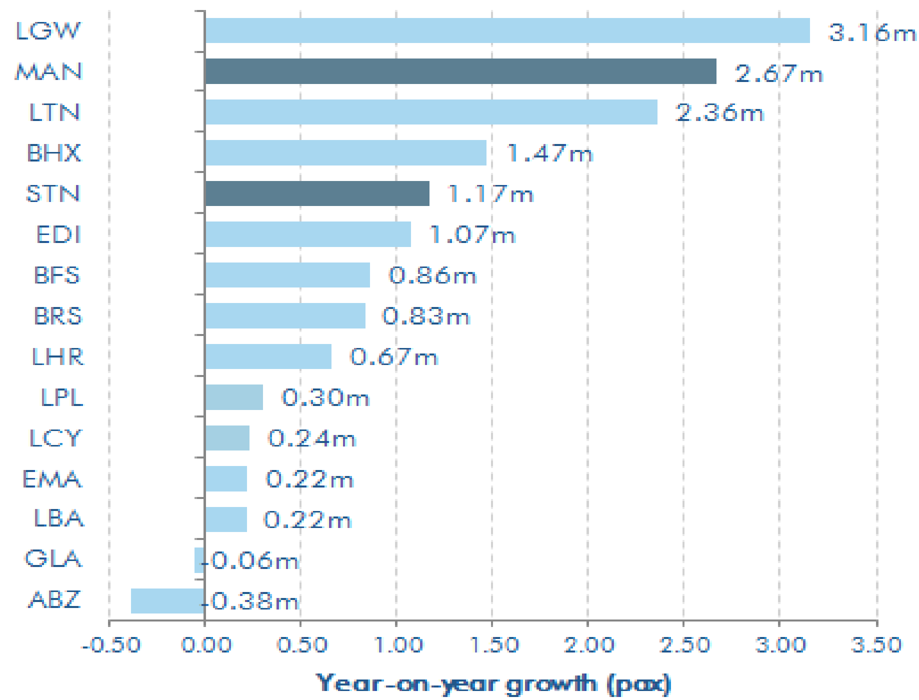


Source: Management Information

Above-Market Growth & Rising Market Share

A commercial strategy that incentivises growth is translating into above-market performance and rising market share (20.6% of UK market reflecting +0.3% increase). MAN and STN have added more passengers than LGW and LHR combined.

MAG has 2 of the top 5 UK airports for passenger growth and the fastest growing airport outside of the London system.



Source: CAA – March 2017, March 2014

A Growing and Diversified Route Network

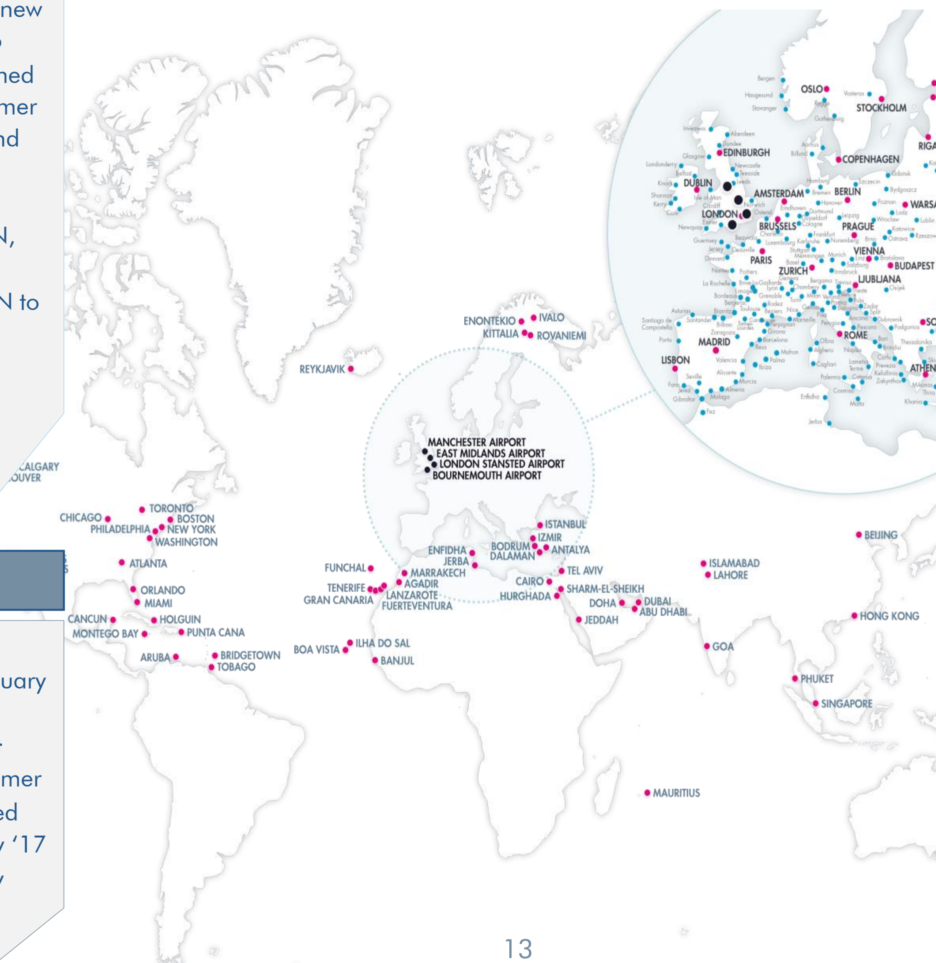
MAG continues to diversify its routes and airline network and now serves 282 routes – more than any other UK airport group. Capacity is growing together with introduction of new routes in Winter 2016 and Summer 2017

North America

- **Singapore Airlines** commenced new service to Houston in Winter '16
- **New MAN** Thomas Cook launched Los Angeles and Boston in Summer '16, Tobago from Winter '16 and San Francisco from March '17
- **Virgin** began services to San Francisco and Boston from MAN, both in March '17
- **New Thomson** services from STN to Montego Bay in '17
- **Additional MAN** – New York capacity with Thomas Cook in Summer '17

Middle East

- **Emirates** at MAN became an all Airbus A380 operation from January '17
- Adding capacity – over **70 direct links a week from MAN** this summer
- **New MAN** Oman Air commenced daily service to Muscat from May '17
- **New MAN** Saudia to launch new service to Riyadh from June '17



Europe / North Africa

- **Cobalt Aero** – new service to Cyprus from MAN and STN launched in Summer'16
- **New Ryanair and EasyJet routes** from STN/MAN/BOH in Winter '16
- New **Jet2** routes launched from EMA to Salzburg and Grenoble in Winter '16
- **Flybe** – new Winter '16 services from MAN to Chambery and Innsbruck
- New **Monarch** services from MAN to Zagreb, Oporto and Stockholm launched in Winter '16
- **BA** weekend services from STN in Summer '16 and MAN for Summer '17
- **Jet2** - new 6-aircraft base at STN from Summer'17, serving 27 destinations
- **New Krakow and Naples** services from BOH
- New **Vueling and Norwegian** services from MAN

Far East

- **Hainan Airlines launched a 4 x weekly service** to Beijing from MAN in June '16 – going to **daily** from July '17
- Singapore Airlines now operate **non-stop to Singapore** from MAN
- **Thomson grew** its MAN long haul network with services to Phuket, Mauritius and Goa

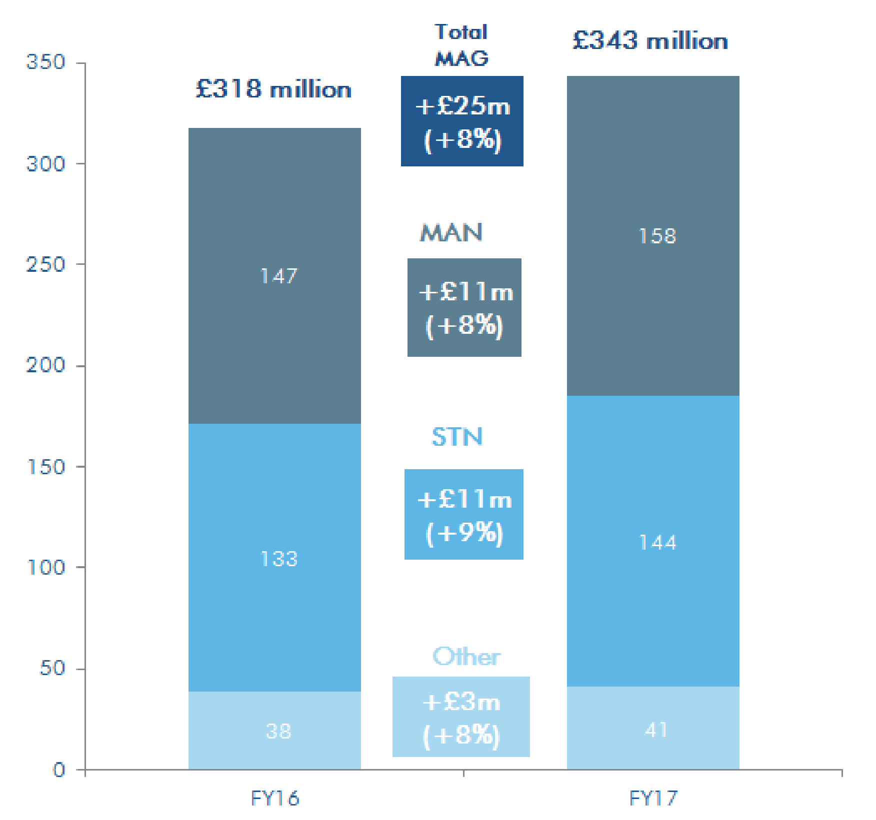
Source: Management Information

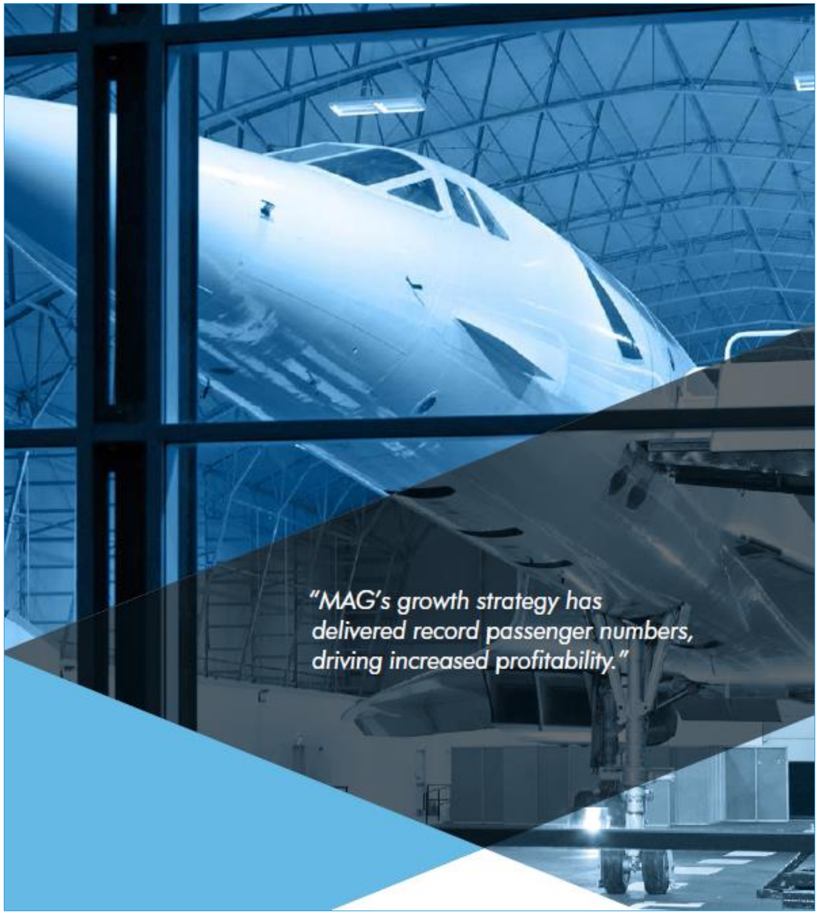
Trading Performance

FY17 EBITDA

Robust trading performance across the Group. MAG EBITDA has increased by £101m (42%) since the acquisition of STN in 2013.

EBITDA (£ million)





Source: MAHL FY17 Report & Accounts

Note: For a reconciliation between MAHL and MAGIL FY17 Results see Appendix on Page 31

FY17 Trading Performance

Group EBITDA up by £26 million (8%) from £318 million to £343 million

Group Income Statement

£m	Group FY17	Group FY16	Variance (£'m)	Variance (%)
Aeronautical	407.0	387.4	+19.6	+5.1%
Retail	164.4	143.8	+20.6	+14.3%
Car Parking	152.1	137.6	+14.5	+10.5%
Property	49.1	47.5	+1.6	+3.4%
Other	67.0	62.5	+4.5	+7.2%
Revenue	**839.6**	**778.8**	**+60.8**	**+7.8%**
Employee costs	(187.8)	(174.2)	(13.6)	(7.8%)
Non-employee costs	(315.6)	(297.5)	(18.1)	(6.1%)
Operating Costs	**(503.4)**	**(471.7)**	**(31.7)**	**(6.7%)**
Property development	7.0	10.6	(3.6)	(34.0%)
EBITDA	343.2	317.7	+25.5	+8.0%

Aeronautical revenue

- Continuing growth in pax at MAN and STN drives strong aeronautical revenues ↑ 5%.
- Aeronautical yields are slightly lower due to strong pax increases in non-peak periods.

Retail

- Pax growth drives retail revenues ↑ 14%.
- Retail yield increase of 6% despite challenging market conditions particularly in duty free.
- Benefit of full year impact of investment at STN

Car Parking

- Focus on innovation, providing more customer choice and maximising utilisation.
- Growth of 11%. Focus on M&G facilities and yield management helped by investment in CRM and online booking capabilities.

Operating Costs

- Investment in security, back-office systems and restructuring of the property business.
- Tight control of costs but further investment in staff to support growing pax volumes. Costs per pax down by £0.09 (1%).

Property development

- Property strategy to realise best value from our estate results in £7m profit.
- Occupiers seek benefits of locating close to global connectivity.

Source: MAHL FY17 Report & Accounts

Note: For a reconciliation between MAHL and MAGIL FY17 Results see Appendix on Page 31

Capital Investment

FY17 Capital Investment

Continued investment in asset base including maintenance of existing assets and new value generating developments

Well invested asset base with discretionary spend based on need

MAN TP progressing well through design stages. Infrastructure options for STN being considered to make best use of spare runway capacity over short, medium and long-term.

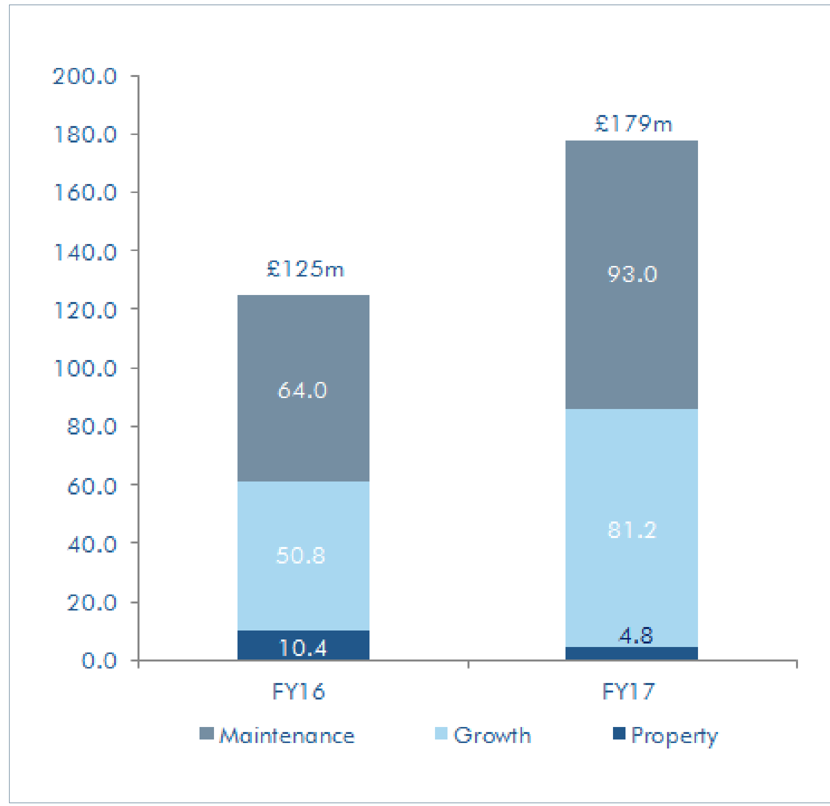
Initial planning costs for the multi-million pound transformation programme at STN, including a purpose-built arrivals facility

Significant ongoing investment in IT infrastructure, back-office systems and software to enable the Group to support additional growth and manage its assets more efficiently.

Runway resurfacing works at EMA supporting cargo and passenger operations – 50,000 tonnes of asphalt and 1,200 runway lights. Completed over seven consecutive weekends.

Revenue diversification from low-risk investment in property estate, including Airport City.

Capital Investment (£m)



Source: Management Information

Responding to an Evolving Market

The growth of MAN and STN provides an opportunity to consolidate our position as the key strategic transportation hub in the North of England and to optimise our spare capacity in a constrained London system

Manchester

✔ **MAN is well invested** with two full-length runways providing significant spare capacity and the discretion to review and re-scope projects in the event of an economic downturn.

✔ MAN is the UK's largest and fastest growing major airport outside of the London system and illustrates the **success of MAG's commercial strategy** of incentivising growth.

✔ The **refresh of the MAN Master Plan** is an opportunity to:

- Create more flexibility in capacity options;
- Provide more operational resilience;
- Create facilities that are more adaptable to change; and
- Create space to facilitate new products and processes.

Implications of Brexit?

- Same sound principles
- Modular programme - flexibility in build phasing to account for business performance and customer demand.
- As with any other major investment decision MAG continues to monitor market - considered Brexit scenarios analysis.
- Conservative financial risk profile - headroom to respond to changing market conditions.
- Strong shareholder support with the ability to vary dividends to fund investments and maintain financial risk profile.

Stansted

✔ **STN has grown by over 40% since 2013** -London system is constrained – We are planning for future growth and making the most efficient use of our single runway

✔ **Invested already** in our terminal and satellite facilities, adding value to airlines who have experienced significant growth in passenger numbers

✔ The **new phased investment** will:

- Increase levels of services and enhance airline /passenger experience;
- Improve efficiency in the terminals and on the airfield to increase throughput; and
- Ensure there is adequate expansion/ flexibility within the design to accommodate airline, regulatory and capacity changes

STN Transformation Programme

STN Transformation Programme

Three key areas that will deliver more flexible capacity, future-proof the operation and offer improved service to customers and airlines. Improvements to the airfield will increase throughput and make more efficient use of our single runway, while other London airports are full

Requirement and vision

- Sustained passenger growth and new airlines allows us to plan ahead to transform the passenger experience and provide growth options for demand at the airport.
- The investment will enhance the passenger experience allowing the airport to serve up to 44 million passengers a year and future-proof our ability to make the full and efficient use of our single runway.

Progress to Date

✓ Plans submitted for the early stage design are ongoing. Arrivals building approved in April 2017.

The Major Schemes

- **Arrivals** (c.£130m) - Dedicated building for all arriving passengers will provide immigration, baggage reclaim, customs and baggage off load - designed over 3 levels with a gross floor area of approximately 35,000 m2.
- **Departures** (c.£220m) - Existing terminal will be transformed to a dedicated departure only building providing shore line check-in with increased number of desks, secondary security screening area, additional seating and extended baggage facilities.
- **Airside** (c.£100m) - Upgrade to airside infrastructure to support an increase in peak hour movements – 20 additional stands, rapid access/exit taxiways.

MAN Transformation Programme

MAN Transformation Programme: In Detailed Design Phase

In June '15 MAG announced a £1bn 10-year programme, which would see the passenger and airline experience at Manchester Airport transform to meet modern requirements and this key transport hub continue to grow and contribute towards the dynamic Northern Powerhouse region – Planning consent received in March'16

The Scheme

- £1 billion, 10-year capex programme, phased and modular, split into 30+ different projects to maintain maximum flexibility to cope with a market downturn or changes in the operating environment.
- An enlarged facility at T2, together with additional stands, apron and car parking, providing a future-proofed operational environment with world class facilities and improved surface access.

Progress to Date

- ✓ 0 - Strategic definition - Business case and strategic brief developed and buy-in gained from MAG Board and Airline Customers
- ✓ 1 - Preparation and brief - Project objectives developed, team mobilised and feasibility understood
- ✓ 2 - Concept Design - Structural design, building services system, outline specifications and preliminary costings
- 3 - Developed design - Preparing of developed design including updated proposals for structural design, building service systems, outline specifications and cost information
  - Airfield module awarded to Galliford Try May 2017; Terminal Extension module being worked though detail design with Laing O'Rourke; Enabling works well underway

Investment Programme: Core Financing Principles

Re-profiling of long-term capital plan. Financing and debt investor considerations are central to the investment programmes with the focus on component separability, resilience in the event of a downturn and conservative financing

<table>
<tr>
<td>MAN</td>
<td>With more than 30 components spread over 10+ years - component separability will be hard-wired into the contracting strategy and project plan with the ability to defer investment in the event of a downturn in trading performance.</td>
<td>Limited disruption to existing commercial and operational activities due to (1) the phasing strategy; and (2) the extension and modification of existing facilities rather than their replacement.</td>
<td rowspan="2">Re-profiles £1.5bn of the MAG £3.5bn+ long-term capital plan with new investment offset over the longer-term by significant capex savings on account of a simpler and more efficient terminal configuration.</td>
<td rowspan="2">Investment programmes are subject to a robust Business Case assessment with the commercial and capital investment inputs subject to third party review and validation.</td>
<td rowspan="2">The Group remains committed to maintaining strong investment grade credit ratings with the investment to be funded through a mixture of debt and equity with flexibility in the dividend policy.</td>
</tr>
<tr>
<td>STN</td>
<td>Scheme comprises of over 10 elements across 3 discrete phases spread over 5 years – corresponding to passenger and airline growth</td>
<td>Minimise disruption (1) phasing strategy; (2) separate new terminal so existing terminal operations unaffected (3) Remote stands at airfield perimeter.</td>
</tr>
</table>

Financing

Strong Cash Generation

Strong trading performance combined with an excellent cash conversion ratio underpins prudent financial leverage

Group Cash Flow Statement

£m	FY17	FY16
Cash generated from operations (before significant items)	**327.7**	**325.3**
Interest paid	(72.5)	(73.2)
Tax paid	(35.2)	(30.4)
Purchase of property, plant and equipment	(171.9)	(123.7)
Investment in associate	(1.9)	(6.5)
Proceeds from transfer of assets to associate	-	3.2
Proceeds from sale of property, plant and equipment	57.5	18.8
Net change in borrowings	44.1	(20.0)
Dividends paid to shareholders	(124.2)	(100.6)
Adjustment for significant items	(7.1)	(2.9)
Net movement in cash	**16.4**	**(10.0)**
Cash and cash equivalents at 1 April	0.3	10.3
Cash and cash equivalents at 31 Mar	16.7	0.3

Strong cash generation

- Strong cash flow allows the Group to continue to invest in the asset base and fund growth.
  - Cash generated from operations up by £2.4 million from £325.3 million to £327.7 million.
  - £48.2m increase in capital spending primarily in relation to MANTP.
  - Proceeds of £57.5m received from partial disposal of residential portfolio at STN, development land and logistics facilities.
  - Commitment to sustaining strong investment grade credit ratings drives the dividend policy.
  - Dividends of £124m paid (FY16 Final dividend of £77.2m and FY17 Interim dividend of £47.0m).
  - Final dividend of £93.9 million to be paid in July 2017 following publication of the FY17 Annual Report and Accounts.

Source: MAHL FY17 Report & Accounts

Note: For a reconciliation between MAHL and MAGIL FY17 Results see Appendix on Page 31

Stable Financial Leverage & Strong Interest Cover

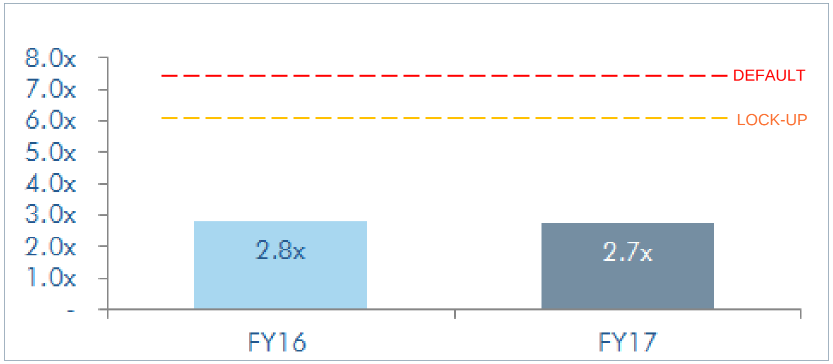
On-going commitment to conservative finance structure incorporating a large proportion of medium and long-term fixed interest Bond finance with shorter term flexibility provided by a £500m Revolving Credit Facility

Prudent financing and dividend policy…

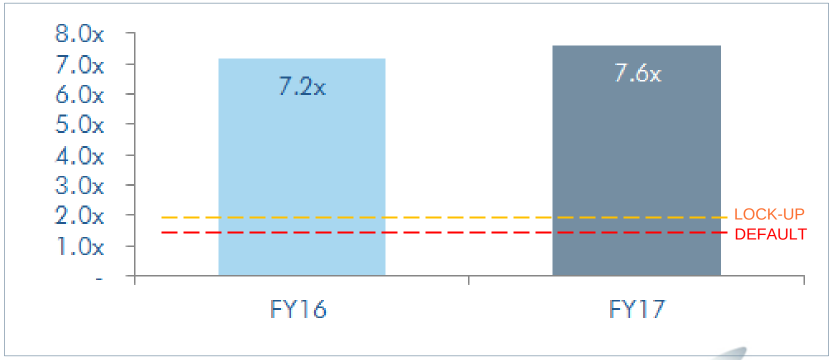
- MAG is committed to maintaining strong investment grade ratings and conservative leverage is core to that objective.
  - Baa1 rating reaffirmed by Moody's in August 2016.
  - BBB+ rating reaffirmed by Fitch in November 2016.
- Reduced Net Debt / EBITDA with interest cover higher than plan due to lower than forecast usage of the Revolving Credit Facility (RCF).
- Significant headroom in financial covenants.
  - Leverage at 2.7x vs. lock-up at 6.0x.
  - Interest cover at 7.6x vs. lock-up at 2.0x.
- Leverage has improved due to strong EBITDA growth over last year – planned to increase through investment cycle, including MAN/STN projects, but stay within BBB+ rating
- RCF and LF were refinanced in June 2016 providing a new larger £500m RCF (LF remains at £60m) providing further flexibility for investments at MAN and STN.

Source: Management Information

Leverage: Net Debt / EBITDA



Interest Cover: EBITDA less Tax / Finance Charges



MAGIL covenant calculations per Common Terms Agreement dated 14 Feb 2014

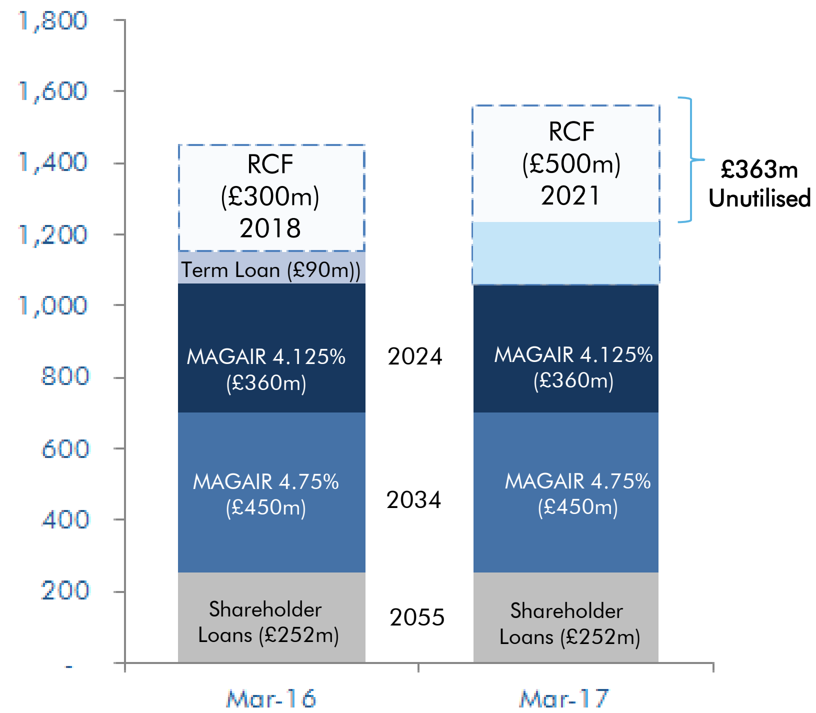
Flexible long-term funding platform

A new £500m RCF and £60m LF to support the continued growth of the business, including investment in our infrastructure at MAN and STN. Financing strategy to access the capital markets for medium and long-term lending to support growth and investment

Larger facility and significant savings

- In June 2016 MAG refinanced its existing £300 million Revolving Credit Facility and £60 million Liquidity Facility which were scheduled to mature in February 2018.
- The new facilities comprise a £500 million revolving credit facility and £60 million in standby liquidity facilities.
  - five year term, with optional extensions, maturing in June 2021 (extension triggered to 2022 in June).
  - LF providing committed 12 months of interest cover supporting MAG's listed bonds and other credit facilities.
- Repayment of £90 million acquisition loan
- Significant savings to margin and fees.
- New and existing banks - a testament to the strong results that have been achieved together and an ability to extend relationships into new banking markets.
- MAG will continue to access the long-term capital markets for core long-term debt as it invests in the business and grows earnings

Flexible, long-term financial structure with headroom



Source: Management Information

MAGIL covenant calculations per Common Terms Agreement dated 14 Feb 2014

Q&A

Appendix

Appendix – Reconciliation of Security Group Consolidation (MAGIL) to Group Results (MAHL)

£m	MAGIL	Intra-group interest	Shareholder Loan	Dividends	Airport City	MAG International	Tax/other	MAHL
Income Statement								
Revenue	838.4	-	-	-	-	1.2	-	839.6
EBITDA	347.6	-	-	-		(4.0)	(0.4)	343.2
Result from operations	**210.2**	-	-	-		**(4.3)**	(0.4)	**205.5**
Significant items	(7.1)	-	-	-	-	-	-	(7.1)
Result from operations after significant items	**203.1**	-	-	-	-	**(4.3)**	**(0.4)**	**198.4**
Share of result of associate	-	-	-	-	0.1	-	-	0.1
Gains and losses on sales and valuations of investment properties	4.1	-	-	-	-	-	-	4.1
Finance costs	(37.7)	(5.7)	(30.3)	-	0.1	-	0.1	(73.5)
Taxation	(19.4)	-	-	-	(0.2)	-	9.7	(9.9)
Result for the year	**150.1**	**(5.7)**	**(30.3)**	-	-	**(4.3)**	**9.4**	**119.2**
	-							
Balance Sheet								
Non-current assets	3,173.4	-	-	-	30.5	4.8	-	3,208.7
Current assets	668.6	(5.7)	(121.0)	(373.8)	(39.7)	(12.4)	(0.9)	115.1
Current liabilities	(401.9)	-	-	-	(0.2)	-	27.3	(374.8)
Non-current liabilities	(1,155.5)	-	(251.5)	-	-	-	-	(1,407.0)
Net assets	**2,284.6**	**(5.7)**	**(372.5)**	**(373.8)**	**(9.4)**	**(7.6)**	**26.4**	**1,542.0**

Source: MAHL FY17 Report & Accounts, MAGIL FY17 Report & Accounts, Management Information

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