

## MANCHESTER AIRPORT GROUP FUNDING PLC ANNOUNCES A CONSENT SOLICITATION

29 April 2021

### Overview

Manchester Airport Group Funding PLC (the “**Issuer**”) today announced a consent solicitation in respect of the following series of bonds (the “**Bonds**”):

- (a) £450,000,000 4.75 per cent. Fixed Rate Bonds due 2034 (ISIN: XS1032630771);
- (b) £360,000,000 4.125 per cent. Fixed Rate Bonds due 2024 (ISIN: XS1057530393);
- (c) £300,000,000 2.875 per cent. Fixed Rate Bonds due 2039 (ISIN: XS1718393512); and
- (d) £350,000,000 2.875 per cent. Fixed Rate Bonds due 2044 (ISIN: XS1991245017).

Capitalised terms used in this announcement and not defined herein have the meanings ascribed to them in the STID Proposal Information Memorandum dated 29 April 2021 (the “**STID Proposal Information Memorandum**”).

### Background

Following the severe disruption to the global travel industry caused by the outbreak of the COVID-19 pandemic in March 2020, the COVID-19 outbreak continues to affect the global travel industry and cause a significant drop in passenger traffic across each of the airports owned by the Security Group (the “**Group Airports**”). MAG faces into this in a strong and prudent financial position. Ratings action will be fluid during the impact phase of COVID-19. MAG reiterates its long-standing commitment to targeting BBB+/Baa1 ratings, underpinned by a track record of conservative financial management.

As part of its strategic response to COVID-19 in 2020, MAG implemented a robust financial strategy. This included a combination of cash mitigation measures, together with a significant £300 million of equity support from its Shareholders (as defined below), to maintain MAG’s strong financial health through the period and to be well positioned for rebound and recovery.

The Security Group has taken, and continues to take, immediate actions to mitigate the effects of the drop in passenger numbers by reducing both capital expenditure and operating costs, as well as successfully bringing forward the disposal of approximately £400 million of non-core investment properties in two tranches and received in full in October 2020. MAG also continues to have supportive shareholders who provided a £300 million support package to MAG in 2020.

The Proposer anticipates that EBITDA will be significantly lower than expected for the Financial Year ending 31 March 2022 as a result of the continuing impact of the COVID-19 outbreak, with recovery to pre-COVID-19 passenger levels not expected until 2024. Given that EBITDA is expected to be at significantly reduced levels, notwithstanding the mitigating actions taken by MAG, the disposal of the £400m of non-core investment property assets and the significant shareholder investment in 2020, the nature of the Interest Coverage Ratio and the Leverage Ratio mean that the Proposer expects that the Security Group will therefore breach the Default Ratios in respect of the Interest Coverage Ratio and Leverage Ratio in the current Financial Year and is seeking the support of its Secured Creditors by means of a waiver in that regard. MAG’s strategy is to return back within compliance during the 2023 Financial Year. In addition, MAG is also proposing that the Default Ratios will be tested on 30 September 2022 by reference to the EBITDA for the 6 months ended 30 September 2022, annualised on a seasonal basis, which will be more reflective of prevailing trading conditions at the time.

Whilst airports in the UK remain operational despite the reduction in passenger numbers, it should also be noted that there is a small risk that one or more Group Airports may need to temporarily close, either as a result of passenger numbers being reduced to unsustainable levels or due to such closure being mandated by the UK Government.

### **Liquidity Position of the Security Group**

MAG has maintained strong financial health through the period and continues to be well positioned for rebound and recovery. The Security Group successfully brought forward the disposal of approximately £400 million of non-core investment properties in two tranches, received in full by October 2020. The Security Group also agreed and received a support package from its shareholders in aggregate amount of £300 million in 2020. The Security Group Agent has and will continue to use the proceeds of the property disposal and the shareholder support package for general corporate purposes.

As a precautionary measure, the Security Group drew £483,999,000 under the £500 million revolving credit facility under the Initial ACF Agreement in full in 2020 and rolled the revolving credit facility on 29 March 2021. It is intended that this revolving credit facility will continue to be rolled on a 6 monthly basis.

### **The STID Proposal**

The STID Proposal seeks the consent of the Obligor Security Trustee to the Requested Consents set out in the STID Proposal which is appended to the STID Proposal Information Memorandum. Bondholders are also invited to access an investor presentation prepared in connection with the STID Proposal by visiting <https://dealroadshow.com/e/MAG2021> and using the requested entry code “**MAG2021**”. This investor presentation (including voiceover) is delivered by the Security Group Agent in satisfaction of its obligations under paragraph 11 (*Update Calls*) of Part 1 (*Information Covenants*) of Schedule 2 (*Security Group Covenants*) to the Common Terms Agreement (added pursuant to the Amendment and Waiver Deed dated 26 June 2020 between, among others, Manchester Airport Group Investments Limited and Citicorp Trustee Company Limited).

As more fully set out in the STID Proposal and as described above, the Security Group Agent is requesting that the Obligor Security Trustee agrees that (i) the Default Ratios will not be tested in respect of any Relevant Historic Period ending during the Waiver Period; and (ii) the Default Ratios will be tested on 30 September 2022 by reference to the EBITDA for the 6 months ended 30 September 2022, annualised on a seasonal basis; and (iii) the Security Group Agent is not required to confirm in the Compliance Certificate, for the duration of the Waiver Period, whether the Distribution Ratios in respect of the Relevant Forward Looking Period are or are not satisfied.

In addition, the Security Group Agent is requesting pursuant to the STID Proposal that, for the duration of the Waiver Period, the Obligor Security Trustee waives any Obligor Event of Default which may be said to have arisen under:

- (i) paragraph 3 (*Breach of Other Obligations*) of Schedule 3 (*Obligor Events of Default*) to the CTA as a result of any breach of the covenant in paragraph 1(c) (*Authorisations*) of Part 3 (*General Covenants*) of Schedule 2 (*Security Group Covenants*) to the CTA;
- (ii) paragraph 4 (*Misrepresentation*) of Schedule 3 (*Obligor Events of Default*) to the CTA as a result of the repetition of the representation under paragraph 5(b) (*Validity*) of Schedule 1 (*Security Group Representations*) to the CTA;

- (iii) paragraph 11 (*Cessation of business*) of Schedule 3 (*Obligor Events of Default*) to the CTA, only insofar as such Obligor Event of Default arises as a result of any one or more temporary suspensions of any such operations or business of an Obligor;
- (iv) paragraph 13 (*Regulatory issues*) of Schedule 3 (*Obligor Events of Default*) to the CTA, only insofar as such Obligor Event of Default arises as a result of any one or more temporary suspensions of any Authorisation; or
- (v) paragraph 14 (*Expropriation*) of Schedule 3 (*Obligor Events of Default*) to the CTA, only insofar as such Obligor Event of Default arises as a result of any intervention, restriction or other action by or on behalf of any government, regulatory or other authority in relation to any member of the Security Group or any of its assets,

in each case, as a result of a COVID-19 Event, without any admission that any such Obligor Event of Default has arisen and irrespective of whether any event or circumstance resulting in such Obligor Event of Default arises before or at any time during the Waiver Period.

The Security Group Agent is additionally requesting pursuant to the STID Proposal that any time the representation under paragraph 5(b) (*Validity*) of Schedule 1 (*Security Group Representations*) to the CTA is to be made or repeated, it shall not be made or repeated to the extent it is not accurate as a result of a COVID-19 Event, without any admission that any such inaccuracy has arisen and irrespective of whether any such inaccuracy arises before or at any time during the Waiver Period.

### **Special Committee of the Investment Association**

The STID Proposal set out in the STID Proposal Information Memorandum has been considered by a special committee of the Investment Association (the “**Special Committee**”) at the request of the Issuer. The members of the Special Committee, who hold in aggregate approximately 44.71 per cent. in Outstanding Principal Amount of the Bonds have examined the STID Proposal. They have informed the Issuer that they find the STID Proposal acceptable and, subject to client and other approvals, they intend to vote in favour of the STID Proposal in respect of their holdings of Bonds.

The Special Committee has advised the Issuer that this recommendation relates only to the STID Proposal set out in the STID Proposal Information Memorandum and not to any future offers or proposals which the Issuer may make.

### **Bank Group of Secured Creditors**

The Security Group Agent has undertaken pre-engagement regarding the STID Proposal with Secured Creditors representing £500 million of Qualifying Obligor Senior Debt and comprising 8 banks, and all banks have indicated that, subject to final approvals, they intend to vote in favour of the STID Proposal.

### **Overall Creditor Support**

Taking into account the position above in relation to the review by the Special Committee and the support from the Security Group’s bank lenders, as of the date of the STID Proposal Information Memorandum, approximately 58.81 per cent. of the aggregate principal amount of Qualifying Obligor Senior Debt (including the Bonds) have indicated that subject to client, final and other approvals, they intend to vote in favour of the STID Proposal.

**For detailed information on the STID Proposal see the form of the STID Proposal (appended at the Schedule to the STID Proposal Information Memorandum).**

## Instruction Fees

Subject to the conditions set out in the STID Proposal Information Memorandum, the approval of the STID Proposal and the announcement by the Obligor Security Trustee of such approval, the Issuer will pay to a holder of the Bonds who has delivered a valid Electronic Voting Instruction in respect of the STID Proposal which has been received by the Tabulation Agent at or prior to the Instruction Fee Deadline, which has not been validly withdrawn following the Instruction Fee Deadline and which remains in full force and effect until the announcement of the results of the STID Proposal, the Instruction Fee equal to 0.05 per cent. of the Principal Amount Outstanding of such Bonds in respect of which the relevant holder has delivered an Electronic Voting Instruction in relation to the STID Proposal, in each case received by the Tabulation Agent at or prior to the Instruction Fee Deadline. The Instruction Fee will be paid on the Payment Date via the relevant Clearing System for onward payment to the cash account of an eligible holder of the Bonds in such Clearing System. The payment of any such amounts to the relevant Clearing System will discharge the obligations of the Issuer in respect of the Instruction Fee to all such relevant Bondholder(s).

Holders of Bonds will not be eligible to receive the Instruction Fee if they do not submit a valid Electronic Voting Instruction which has been received by the Tabulation Agent at or prior to the Instruction Fee Deadline or if they revoke their instructions after the Instruction Fee Deadline or unblock their Bonds prior to the Payment Date.

It is a condition to the obligation to pay or procure the payment of the Instruction Fee to relevant holders of Bonds that the STID Proposal has been approved and the Obligor Security Trustee has announced such approval. Such condition(s) are waivable at the discretion of the Issuer.

## Expected Timetable

Event	Date
<b>Announcement and delivery of the STID Proposal:</b>	29 April 2021
STID Proposal Information Memorandum to be made available from the Tabulation Agent (copies of which are obtainable by Bondholders upon request, free of charge).	
<b>Commencement of Decision Period:</b> (subject to no dissenting notice pursuant to Clause 13.4 of the STID having been delivered to the Issuer in writing within seven Business Days of the date of receipt of the STID Proposal).	12 May 2021
<b>Instruction Fee Deadline:</b> Latest time and date for receipt of Electronic Voting Instructions by the Tabulation Agent through the Clearing Systems for holders to be eligible for payment of the Instruction Fee.	4.00 p.m. (London time) on 21 May 2021
<b>Expiration Time:</b> Latest time and date for receipt of valid Electronic Voting Instructions by the Tabulation Agent through the Clearing Systems (such Electronic Voting Instructions are irrevocable from this date).	4.00 p.m. (London time) on 2 June 2021

Event	Date
<p><b>STID Voting Date:</b> The last day of the Decision Period (as may be extended in accordance with Clause 16.2 of the STID).</p>	<p>2 June 2021 or later, if the Decision Period is extended in accordance with Clause 16.2 of the STID.</p>
<p><b>Announcement by the Obligor Security Trustee of approval of the STID Proposal:</b> The date on which the notice of consent (as appended to the STID Voting Request) announcing the approval of the STID Proposal executed by the Obligor Security Trustee is delivered to the Security Group Agent pursuant to Clause 14.6 of the STID</p>	<p>3 June 2021 or earlier, should the Obligor Security Trustee have received votes in favour of the STID Proposal from Participating Qualifying Obligor Secured Creditors representing at least 75 per cent. of the total Outstanding Principal Amount of Qualifying Obligor Senior Debt.</p>
<p><b>If the STID Proposal is approved and the Obligor Security Trustee has announced such approval</b></p>	<p>On the Implementation Date – currently expected to occur within 5 Business Days from the announcement of approval of STID Proposal. The Implementation Documents shall take effect from the Effective Date (which shall have the meaning given to it in the STID Proposal).</p>
<p><b>If the conditions to payment of the Instruction Fee are satisfied</b></p> <p>Payment of the Instruction Fee to those Bondholders who are eligible for payment in accordance with the conditions set out in the STID Proposal Information Memorandum.</p>	<p>On the Payment Date which is expected to be on or about the fifth Business Day following the STID Proposal having been approved and the Obligor</p>

**Event****Date**

Security Trustee having announced such approval.

**All of the above dates are subject to earlier deadlines that may be set by the Clearing Systems or any intermediary.**

**General**

Subject to applicable law and as provided herein, the Issuer may, in its sole discretion, amend the terms of (save for the Expiration Time), terminate or withdraw the Consent Solicitation at any time up to the Solicitation Amendment Deadline.

Bondholders are advised to check with the bank, securities broker, trust company, custodian, Clearing System or other intermediary through which they hold their Bonds whether such intermediary will apply different deadlines for participation to those set out in the STID Proposal Information Memorandum and, if so, should adhere to such deadlines if such deadlines are prior to the deadlines set out in the STID Proposal Information Memorandum.

In relation to the delivery or revocation of Electronic Voting Instructions, in each case, through the Clearing Systems, Bondholders holding Bonds in Euroclear or Clearstream, Luxembourg should note the particular practice of the relevant Clearing System, including any earlier deadlines set by such Clearing System.

Only direct accountholders in Euroclear or Clearstream, Luxembourg may deliver Electronic Voting Instructions. Bondholders who are not direct accountholders in Euroclear or Clearstream, Luxembourg should arrange for the accountholder through which they hold their Bonds to deliver an Electronic Voting Instruction on their behalf to the relevant Clearing System as more particularly described in the STID Proposal Information Memorandum. The deadlines specified by the relevant Clearing System may be earlier than the Expiration Time.

Bondholders are advised to read carefully the STID Proposal Information Memorandum for full details of and information on the procedures for participating in the Consent Solicitation.

A complete description of the terms and conditions of the Consent Solicitation will be set out in the STID Proposal Information Memorandum. Bondholders are also invited to access read-only copies of an investor presentation prepared in connection with the Consent Solicitation by visiting <https://dealroadshow.com/e/MAG2021> and using the requested entry code "MAG2021".

**For Further Information:**

Further details on the Consent Solicitation and copies of the STID Proposal Information Memorandum can be obtained from:

**The Solicitation Agents*****Barclays Bank PLC***

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**The Tabulation Agent**

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**Disclaimer**

This announcement must be read in conjunction with the STID Proposal Information Memorandum. The STID Proposal Information Memorandum contains important information which should be read carefully before any decision is made with respect to the Consent Solicitation. If any Bondholder is in doubt as to the action it should take, it is recommended to seek its own financial, legal or other advice, including as to any tax consequences, from its stockbroker, bank manager, solicitor, accountant, independent financial adviser authorised under the Financial Services and Markets Act 2000 (if in the United Kingdom) or other appropriately authorised financial adviser. Any individual or company whose Bonds are held on its behalf by a broker, dealer, bank, custodian, trust company or other nominee must contact such entity if it wishes to participate in the Consent Solicitation. This announcement is issued by Manchester Airport Group Funding PLC. None of the Solicitation Agents, the Tabulation Agent, the Obligor Security Trustee or the Bond Trustee accepts any responsibility for the contents of this announcement.

This announcement is released by Manchester Airport Group Funding PLC and contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**MAR**"), encompassing information relating to the STID Proposal described above. For the purposes of MAR and Article 2 of Commission Implementing Regulation (EU) 2016/1055 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018, this announcement is made by Jenny Cochrane (Secretary) at Manchester Airport Group Funding PLC.

Legal Entity Identifier number:

Manchester Airport Group Funding PLC – 2138006NA5VAMMBK3892