

Manchester Airports Group

FY23 Investor Report

July 2023



Important Notice

This investor report is prepared in accordance with the requirements of the Common Terms Agreement dated 14 February 2014 between, among others, the Issuer, the Obligors and Citicorp Trustee Company Limited (“the Common Terms Agreement”). It summarises certain information contained in the Manchester Airport Group Investments Limited and Manchester Airports Holdings Limited reports and financial statements for the year ended 31 March 2023 and the Annual Presentation and Compliance Certificate for the period then ended.

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

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1. Business Update

Further information is available at www.magairports.com/investor-relations/ and in the Manchester Airport Group Investments Limited and Manchester Airports Holdings Limited reports and financial statements for the year ended 31 March 2023, as well as the Annual Presentation and Compliance Certificate for the year then ended.

MAG has delivered the commercial and operational strategy first described to investors in February 2014 and then during the annual and semi-annual Investor Presentations for every financial year ending thereafter until the emergence of Covid-19 in early 2020 through to release of international travel restrictions in March 2022.

Last year was one of the most significant in our sector's history, the first full year following the removal of the restrictions imposed in response to the Covid-19 pandemic, enabling the full resumption of international travel.

Demand recovered well across all three of MAG's airports with passenger volumes returning close to pre-pandemic levels, growing from 83.8% of FY20 volumes at the half year, to 90.6% at the financial year end. Total passenger numbers for the financial year reached 54.0m, an increase of 163.4% compared with FY22.

Passenger numbers

Pax	FY23	FY22	FY20	Variance (m) (FY23 to FY22)	Variance (%) (FY23 to FY22)
MAN	25.2	9.1	28.2	16.1	176.9%
STN	25.5	10.3	26.9	15.2	147.6%
EMA	3.3	1.1	4.5	2.2	200.0%
TOTAL	54.0	20.5	59.6	33.5	163.4%

Source: MAHL Annual Report & Accounts FY23

Manchester Airport ("MAN")

As the UK's global gateway in the North, Manchester Airport saw strong demand after the lifting of pandemic travel restrictions. This is reflected in passenger numbers for FY23 of 25.2m equating to 89.4% of pre-pandemic levels in FY20, and 176.9% higher than FY22 figures.

Alongside our airline partners, we worked over the period to maintain full flight schedules, appreciating the value people attach to their travel plans. However, the time required to recruit

and clear people to work in secure airside environments – typically a three-month process – resulted in operational challenges at Manchester in the first few months of the financial year, with service levels in peak periods falling below those we aim to deliver. We have delivered sustained improvements in operational performance since the summer, including at peak times. For example, during the most recent Easter period 99.0% of passengers passed through security in 15 minutes or less.

Our recruitment efforts have seen us welcome nearly 2,000 new colleagues into the business at Manchester, including around 1,000 security officers. This was achieved through strong partnership working with regional stakeholders, including the staging of multiple jobs fairs and utilising the network of our Airport Academy.

The majority of pre-pandemic routes were reinstated promptly after restrictions were removed. Demand was strongest for short-haul destinations, although direct long-haul routes have also recovered strongly during FY23.

Adding to the airport's long-haul destinations, Kuwait Airways and Gulf Air began services to Kuwait and Bahrain, and Hainan Airlines resumed its Beijing-Manchester services in August after a two-and-a-half-year long suspension.

In September, Emirates announced it would re-commence its third daily service to Dubai, returning the airline to its pre-pandemic capacity at Manchester. Air Canada also resumed its direct service to Toronto, five times a week during the summer season.

MAG recently announced the go-ahead for the final phase of the Manchester Airport Transformation Programme. An investment of £440m will double the size of the departure lounge, provide an additional security hall fitted with next-generation security scanners, and increase hold baggage processing capacity. The airfield will also be upgraded to cater for next generation aircraft. Upon the completion of the work, 80% of the airport's passengers will fly through this world-class terminal.

MAG entered a landmark partnership with HyNet in November 2022 that could make Manchester Airport the first in the UK to secure a direct supply of hydrogen fuel. This complements our partnership with Fulcrum Bio Energy UK for the delivery of Sustainable Aviation Fuel (SAF). These are important milestones in our commitment to achieve net zero carbon by 2038.

Stansted Airport (“STN”)

Thanks to the strength of its route network, with more European destinations than any other UK airport, London Stansted’s recovery outperformed other UK airports. Passenger numbers rebounded to 94.8% of those seen before the pandemic, with 25.5m passengers welcomed in FY23, up by 147.6% compared to the previous year.

Operational performance was strong throughout the year, with 99.0% of passengers passing through security in 15 minutes or less throughout the summer season.

A market leader for short-haul travel offering 180 European destinations, London Stansted was pleased to offer a rich programme of services after travel restrictions were removed.

We were delighted to see the return of long-haul services in August 2022 when Emirates reinstated its Stansted to Dubai service. The addition of a second daily service from May 2023 is indicative of the strong demand for travel to the Middle East hub and beyond to other long-haul destinations, particularly in the Asia-Pacific region.

Other carriers at the airport also introduced new routes across the year, including Ryanair routes to Newquay, Asturias, Klagenfurt, and Leipzig, a service to Bergen with Wideroe and two new Jet2 city break destinations to Athens and Rome.

February 2023 marked 10 years since MAG acquired London Stansted Airport. Under MAG’s ownership the airport has become the UK’s number one gateway to Europe. Over the decade, Stansted has served more than 200 million passengers on 1.3 million flights provided by 85 airlines to 299 destinations in 52 countries.

Having invested millions of pounds in upgrading facilities over the last decade, we look forward to the next phase of investment in new facilities and infrastructure to increase capacity from 35 million to 43 million passengers per annum.

As part of our ongoing sustainability programme, in August 2022 Stansted received approval to construct an on-site 14.3MW solar farm to help to power the airport’s operations.

East Midlands Airport (“EMA”)

In FY23, East Midlands Airport served 3.3m passengers, an increase of 200.0% compared to the previous year and 73.3% of the numbers before the pandemic in FY20.

Alongside its passenger operation, East Midlands Airport is the UK’s leading airport for dedicated cargo operations, flying more tonnes by pure freight aircraft than any other in the country.

This year, Ryanair, Jet2 and TUI all increased their number of based aircraft at East Midlands. Ryanair is now operating eight aircraft, Jet2 is has increased to seven, and TUI will operate five based planes.

Alongside its passenger operation, East Midlands Airport is the UK’s leading airport for dedicated cargo operations, flying more tonnes by pure freight aircraft than any other in the country.

In FY23, cargo loads decreased by 13.4%, with the airport handling over 395,000 tonnes of freight. Although cargo volumes are down on last year, they are still ahead of pre-pandemic levels; and the airport continues to have, by some margin, the UK’s largest share of the freight-only aircraft market.

In March 2023, the East Midlands Freeport was officially designated by the Government. This is the UK’s only Inland Freeport with three modes of transport – road, rail and air. The airport is the international ‘port’ of the Freeport as well as forming part of one of three designated tax sites – the East Midlands Airport and Gateway Industrial Cluster (EMAGIC). The site will be a key enabler for international business within the region and is expected to create 60,000 jobs.

Financial Results for FY23

£m	Group FY23	Group FY22	Group FY20	Variance (£) (FY23 to FY22)	Variance (%)
Aeronautical	355.9	179.9	361.2	+176.0	+97.8%
Retail	234.5	81.2	200.0	+153.3	+188.8%
Car Parking	325.1	126.7	234.8	+198.4	+156.6%
Property	20.2	21.1	18.7	(0.9)	(4.3%)
Other	93.3	53.2	78.7	+40.1	+75.4%
Revenue	1,029.0	462.1	893.4	+566.9	+122.7%
Employee costs	(291.7)	(164.7)	(265.4)	(127.0)	(77.1%)
Non-employee costs	(325.3)	(172.1)	(245.9)	(153.2)	(89.0%)
Operating Costs	(617.0)	(336.8)	(511.3)	(280.2)	(83.2%)
Disposal of fixed assets	-	0.3	-	(0.3)	(100.0%)
EBITDA - Continuing	412.0	125.6	382.1	+286.4	-
EBITDA - Discontinuing	-	7.9	25.4	(7.9)	-

Source: MAHL Annual Report & Accounts FY23

The Group has experienced an overall revenue increase of 122.7%, to £1,029.1m, in comparison to the prior period. Growth in passenger numbers was the principal driver in increasing revenue by £566.9m. MAG continued to manage its cost base, with volume-driven cost increases amounting to an 82.4% uplift on the prior year cost base. Consequently, this has resulted in an adjusted EBITDA of £412.0m for FY23 (FY22: £125.6m).

MAG's strong brought forward cash position from FY22 and positive cash generated from operations of £455.0m during FY23 enabled the Group to recommence payments of shareholder loan interest¹, which had previously been deferred since March 2020 and restarting in March 2023. This enabled MAG to relaunch the transformation programmes at both Manchester and London Stansted to invest in new facilities and enhance service levels for passengers. MAG also fully paid back amounts drawn on its £500m revolving credit facility and maintained a positive net cash position of £67.6m (FY22: £462.9m)

¹ Shareholder Loans are only relevant to Manchester Airports Holding Limited as they sit outside of the Manchester Airport Group Investment Limited Security Group.

Aeronautical Revenue

Group aeronautical revenue increased by £176.0m to £355.9m (+98%) largely driven by the uplift in passenger volumes. However, the increase in passengers is not proportionate to the revenue increase due to a higher proportion of low-cost carriers within the passenger mix.

Retail Revenue

Retail revenue increased by £153.3m (+188.8%) to £234.5m. Retail yields increased by 9.6% in FY22 and improved across all of our airports with the largest contributions coming from duty-free, food and beverage, and newsagents.

Car Parking Revenue

Car parking increased by £198.4m (+156.6%) to £325.1m. There was a slight reduction in yields by 2.6% due to the significant increase in passenger numbers and mix of products.

Property and Other Revenue

Property income contracted slightly during the year, with a 4.3% decrease over the prior year to £20.2m. Other income increased by 75.4% to £93.3m, with passenger-related activities such as retail travel services, refuelling and check-in desk rental providing the main year-on-year increases, along with improved (non-passenger related) recovery on utility costs incurred from tenants.

Operating Costs

The Group's net overall operating costs, comprising employee costs and non-employee costs, increased by £280.2m to £617.0m (2022: £336.8m). This increase is net of the £36.0m government assistance the Group received in FY22 under the UK Government's Covid-19 Job Retention Scheme and the Airport and Ground Operations Support Scheme (AGOSS).

Employee costs increased by £127.0m to £291.7m, partially resulting from the ramping up of headcount which enabled the Group to meet the rapid increase in passenger demand, and the impact of the UK Government's Job Retention Scheme contribution to the prior year (£18.2m).

The Group's other operating costs before adjusted items increased by £153.2m to £325.3m. This was due to increased energy costs, increases in costs of maintenance, airfield costs and marketing, and the impact of AGOSS in the prior year accounts (£17.8m).

Capital Expenditure

As the economy recovered from the Covid-19 pandemic in FY23, MAG increased its capital expenditure programmes to commence the next phases of its transformation programmes. The Group's investment of £193.7m (2022: £68.7m) in infrastructure during the year was largely driven by the final phase of the Manchester Transformation Programme, Stansted runway resurfacing works and implementation of future security regulations.

CAVU

On 31 March 2022 MAG launched its new digital business, CAVU. CAVU comprises the legacy MAG-O and MAG US businesses which have been bolstered in the past five years through acquisitions in both the UK and the US. These businesses have a track record of developing and delivering products for airport hospitality and car parking. CAVU will continue to work with both MAG companies and external clients to develop and provide services to aviation customers across the whole customer journey.

MAG has a proven track record in this innovative area, in which the Group can provide service to the wider travel sector as well as MAG's core airport businesses. CAVU is regarded as a separate reportable segment in MAG's statutory accounts to align with the structure of management reporting within the Group, replacing MAG US which forms part of the CAVU segment.

CAVU performed strongly during FY23 with revenues increasing from £32.4m to £142.1m of which the commercial agreement with the Group's airports amounted to £75.5m. Adjusted EBITDA increased by £26.9m to £35.2m.

Management Development

As part of our Executive management development programme we look to create opportunities for our people to enhance their skills and provide succession planning for key roles within the group.

Paul Venables was appointed as Audit Chair designate, and a non-executive director in March 2022 and assumed the role and responsibilities of the Audit Chair following Robert Napier's retirement in June 2022.

There were some changes to the composition of roles making up the Executive Committee with the Managing Director of each airport added to the Executive Committee.

There have been no other changes to the Board of Directors and Executive Committee for Manchester Airports Holdings Limited during the year or to the date of this report. The full lists of the Board of Directors and Executive Committee that were in position during the year ended 31 March 2023 is shown below.

Name	Role	Board of Directors	Executive Committee
Charlie Cornish	Group Chief Executive Officer	✓	✓
Jan Bramall	Chief Financial Officer	✓	✓
Ken O'Toole	Deputy Group Chief Executive Officer	✓	✓
Jenny Cochrane	General Counsel & Company Secretary	✓	✓
Sir Adrian Montague	Chair	✓	
Cllr Bev Craig	Voting shareholder-appointed Non-Executive Director	✓	
Cllr John Blundell	Shareholder-appointed Non-Executive Director	✓	
Manoj Mehta	Voting shareholder-appointed Non-Executive Director	✓	
Christian Seymour	Voting shareholder-appointed Non-Executive Director	✓	
Vanda Murray OBE	Independent Non-Executive Director	✓	
Robert Napier	Independent Non-Executive Director	Resigned Jun-22	
Paul Venables	Independent Non-Executive Director	✓	
Catherine Schefer	Independent Non-Executive Director	✓	
Jonathan Wragg	Independent Non-Executive Director	✓	
Tim Hawkins	Chief of Staff		✓
Nicholas Woods	Chief Information Officer		✓
Martin Jones	Chief Executive Officer, MAG USA		✓
Chris Woodroffe	Managing Director, Manchester Airport		Appointed Jun-22
Gareth Powell	Managing Director, Stansted Airport		Appointed Oct-22
Steve Griffiths ¹	Managing Director, East Midlands Airport		Appointed Oct-22

¹ Steve Griffiths was previously Managing Director at Stansted Airport.

There have been no changes to the Board of Directors for Manchester Airport Group Investments Limited during the year. Charlie Cornish, Jan Bramall and Ken O'Toole continued in their roles as directors.

On 14 June 2023 it was announced that Sir Adrian Montague will step down from his role as Chairman from 1 October 2023. Sir Adrian will be replaced as Chairman of the Board by Charlie Cornish, who will step down from his role as Chief Executive Officer. Ken O'Toole will become the new Group Chief Executive Officer.

2. Regulatory Update

Economic Regulation

The three airports in the MAG portfolio are not licenced by the CAA for the purposes of economic regulation.

MAN and STN were deregulated by the CAA in April 2009 and April 2014 respectively.

In January 2020 MAG was notified by the CAA that it would be carrying out a Market Power Determination at MAN later in the calendar year. Following the impact of Covid-19 the CAA has confirmed its intention to keep the timing of the process under review.

3. Financing

Revolving Credit and Liquidity Facilities

As at 31 March 2023 MAG had a £500 million revolving credit facility and a £90 million liquidity facility, maturing May 2027.

On 27 May 2022 MAG completed a refinancing of the previous facilities through an amendment and restatement process. The total facility sizes and lenders remained unchanged. The maturity date on the new facilities was May 2027 with options to extend by up to two years, subject to lenders' agreement. The first one-year extension option was executed in May 2023 extending the maturity to May 2028.

These facilities, together with the long-term capital markets issuances, strong historical trading performance, and strong liquidity as part of MAG's financial response to Covid-19 and an appropriate financing policy underpin stable underlying financial leverage which will enable MAG to continue to invest in the asset base and fund future growth as passenger levels return to historical levels.

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

Capital Markets Transactions

Since the Initial Issue Date on 14 February 2014, Manchester Airport Group Funding Plc has issued four capital markets instrument. MAG's listed bonds comprise:

- MAGAIR £450 million 4.750% 2034 – issued February 2014, London Stock Exchange
- MAGAIR £360 million 4.125% 2024 – issued April 2014, London Stock Exchange
- MAGAIR £300 million 2.875% 2039 – issued November 2017, London Stock Exchange
- MAGAIR £350 million 2.875% 2044 – issued May 2019, London Stock Exchange

On 12 May 2023 MAG secured a committed bridge to bond facility that provides the Group with assurance that it will be able to refinance its bond for £360m which matures in April 2024.

Credit Rating Agencies

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

In October 2021 Fitch Ratings revised its rating on the Group from BBB+ to BBB (negative outlook). In September 2022 Fitch Ratings affirmed its rating BBB (negative outlook) citing uncertainty about the economic outlook on the aviation industry despite satisfactory recovery of passenger volume recovery at MAG's airports.

In November 2022, Moody's reaffirmed its Baa1 rating and changed the outlook to stable from negative following its expectation of a continued recovery in traffic.

Since Fitch and Moody's last rating updates passenger numbers at major UK airports have continued their positive recovery trajectory, and specifically at MAG, and at a greater rate than either rating agency had forecast in their rating cases.

Liquidity

At 31 March 2023 the Group had £562m of available liquidity comprising £68m of cash on deposit and an undrawn £500m RCF less £6m carved out for guarantees.

The £90m Liquidity Facility provides further liquidity to pay more than 12 months of debt service obligations as they fall due.

4. Changes to the Security Group Structure

There have been no changes to the Security Group during the year other than the legal change of name of SkyparksSecure Limited to CAVU Experiences (EMEA) Limited which took place on 6 February 2023.

Obligors

The table below summarises the Security Group Obligors as at 31 March 2023.

Original Name	Company Number
Manchester Airport Group Finance Limited	8338561
Manchester Airport Group Investments Limited	8338555
MAG Airport Limited	11748654
Manchester Airport Plc	1960988
East Midlands Airport Nottingham Derby Leicester Limited	4129556
East Midlands International Airport Limited	2078271
Stansted Airport Limited	1990920
CAVU Group Limited	12504680
CAVU Experiences (EMEA) Limited	5602720
CAVU eCommerce (EMEA) Limited	7107772
MAG US (Apollo) Limited	12485692
MAG Investments US Limited	9436342
CAVU Holdings (AMER) Inc	5694969
MAG US Terminal Management LLC	5694978
CAVU eCommerce (AMER) LLC	5694956
MAG US (Apollo) Inc	7873475

On 1 June 2023 CAVU Group Limited acquired ParkVia, an ecommerce airport parking aggregator in the UK and EU airport parking market. Together CAVU and ParkVia have access to the largest portfolio of airport parking globally and more airline channels in the travel extras market.

The ParkVia group of companies comprises:

Company Name	Company Number	Type	Parent
ParkCloud Holdings Limited	11449751	HoldCo	CAVU Group Limited
Park Cloud Ltd	12393367	Dormant	ParkCloud Holdings Limited
ParkVia Limited	6557569	Trading	ParkCloud Holdings Limited

There have been no other acquisitions or disposals of Subsidiaries or interests in any Permitted Joint Venture by any member of the Security Group or joint ventures related to any member of the Security Group during the financial year and to the date of this report.

5. Current Hedging Position

Interest Rate Risk

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

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

As at 31 March 2023 fixed rate debt represented 100% of the Company's outstanding Relevant Debt.

During the financial year and to the date of this report, MAG held no derivative financial instruments in connection with interest rates.

Currency Risk

As at 31 March 2023 there was no currency risk in respect of the interest payable to expected maturity and the repayment of principal under any foreign currency denominated debt instruments.

6. Ratios

Financial Ratios

We confirm that in respect of this investor report dated 5 July 2023 by reference to the most recent Financial Statements that we are obliged to deliver to you in accordance with Paragraph 1 (Financial Statements) of Part 1 (Information Covenants) of Schedule 2 (Security Group Covenants) of the Common Terms Agreement:

- the Interest Coverage Ratio in respect of the Relevant Historic Period is estimated to be greater than or equal to 5.9x; and
- the Leverage Ratio in respect of the Relevant Historic Period is or is estimated to be less than or equal to 3.7x (together the Ratios).

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

7. Distributions

Distribution Ratios

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

Distributions

In response to the ongoing financial impacts of the Covid-19 pandemic, £277.4 million of Interest due on Shareholders' Loans in March 2020, September 2020, March 2021, September 202; March 2022 and September 2023, including accrued deferred interest, by Manchester Airport Finance Holdings Limited was rolled-up as at 31 March 2023, net of the £2.5 million payment below.

Following the end of the Waiver Period in March 2022 and satisfaction of the Distribution Condition in the Compliance Certificate delivered by the Security Group Agent in December 2022

We confirm that the amount of Distributions made since the Investor Report dated July 2022 is £50.1 million.

- March 2023: £47.6 million scheduled Interest on Shareholders' Loans
- March 2023: £2.5 million of interest previously deferred on Shareholders' Loans

The Directors have recommended that there is no payment of a Dividend for Financial Year 2023.

It should be noted the dividend payments to shareholders are made by Manchester Airports Holding Limited. Shareholder Loan interest payments are made by Manchester Airports Finance Holdings Limited. Both of these companies are outside of the Security Group, however Distributions from the Security Group are typically made to fund these payments.

Proposed distributions

There are no distributions proposed subsequent to the date of this report other than:

- 30 September 2023: £47.6 million scheduled Interest on Shareholders' Loans
- 31 March 2024: £47.6 million scheduled Interest on Shareholders' Loans

- 31 March 2024: £5.0 million of interest previously deferred on Shareholders' Loans

8. Other

Confirmation

We confirm that:

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

Yours faithfully,

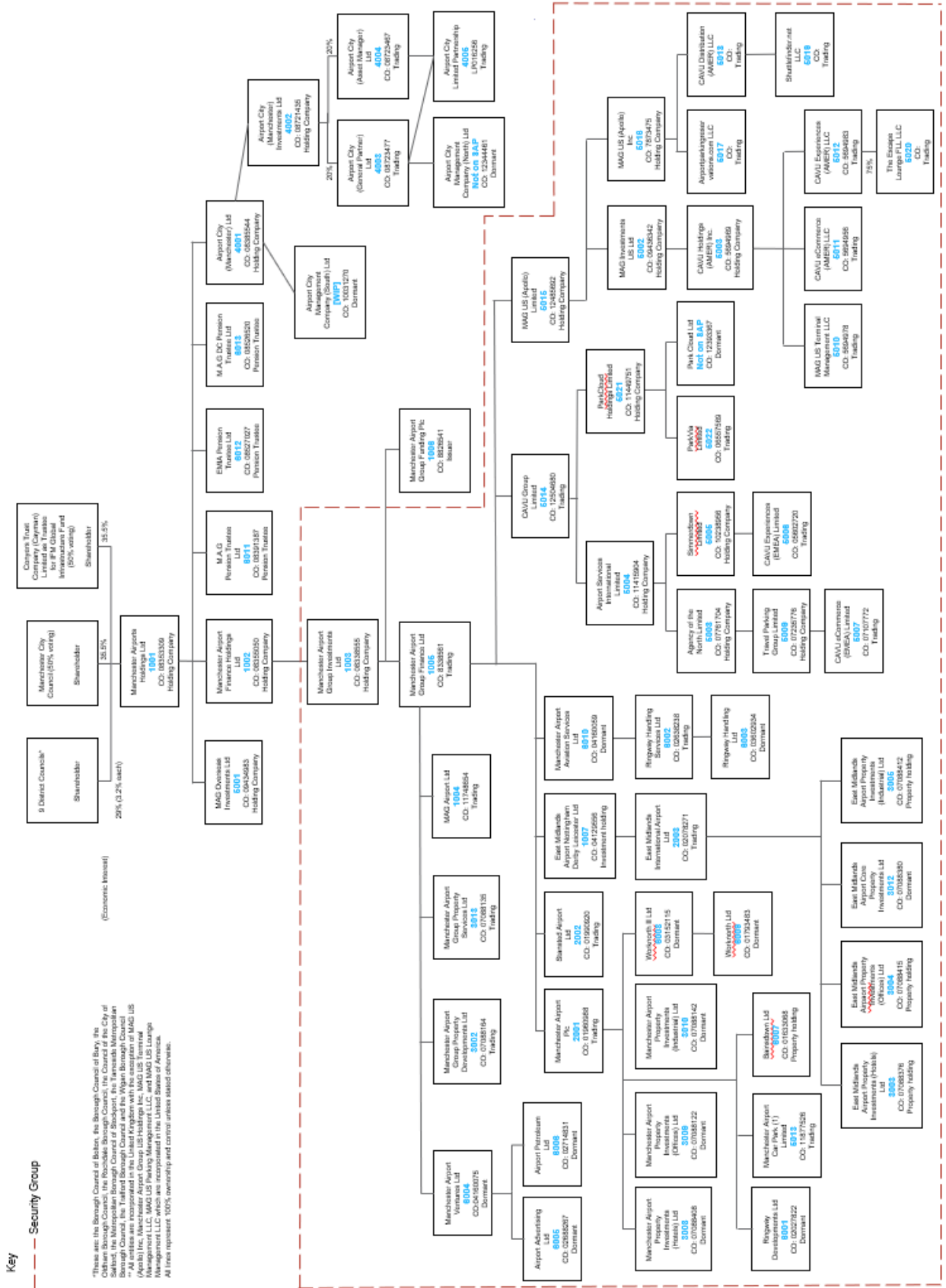
A handwritten signature in black ink, appearing to read 'Jan Bramall', followed by a period.

Jan Bramall, Chief Financial Officer

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

Appendix 1 Group Structure Chart

MANCHESTER AIRPORTS GROUP (June 2023)



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