Full Year Results Presentation

Improving financial performance and positioned for growth

25 May 2022

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Agenda

1. Highlights
2. Full Year results
3. Renewables
4. Aviation
5. Conclusions

Highlights

Streamlined business delivering improving financial performance

Esken Renewables Adjusted EBITDA[1] of £20.3m – slightly ahead of guidance

- Reflects increased gate fee income, improved efficiencies and more reliable biomass plant performance.
- Supplied 1.5m tonnes, up 4.8% (1.4m tonnes FY21) generating c.2% of the UK domestic energy requirement.

Aviation Adjusted EBITDA [1] loss reduced thanks to one-off contributions and careful cost management

- Proactive cost management, alongside positive contributions from Star Handling and the airport's hotel and solar farm and £3.5m of one-off benefits from Connect Airways and Teesside.
- Adjusted EBITDA[1] loss of £0.8m compared to a £6.1m loss in the prior year.

Improved Group operating performance and focused business delivers reduced losses

- Adjusted EBITDA[1] of £19.5m from operating divisions (vs. £3.9m FY21).
- The reported loss before tax of £34.6m (vs. £44.2m FY21) reflects £19.0m of financing costs, £20.5m of deprecation and £12.1m of central costs (including £5.6m of legal costs).

[1]Adjusted EBITDA represents profit/(loss) before interest, tax, depreciation and impairments.

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Strategic priorities

Drive EBITDA profitability and broaden the Esken Renewables offering

Develop profitable commercial passenger and logistics operations

Focus on efficiencies and cost control

Manage balance sheet and liquidity

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ESG

Environmental

Scope 3
Esken has for the first time collected and voluntarily reported Scope 3 emissions data, in addition to Scope 1-2 reported in prior years.

Esken Renewables making positive impact on the UK's GHG emissions
Esken Renewables saved the UK 630,000 tonnes of additional GHG emissions by supplying waste wood that would have otherwise gone to landfill, producing methane gas.

Social

Charity partnerships
Esken established charity partnerships for each of its divisions, and raised money for these charities, including direct contributions from the business.

Education, Employment & Skills
Esken positively impacts its local community by investment in local education programmes, employment initiatives and provides skills development. London Southend Airport partnered with Southend Borough Council to support their economic development programmes.

Governance

TCFD
Across the business Esken established a good governance programme which supported its first TCFD submission.

KPIs
Esken has established an ESG performance KPIs linked to Executive Team remuneration and developed an ESG risk register.

Financial performance

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Financial summary

Revenue

£104.6m

Esken revenue improved by 3.2% following a strong performance in Esken Renewables.

Adjusted EBITDA[1]

£10.3m

Adjusted EBITDA[1] increased from a £7.4m loss as our operating divisions delivered an improvement on the prior year.

Loss before tax

£34.6m

The loss before tax reduced by 21.7% as a result of the improved adjusted EBITDA performance less increased net finance costs.

Net debt excluding IFRS 16[2]

£140.5m

Includes £118.8m of convertible debt. Net debt including IFRS 16 is £241.9m.

Headroom

£72.7m

Esken had £52.7m of cash (including £14.4m of ring fenced LSA cash) and £20m of undrawn bank facilities available as at 28 February 2022.

[1]Adjusted EBITDA represents profit/(loss) before interest, tax, depreciation and impairments.
[2]Refers to the impact of right of use assets, net investment in lease and additional lease liabilities recognised as a result of IFRS 16.

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Divisional performance

Revenue (£m)	2022	2021	Movement
Aviation	23.4	24.7	(5.4%)
Renewables	79.7	74.7	6.6%
Two core operating divisions	**103.1**	**99.4**	**3.7%**
Investments and Non-Strategic Infrastructure	0.7	1.1	(37.4%)
Group central and eliminations	0.8	0.9	4.5%
Total	**104.6**	**101.4**	**3.2%**

Adjusted EBITDA[1] (£m)	2022	2021	Movement
Aviation	(0.8)	(6.1)	87.3%
Renewables	20.3	10.0	103.0%
Two core operating divisions	**19.5**	**3.9**	**397.1%**
Investments and Non-Strategic Infrastructure	2.9	(1.6)	288.2%
Group central and eliminations	(12.1)	(9.7)	(24.3%)
Total	**10.3**	**(7.4)**	**238.9%**

[1]Adjusted EBITDA represents profit/(loss) before interest, tax, depreciation and impairments.

Revenue

- Aviation revenue continues to be impacted by COVID-19.
- Renewables tonnes supplied were 1.5m compared with 1.4m last year.
- Non-Strategic Infrastructure rental income reduced following the reclassification of a lease to balance sheet under IFRS 16 and reduced revenue at Carlisle Lake District Airport.

Adjusted EBITDA[1]

- Aviation increase primarily due to £3.5m of one-off receipts associated with Connect Airways and the conclusion of the partnership at Teesside International Airport.
- Renewables has returned to pre-COVID-19 levels with an increase in gate fees and a reduction in the cost of sourcing waste wood.
- Non-Strategic Infrastructure has benefitted from a property provision reassessment and a reduced cost base at Carlisle Lake District Airport.
- Esken central has incurred £5.6m of legal costs this year.

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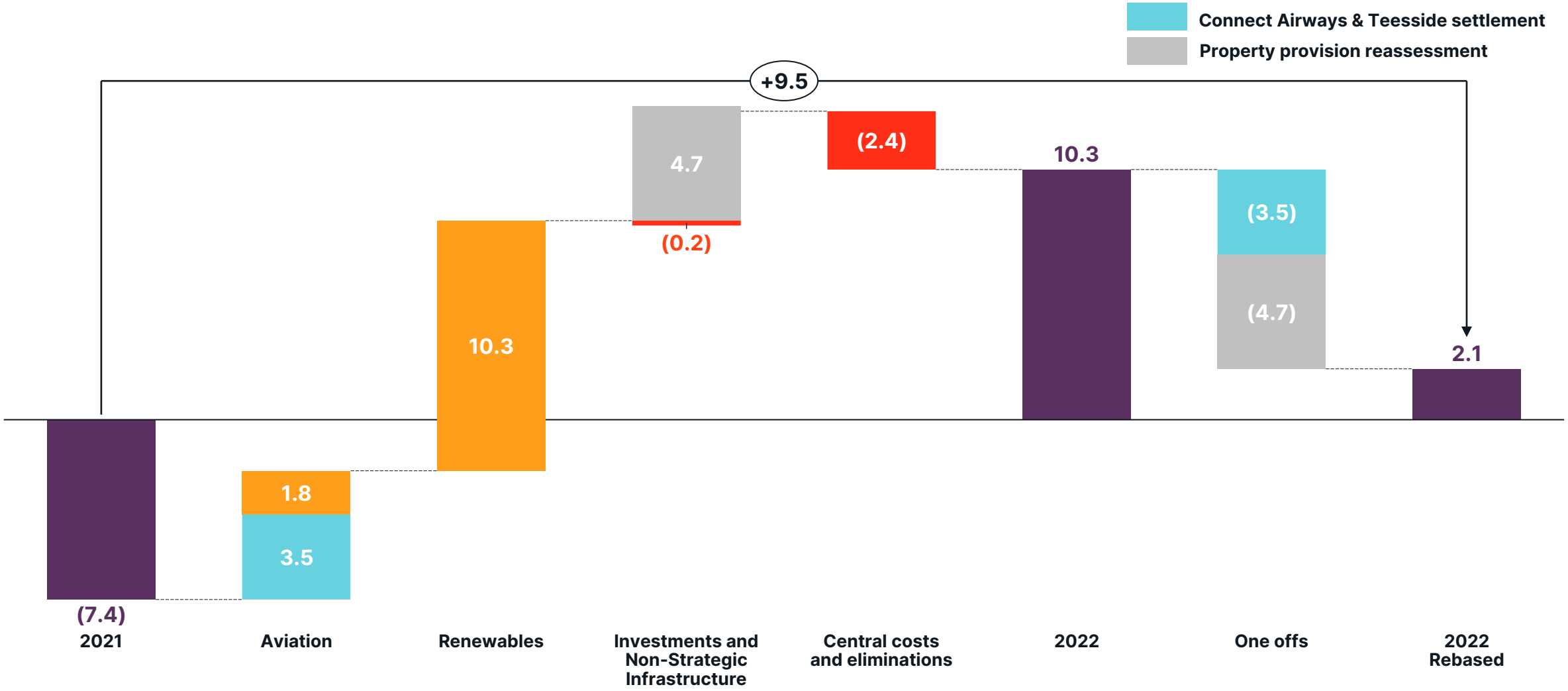
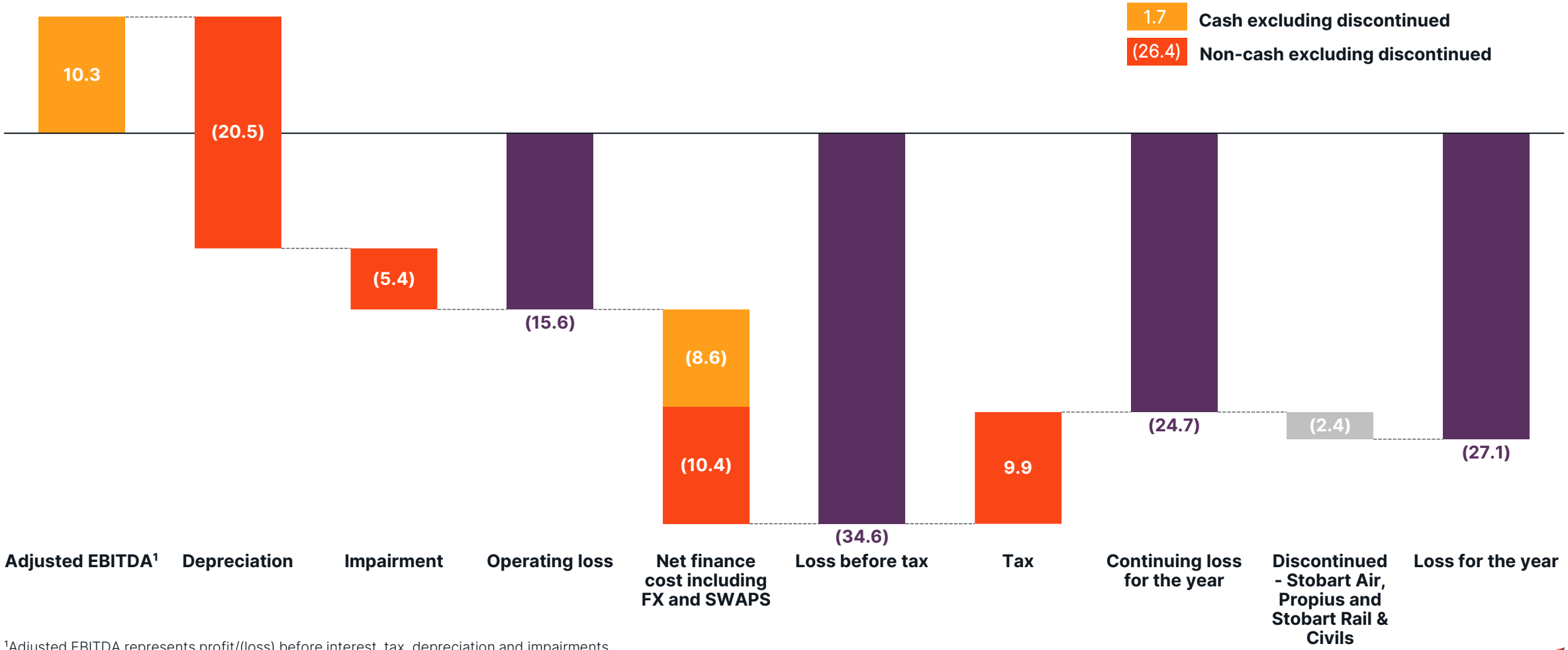
Adjusted EBITDA[1] from 2021 to 2022



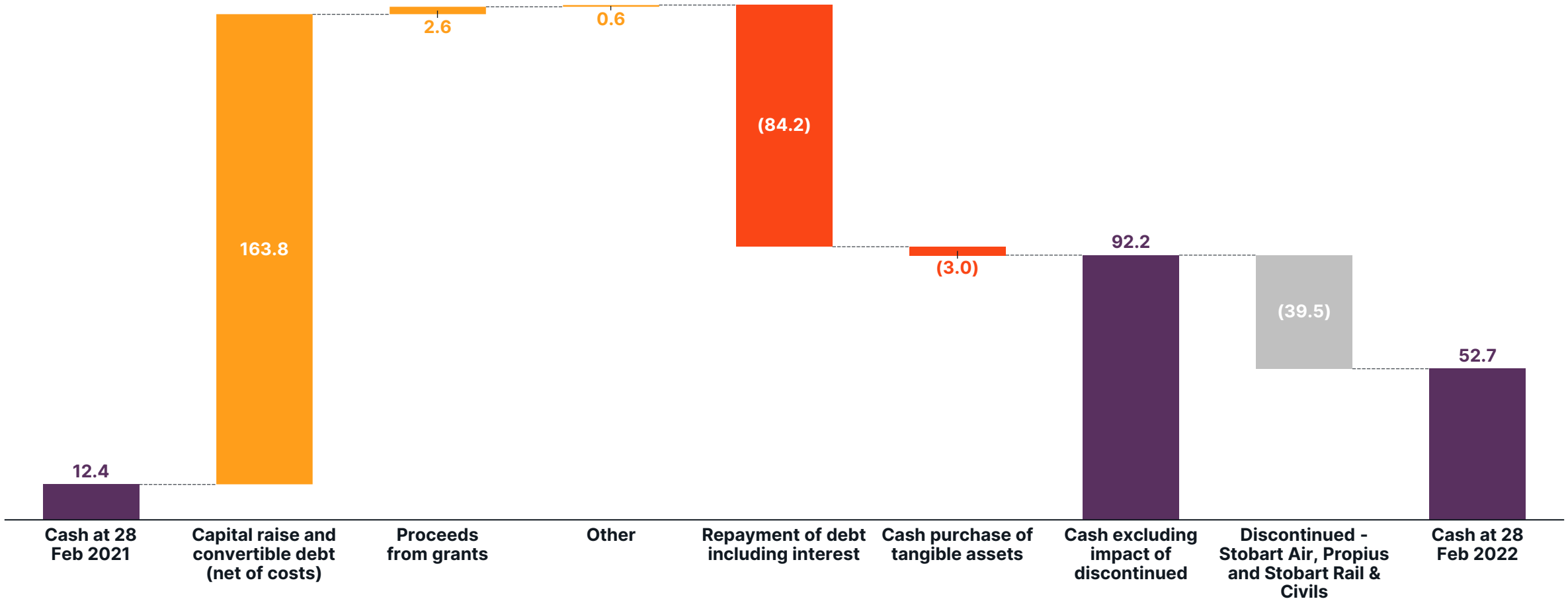
[1]Adjusted EBITDA represents profit/(loss) before interest, tax, depreciation and impairments.

Adjusted EBITDA[1] to loss for the year



[1]Adjusted EBITDA represents profit/(loss) before interest, tax, depreciation and impairments.

Movement in cash



Balance sheet

£m	Feb 2022	Feb 2021
Intangible assets	54.7	54.7
Tangible assets	223.0	234.7
IFRS 16 ROU assets and net investment in lease	58.8	66.7
Investment and non-current receivables	17.0	13.3
Current assets (excluding cash)	36.4	43.0
Cash	52.7	12.4
Gross assets	**442.6**	**424.8**
Loans and borrowings	(193.2)	(139.8)
IFRS 16 lease liabilities[1]	(101.4)	(123.4)
Other liabilities	(77.9)	(113.3)
Net assets	**70.1**	**48.3**
Gearing - excluding IFRS 16[1]	124.7%	121.3%
Gearing	344.9%	519.2%

- **Tangible assets and right of use assets** decreased due to the £6.2m impairment of a right of use asset and depreciation.
- **Investments** increased due to a captive cell insurance investment in the year.
- **Cash** increased due to funds raised from the capital raise and convertible loan.
- **Loans and borrowings** increased as the RCF was settled (held at £52.3m net of costs at Feb 2021. Drawn at £108m when settled) and the convertible loan was drawn down (held at £118.8m net of costs at Feb 2022).
- **IFRS 16 lease liabilities**[1] reduced following the liquidation of Stobart Air combined with repayment of leases.
- **Gearing** decreased due to a combination of increased net assets and reduced net debt.

[1]IFRS 16 lease liabilities refers to leases which have a corresponding right of use asset or net investment in lease.

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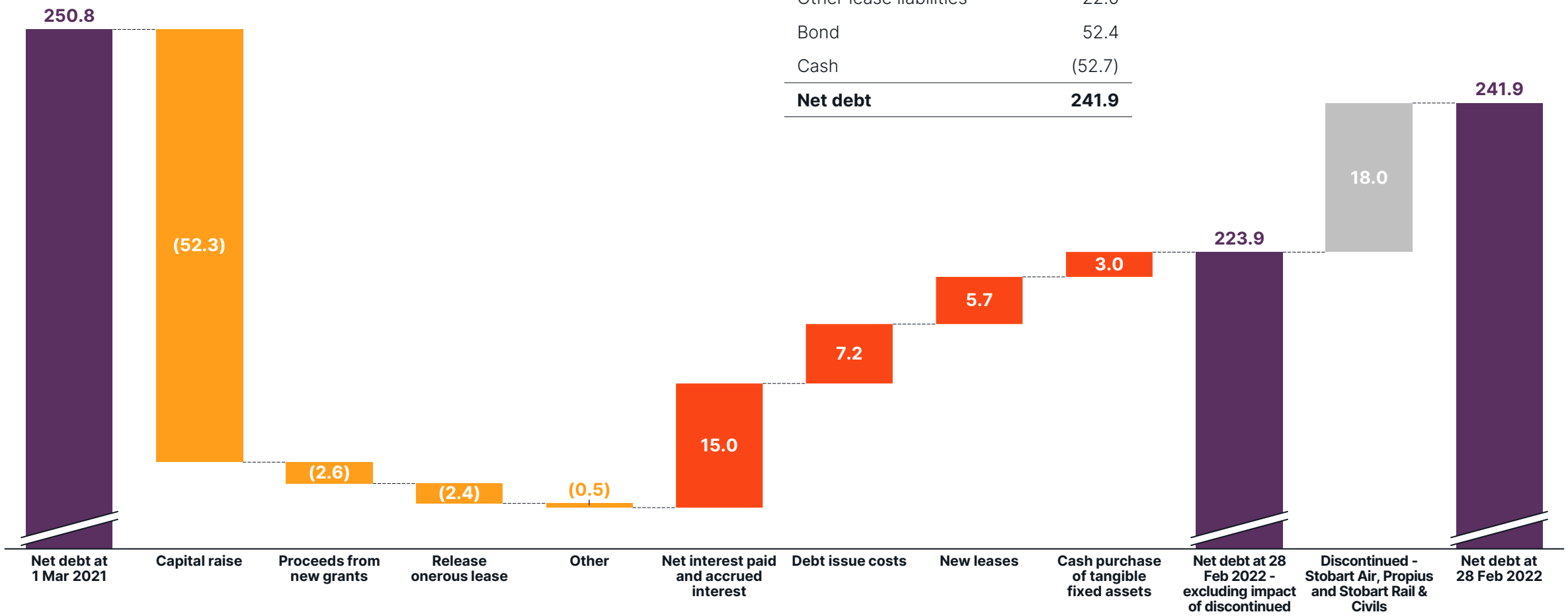
Net debt movement

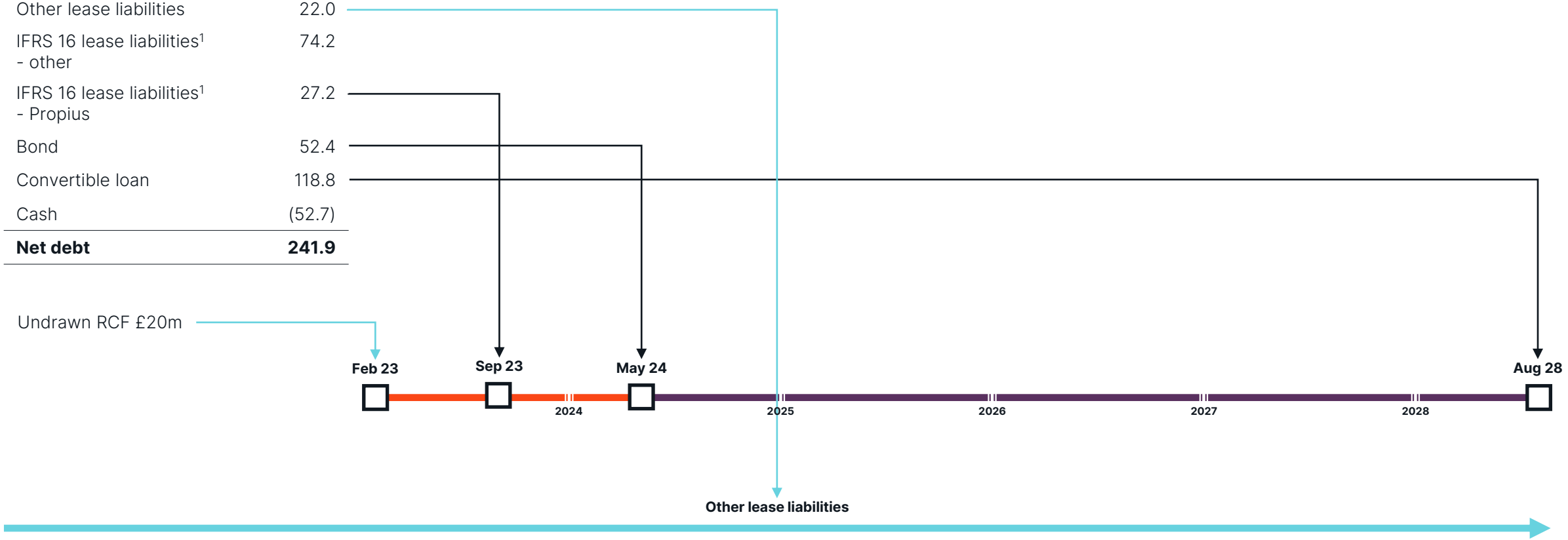
£m	Feb 2022
Convertible loan	118.8
IFRS 16 lease liabilities[1]	101.4
Other lease liabilities	22.0
Bond	52.4
Cash	(52.7)
Net debt	**241.9**

[1]IFRS 16 lease liabilities refers to leases which have a corresponding right of use asset or net investment in lease.



Debt timelines

£m	Feb 2022
Other lease liabilities	22.0
IFRS 16 lease liabilities[1] - other	74.2
IFRS 16 lease liabilities[1] - Propius	27.2
Bond	52.4
Convertible loan	118.8
Cash	(52.7)
Net debt	**241.9**



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Renewables & Aviation operating performance

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Esken Renewables

Esken Renewables delivers strong financial performance

- Esken Renewables delivered a strong financial performance slightly ahead of management guidance of £18-20m EBITDA.
- This performance was a result of continued improvements in waste wood supply, gate fee pricing and plant availability.
- Post period Esken Renewables changed its name from Stobart Energy. This was a requirement of our decision in May 2020 to sell the Stobart Brands to Logistics Development Group. The name also now more closely reflects what the business actually does.
- Esken Renewables is well placed to benefit from normalised gate fees, deliver an improved supply run rate of 1.6m tonnes, and based on no unplanned plant outages, we expect the business to deliver in excess of £22m EBITDA.

Volumes supplied

Volumes supplied up 4.8% to 1.5m tonnes, of which 1.1m tonnes was waste wood.

Revenue

Revenue up 6.6% to £79.7m.

Adjusted EBITDA[1]

Adjusted EBITDA[1] up 103.0% to £20.3m.

[1]Adjusted EBITDA represents profit/(loss) before interest, tax, depreciation and impairments.

Consistent supply with stable gate fee income

CONTRACTED SUPPLY

Sourcing wood from 3rd parties across the UK.

Primarily servicing regions where supply of Unprocessed Waste Wood is lower (NW & NE) or ER does not have a Processing facility (SW/Wales & N.I.).

0.7m MT
Third party processed waste wood

Receiving wood and charging a gate fee

Significant market share in London/SE market.

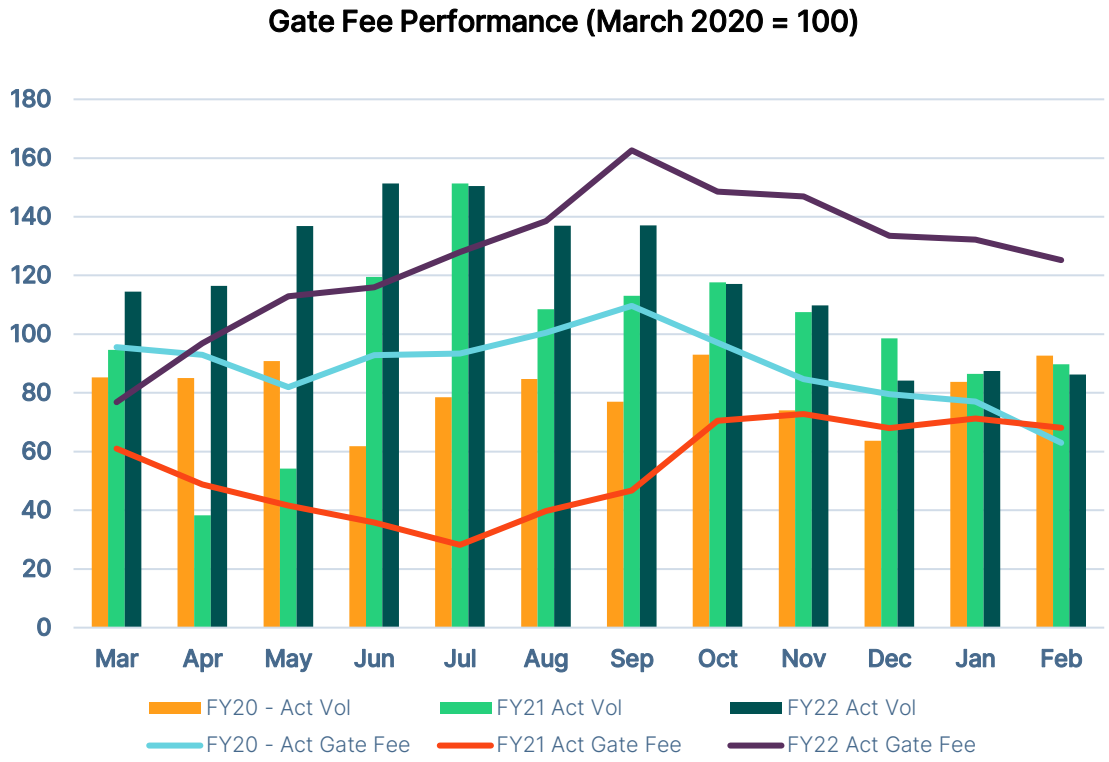
Receiving gate fee income. c.80% "spot" with established supply chain.

0.5m MT
Unprocessed waste wood

Sourced 100% via a key strategic supply partner.

Material is typically sourced from managed woodlands, and it is then process into a fuel. ER typically earn a fixed margin per MT.

0.5m MT
Forest by product



(1) Total Waste Wood generation in the UK is c.4.5m MT and of this, c.4.0m MT is segregated as Waste Wood for recycling or reuse (balance goes to landfill due hazardous nature making recycling/reuse prohibited or the waste wood is not segregated from general waste). ER source c.0.5m MT of Waste Wood (0.5m MT/4.0m MT = c.12.5% market share) and receives a Gate Fee Income for this. ER procures a further c.0.7m MT of Processed Waste Wood (0.7m MT / 4.0m MT = c.17.5% market share) from 3rd party suppliers. i.e. ER directly & indirectly have a Waste Wood market share of c.30%.

A robust supply chain

WASTE CUSTOMER → FUEL CUSTOMER

Suppliers | **Sourcing** | **Production** | **Quality management** | **Fulfilment** | **Fuel supply agreement**

Sustainable waste wood treatment service

- Receive unprocessed waste wood from a wide range of suppliers and charge a gate fee receiving it at strategic sites.
- UK wide storage and processing capacity ensures Esken Renewables is able to receive waste wood while an increasing UK landfill tax ensures we represent a cost effective solution for waste wood disposal.

Fuel production to customer specification

- Six strategic storage and production sites across the UK.
- Receiving waste wood at strategically located sites allows optimisation of gate fees in terms of regional markets and seasonality.
- Dedicated fuel quality management systems to ensure high quality fuel for customers.

Bulk haulage fleet

- Inhouse fleet of 145 vehicles de-risks fuel supply.
- Logistics support ability to receive waste wood at optimal locations and transport to our customers across the UK.

De-risked fuel supply service

- Long-term exclusive RPI-linked supply contracts for biomass fuel.

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Playing a key role in the UK circular economy

136k cars

A report undertaken by Logika established Esken Renewables produced 19,000 tonnes of GHG emissions directly and 121,256 tonnes of GHG emissions when accounting for 3rd party wood handling and transport. However, it helped the UK to avoid 630,000 tonnes of GHG emissions in the financial year through avoiding landfilling waste wood - equivalent to taking 135,746 cars off the road.

651k homes

Its biomass plant customers used the fuel Esken Renewables supplied to generate an estimated 1,883,000 MWh of electricity, which is enough to power around 651,000 homes for a year and is equal to c.2% of the UK domestic energy requirement.

78.5k flights

The combined GHG emissions savings of avoiding waste wood going to landfill and using it to generate energy from biomass rather than from gas fired electricity meant that the UK avoided around 1.344MTCO_2e in FY22. That's equivalent to around 134m km flown in an A320 jet. The distance between London Southend Airport and Malaga is on average 1,700km.

Aviation

Aviation managing costs in a challenging market

- London Southend Airport (LSA) delayed a restart in commercial passenger operations to May 2022, allowing it to avoid loss making operations during the traditionally quieter Winter period.
- Adjusted EBITDA[1] improved as a result of positive contributions from the hotel, solar farm and Star Handling, continued cost management, and £3.5m of receipts associated with Connect Airways and the conclusion of the partnership with Teesside International Airport.
- LSA launched a Resident Survey with over 7,000 people engaging across various topics. That survey reported 65% of local people scored the airport 10 out of 10, and 90% of scored it between at least 8 and 10 out of 10 for overall favourability.
- LSA was pleased to welcome a return to passenger operations with contracted flying with easyJet to Malaga, Palma and Faro from May 2022.
- LSA continues to progress positive discussions with airline partners for Summer 2023 and beyond.

Passenger numbers

Passenger numbers reduced by 36.2% to 94k during the period.

Revenue

Revenue decreased by 5.4% to £23.4m.

Adjusted EBITDA[1]

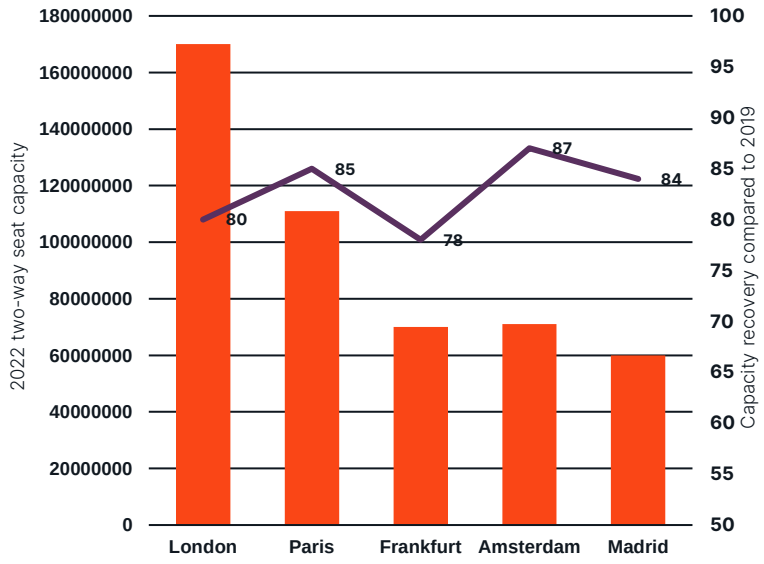
Adjusted EBITDA[1] performance improved by 87.3% during the period to a £0.8m loss.

[1]Adjusted EBITDA represents profit/(loss) before interest, tax, depreciation and impairments.

London Southend Airport well positioned to offer capacity for growing European short haul airline fleets

London continues to be the largest travel market in Europe

Top 5 European Cities

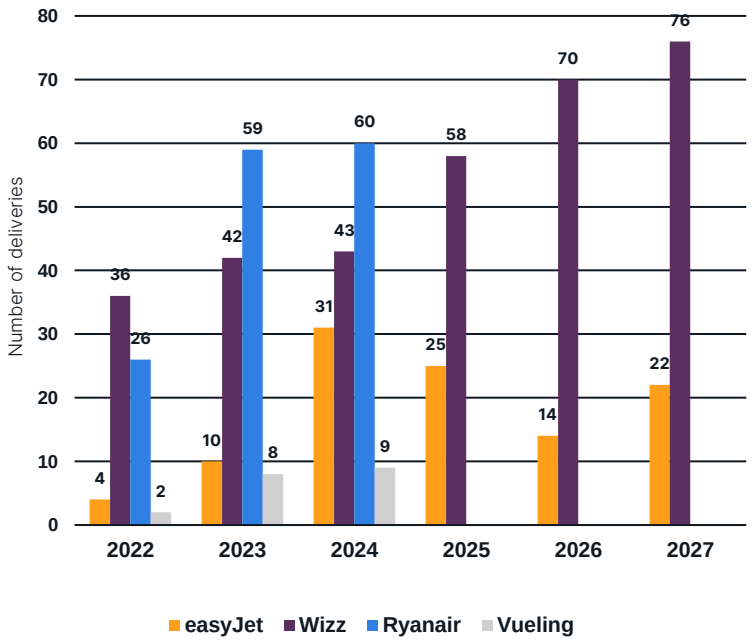


London airport capacity is returning to pre-COVID-19 levels

Scheduled capacity recovery London and UK

European short haul airlines are expected to increase their fleets over the coming years

Airline fleet orders by delivery date



Well positioned to take advantage of returning demand

Growing catchment area

London Southend Airport has a catchment area of 8m+ and 27m catchment demand across East London and the South East.

Great transport links

Train links direct to London in 51 minutes.

LSA connection to be further improved by Crossrail.

Quick and easy airport passenger experience

The combination of direct trains and short walking distances make LSA one of the fastest airports to get to and through.

Peak slots and attractive operating costs

LSA can offer airlines peak time slots, quick aircraft turns and has lower operating costs than other London airports.

Proven routes

40 previously flown routes in 2019.

Significant room to grow in the post-COVID-19 world.

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Unlocking shareholder value

Esken Renewables is generating cash consistently

Esken Renewables is benefiting from improved gate fees, delivering profits and generating cash, with opportunities to grow further as the UK transitions to a Zero Carbon economy.

Esken Renewables is anticipated to achieve EBITDA in excess of £22m in FY23 .

LSA well placed to benefit from London airport capacity constraints from next year

The London airport market will once again become capacity constrained. This coupled with LSA's attractive operating cost, passenger experience and ease of access by rail underpins its medium-term value.

Proactive cost management strategy to protect the core value

The airport retains a ring-fenced cash facility which underpins its funding needs through the recovery period. The Group is currently reviewing its working capital requirements with a view to renewing its bank facilities in the ordinary course.

Clear action plan for sustainable growth

The successful outcome of the working capital review, a return to pre-covid airport capacity constraints, and a profitable, cash generative renewable energy business will unlock shareholder value in the medium term

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