ABPA Holdings Limited

Investor Report – 30 June 2016

Important Notice

This Investor Report is being distributed by Associated British Ports Holdings Limited ("ABPH") (as Group Agent) on behalf of ABPA Holdings Limited ("ABPAH"), ABP Acquisitions UK Limited ("ABPA") and Associated British Ports ("ABP") (together the "Covenantors") pursuant to the Common Terms Agreement ("CTA").

This Investor Report contains forward looking statements that reflect the current judgment of the management of the Covenantors regarding conditions that it expects to exist in the future. Forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will occur in the future and, accordingly, are not guarantees of future performance. Management's assumptions rely on its operational analysis and expectations for the operating performance of each of the Covenantors' assets based on their historical operating performance and management expectations as described herein. Factors beyond management's control could cause events to differ from such assumptions and actual results to vary materially from the expectations discussed herein. Investors are cautioned that the assumptions and forecast information included herein are not fact and should not be relied upon as being necessarily indicative of future results and are cautioned not to place undue reliance on such assumptions and forecast information. It should also be noted that the information in this Investor Report has not been reviewed by the Covenantors' auditors.

Basis of preparation

This Investor Report is being distributed pursuant to the terms of the CTA Schedule 2, Part 1. Unless otherwise specified this Investor Report comments on the historic financial performance of the ABPAH group for the period to 30 June 2016. 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. General Overview

- Weaker operating performance in H1 2016 principally due to reduction in volume of power station coal
- Despite a 59.3% decrease in revenue and a 68.9% decrease in volumes for ESI coal, consolidated EBITDA pre exceptional costs only decreased by 1.9% and the group maintained a robust consolidated EBITDA pre exceptional costs margin of 60.0%
- Strong investment grade ratings of Baa2 (stable) from Moody's Investor Service, Inc. and A- (negative outlook) from Fitch Ratings Ltd
- The outlook remains challenging and in the medium term much will depend on the extent to which uncertainty resulting from Brexit impacts throughput volumes and investment decisions

Six months ended 30 June (unaudited)	H1 2016 £m	H1 2015 £m	Change from 2015
Revenue	**258.7**	265.7	-2.6%
Operating costs[1]	**(130.1)**	(129.8)	-0.2%
Underlying operating profit[2]	**128.6**	135.9	-5.4%
Consolidated EBITDA[3] pre exceptional costs	**155.2**	158.2	-1.9%
Consolidated EBITDA[3]	**151.0**	158.2	-4.6%
Consolidated EBITDA[3] margin pre exceptional costs	**60.0%**	59.5%	+0.5%
Adjusted profit before tax[4]	**40.0**	53.4	-25.1%
Cash generated by operations	**138.0**	153.6	-10.2%
Total tonnage (mt)[5]	**44.3**	46.0	-3.7%
Passenger volumes (000s)	**1,248.0**	1,240.6	+0.6%
Consolidated Net Borrowings[6]	**2,104.2**	2,055.6	+2.4%

[1]Operating costs include profit/loss on sale of fixed assets and exclude depreciation/amortisation of fair value uplift of assets acquired in a business combination, net unrealised gain/loss on fuel derivatives and exceptional items.

[2] Underlying operating profit is defined as operating profit before movement in fair value of investment properties, depreciation/amortisation of fair value uplift of assets acquired in a business combination, net unrealised gain/loss on fuel derivatives and exceptional items.

[3] Consolidated EBITDA (earnings before interest, tax, depreciation and amortisation) is calculated in accordance with the definitions set out in the group's credit facilities and after excluding certain items (as set out in section 2.2.3).

[4] Adjusted profit before tax is profit before tax after excluding certain items as set our in section 2.2.4.

[5] Excluding volumes where the group generates conservancy income only.

[6] Consolidated Net Borrowings is the nominal net debt for covenant purposes, excluding subordinated loans, accrued interest, deferred borrowing costs, foreign exchange gains and losses, cash deposits that are not held with an Acceptable Bank and restricted cash.

At 30 June (unaudited)	2016	2015
Ratio of Adjusted Consolidated EBITDA to Net Interest Payable	2.34x	2.47x
Ratio of Consolidated Net Borrowings to Consolidated EBITDA	6.78x	6.52x

The above ratios are calculated on a 12 month rolling basis at each half year.

The operating performance for the six months ended 30 June 2016 reflects the following highlights:

- The group's operating performance continues to be underpinned by a diversified cargo base, long term contracts with a broad mix of customers and a significant level of guaranteed revenue, however the six months ended 30 June 2016 was challenging as reflected by the decline in operating performance, principally due to a severe decline in coal imports, which have been adversely impacted by, inter alia, customer de-stockings, low gas prices and plant closures (further discussed in section 2.1).
- Revenue decreased by 2.6% to £258.7m (2015: £265.7m) reflecting falling coal volumes offset by volume growth in biomass, containers, increased cruise passengers and increased vehicle storage income.
- Consolidated EBITDA (calculated in accordance with the definitions set out in the group's credit facilities) pre exceptional costs decreased by 1.9% to £155.2m (2015: £158.2m).
- Consolidated EBITDA margin pre exceptional costs remained strong at 60.0%, marginally higher than the 59.5% in the prior year.
- Underlying operating profit decreased by 5.4% to £128.6m (2015: £135.9m).

2. Business Update

2.1 Business Developments

The group's strategy is aimed at retaining and improving the group's position as the largest and leading port operator in the UK and is formulated around a largely "landlord" business model. The group prioritises strategic opportunities in sectors and locations with good prospects for growth and focuses on delivering growth in its operating performance primarily by investment in infrastructure and equipment in partnership with quality customers. Where land available at ports exceeds present and future requirements, the group pursues alternative non-port uses, development or disposal.

Like other port companies handling trade with countries both within and outside the European Union ('EU'), ABP is sensitive to the broader economic consequences of the United Kingdom's vote to leave the EU on 23 June (so-called 'Brexit'). Just under half of the volume of trade handled by ABP is with countries that are members of the EU and the Single Market, of which the UK is presently also a member until it leaves the EU, which may be as soon as 2019.

Since the vote to leave, the group has not yet encountered any material adverse impacts that might be directly attributable to Brexit.

ABP is engaged in wider industry efforts to minimise any negative impacts of Brexit and maximise potential opportunities. This includes an industry drive to help ensure the government secures the best possible access to the EU Single Market and closes out trade deals with countries outside the EU as quickly as possible. ABP is also seeking to shape a future regulatory environment that is capable of maximising ABP's and the port industry's ability to grow, supporting growth in the wider economy.

As contemplated in the previous Investor Report the H1 2016 financial performance has been impacted by continued falling coal volumes resulting from:

- customers importing coal in 2015 ahead of increases in environmental taxes and subsequent reduced demand as stock piles are used;

- the closure of some UK coal power stations reducing coal generating capacity;

- the sale of coal stocks from closed UK coal power stations and recently closed UK coal mines;

- a reduction in the price of gas, making it cheaper to produce electricity from gas than produce electricity from coal; and

- a mild winter reducing coal consumption versus prior years and hence exacerbating the level of available stock piles.

The level of imported coal volumes for electricity generation in H1 2016 is broadly as anticipated in the forward looking projections of the financial covenants provided in this and the previous Investor Report.

Given the backdrop of increasing regulation of coal burning plant in recent years, the group has pursued a strategy of diversifying its exposure to energy markets. It seeks to achieve this through a number of completed, current and future investments aimed at serving renewable energy developments, most significantly for biomass and offshore wind as disclosed in this and previous Investor Reports. Such renewable related projects are designed to deliver stable returns over a long term period.

Some of the factors driving the reduction in coal are temporary in nature. Management is therefore cautiously optimistic that coal volumes will partially recover in 2017 and 2018.

ABP has been proactive in its response to the sale process for Tata's UK steel business. ABP has entered into a new contract with the acquirer of the Scunthorpe plant, British Steel, and is ready to engage with prospective buyers of the Port Talbot facility to seek to safeguard revenue the group presently derives from steel manufacturing. ABP is also progressing a number of other initiatives to reduce and offset any downside risk to revenue in the event that a new owner for the Port Talbot facility cannot be found, including working with the UK and Welsh Governments on options to promote the wider development of the Port Talbot site.

Management continues to monitor developments in all of its markets and develop plans to address changes that have the potential to affect its future performance.

2.1.1 Investments completed in the six months ended 30 June 2016

Hull Container Terminal

Since taking over operation of Hull Container Terminal on 1 May 2016, ABP has committed to invest £16.0m in new equipment and has spent £11.3m to date, including two new Liebherr gantry cranes, to improve services for the terminal's principal customer Samskip. The group already operates Immingham Container Terminal on the Humber and is now looking at opportunities to attract new container lines to the port.

Southampton Cruise Facilities Upgrade

ABP Southampton is Europe's most popular turnaround cruise port, capable of handling the largest cruise ships afloat. In recent years the port has worked with its cruise line customers, such as Carnival and Royal Caribbean, to substantially upgrade all four of the port's cruise terminals.

The most recent development saw the port's Queen Elizabeth II Cruise Terminal reopen in May 2016 following comprehensive works to refurbish the building and increase capacity. The joint investment of £5.0m by ABP and Carnival UK improves the flow of passengers through the terminal whilst providing better standards of comfort and passenger experience.

Meanwhile Royal Caribbean has recently signed an agreement that secures Southampton's City Cruise Terminal as their official UK home port until at least 2023.

These continuous efforts to improve cruise facilities and infrastructure means Southampton is now on track to accommodate an estimated 1.8 million cruise passengers in 2016.

Agribulk Capacity Upgrades

New warehouse developments have been completed at the Port of Garston in north-west England and the Port of Teignmouth in the south-west, both of which opened in Q1 2016.

At Garston, ABP invested over £2.0m in a new 3,700 square metre bulk storage warehouse for grain and animal feed trader Gemcom. At Teignmouth, £0.9m has been invested in a new bulk store facility and material handling crane to enable the port to better serve the needs of customers such as Cefetra, a major importer of grains and raw materials for animal feed.

2.1.2 In progress and forthcoming investments

Immingham Renewable Fuels Terminal

Immingham Renewable Fuels Terminal ("IRFT") is an ABP-operated facility at the Port of Immingham for the import, storage and onward distribution of wood pellet biomass fuel. IRFT phase 1 has been operational since early 2015 and supplies the UK's largest power station, Drax, with sustainable biomass that significantly reduces greenhouse gas emissions compared to coal-fired electricity generation. Having converted half of its six generating units to burn biomass, Drax's fuel mix is now c.70% renewables and c.30% fossil fuels.

Phase 2 of development at IRFT, which includes a second train loading station, additional belt conveyors and a further 100,000 tonnes of storage, is currently undergoing optimisation and commissioning, with overall completion expected in the autumn 2016.

When completed IRFT will provide up to 200,000 tonnes of biomass storage in eight silos.

Green Port Hull

ABP's development of the Green Port Hull Alexandra Dock site continues to make good progress and is expected to complete at a cost of £155.0m. The 134 acre site will be home to Siemens' offshore wind turbine blade manufacturing and export facility, with the first berth expected to be operational by the end of September 2016. The site is due to be fully handed over to Siemens in January 2017.

Siemens' facility will supply turbine blades for the offshore wind farms that various developers are planning to construct off the UK's North Sea coast and beyond. In February 2016 DONG Energy named Siemens as the preferred wind turbine supplier for their proposed Round 3 Hornsea Project One, which at 1.2GW will be the world's largest offshore wind farm. Siemens' Hull facility is also expected to support DONG Energy's proposed Round 2 wind farm, Race Bank. Other expected customers include the Round 2 Dudgeon Offshore Wind Farm (Statkraft/Masdar/Statoil) and East Anglia ONE (Scottish Power Renewables).

Business Transformation Project

In June 2015, ABP's Board approved a significant investment in the transformation of the group's business processes and IT hardware and software, including the implementation of SAP.

Since then, the Transformation Programme has launched a new cloud-based Customer Relationship Management system, introduced a new SharePoint intranet across the whole business and transformed ABP's Human Resources ("HR") function - developing standardised HR processes and implementing the initial phase of the HR SAP module (SAP SuccessFactors).

This investment will continue over the next two to three years, with the full involvement of ABP's stakeholders throughout the business.

Once the project is complete, ABP will benefit from more efficient, standardised processes, increased accuracy of data and information, and an improved ability to react to customer needs.

Group Renewable Energy Projects

ABP continues to recognise the importance of investing in renewable energy schemes across its ports to provide sustainable energy whilst reducing our carbon footprint. In 2015, ABP's 21 ports generated over 6.7 million kWh from a range of renewable energy sources.

One of the latest developments involves the development of a solar farm at the Port of Silloth in Cumbria, which will generate up to 220,000 kWh. A total of 960 solar panels will be installed to power the port estate, with surplus electricity exported to the National Grid. Last year a 4.5MWp solar array opened at the Port of Barry in South Wales.

Other new embedded renewable energy projects include a recently announced £2.0m investment in a 0.5MW wind turbine that is set to be installed at the Port of Swansea later this year to power port operations. Work has also begun on a £3.5m investment to build a second 2.3MW wind turbine at the Port of Newport.

Newport Agribulks Upgrade

The Port of Newport now handles over 300,000 tonnes a year of agribulks such as animal feed and fertiliser. In order to accommodate this growing demand work has begun on a new £2.3m project to create an additional 3,500 square metres of covered storage for the port, as well as new weighbridges to improve operational efficiency during cargo handling.

Southampton Multi Storey Car Park ("MSCP") Storage Facilities

The development of two further MSCPs is the first phase of a c£50.0m strategy to deliver 4 new MSCPs totalling further 15,000 additional spaces. The development will be the construction of a 6th (incremental 3,170 car export spaces) and 7th (4,378 import car spaces) MSCP with 5 elevated decks each at the Port of Southampton to accommodate increased volumes from key partners. The works are expected to be completed in late 2017 and the total expected cost is £26.0m.

Swansea Bay Tidal Lagoon

Swansea Bay Tidal Lagoon is a proposed major renewable energy project that involves constructing a tidal lagoon across Swansea Bay in South Wales. Swansea Bay is located in the Severn Estuary, which has one of the highest tidal ranges in the world.

The scheme received planning consent in June 2015 and if built it will be the world's first ever tidal lagoon. Should the project proceed ABP has agreed terms to lease land to the developer, Tidal Lagoon (Swansea Bay) Plc. The UK Government's current Independent Review of Tidal Lagoons will assess the strategic case for tidal lagoons and whether they could play a cost effective role as part of the UK energy mix. Its findings are expected to be announced this autumn.

2.2 Performance of the Business

The following section should be read in conjunction with the unaudited interim report of ABPAH, which is available from the Investor Relations section of the group's corporate website (www.abpinvestor-relations.co.uk).

The table below summarises the consolidated results for the period ended 30 June 2016:

Income statement (six months ended 30 June)	2016 H1 £m	2015 H1 £m	Change from 2015
Revenue*	**258.7**	265.7	-2.6%
Operating costs	**(130.1)**	(129.8)	-0.2%
Underlying operating profit	**128.6**	135.9	-5.4%
Depreciation and amortisation of fair value uplift of assets acquired in a business combination	**(19.2)**	(17.3)	-11.0%
Decrease in fair value of investment properties	**(21.3)**	-	-100.0%
Net unrealised gain on fuel derivatives	**2.5**	-	+100.0%
Exceptional items	**(4.2)**	-	-100.0%
Group operating profit	**86.4**	118.6	-27.2%
Net finance costs	**(465.4)**	(173.3)	-168.6%
Share of profit in associated undertaking	**-**	2.8	-100.0%
Loss before taxation	**(379.0)**	(51.9)	-630.3%
Taxation credit/(charge)	**33.1**	(9.8)	+437.8%
Loss for the period	**(345.9)**	(61.7)	-460.6%
Cash generated by operations	**138.0**	153.6	-10.2%
Capital expenditure - cash	**109.2**	187.0	-41.6%

** There was no property development revenue for the six months ended 30 June 2016 (six months ended 30 June 2015: £nil).*

2.2.1 Group operations

Volumes and revenue

During the first half of 2016, group revenue decreased by 2.6% to £258.7m (2015: £265.7m) and cargo volumes (excluding Southampton conservancy only volumes) decreased by 3.7% to 44.3m tonnes (2015: 46.0m tonnes). However, excluding ESI coal volumes, group revenues and cargo volumes would have increased by 2.8% and 3.4% respectively. The table below provides an analysis of the changes in the group's volumes and revenue by cargo category compared with 2015:

Volumes (six months ended 30 June)	2016 H1 million tonnes	2015 H1 million tonnes	Change from 2015
ESI coal	**1.4**	4.5	-68.9%
Biomass	**2.4**	1.9	+26.3%
Other dry bulks	**12.5**	12.5	-
Break bulks	**3.1**	3.1	-
Liquid bulks*	**11.5**	10.8	+6.5%
Ro-ro	**4.9**	5.0	-2.0%
Import/export vehicles	**1.6**	1.6	-
Containers	**6.9**	6.6	+4.5%
Total tonnage	**44.3**	46.0	-3.7%

** Excludes Southampton volumes where ABP generates conservancy income only*

Passenger volumes (six months ended 30 June)	2016 H1 000's	2015 H1 000's	Change from 2015
Cruise passengers	**736.9**	709.3	+3.9%
Ferry passengers	**511.1**	531.3	-3.8%
Total	**1,248.0**	1,240.6	+0.6%

Ports and transport revenue (six months ended 30 June)	2016 H1 £m	2015 H1 £m	Change from 2015
ESI coal	**9.4**	23.1	-59.3%
Biomass	**20.5**	18.4	+11.4%
Other dry bulks	**38.7**	37.7	+2.7%
Break bulks	**31.0**	33.5	-7.5%
Liquid bulks	**23.3**	21.8	+6.9%
Ro-ro	**14.2**	13.9	+2.2%
Import/export vehicles	**21.8**	20.8	+4.8%
Containers	**27.3**	27.4	-0.4%
Total commodity revenue	**186.2**	196.6	-5.3%
Cruise & ferry	**16.0**	15.1	+6.0%
Pilotage & conservancy	**28.1**	28.0	+0.4%
Property income	**10.6**	7.4	+43.2%
Other	**17.8**	18.6	-4.3%
Total non commodity revenue	**72.5**	69.1	+4.9%
Total ports and transport revenue	**258.7**	265.7	-2.6%

Significant changes for individual commodity volumes and revenue included the following:

- **ESI coal**: volumes decreased by 68.9%, principally reflecting a decline in coal volumes on the Humber driven by reduced coal burn by power stations and high UK stock levels. Revenue decreased by 59.3% as a consequence of the overall volume decline.
- **Biomass**: volumes increased by 26.3% and revenue by 11.4% largely driven by Drax's change in fuel mix from coal to biomass.
- **Other dry bulks**: volumes remained in line with 2015 and revenue increased by 2.7% mainly due to increased grain across the regions.
- **Break bulks**: volumes are in line with 2015. Revenue decreased by 7.5% despite stable volumes, reflecting reduced dredging managed by ABP on behalf of a major break bulk customer and lower scrap revenues, partially offset by increased wind turbine revenue for a major customer on the Humber.
- **Liquid bulks**: volumes increased by 6.5%, mostly due to favourable volumes across Immingham Oil Terminal and at Immingham Gas Jetty, partially offset by a fall in volumes at East Jetty on the Humber. The 6.9% increase in revenue reflects the increase in volumes.
- **Ro-ro**: tonnage decreased by 2.0% reflecting a decrease in volumes for several major customers on the Humber, with volumes elsewhere remaining broadly flat. Revenue increased by 2.2% reflecting contractual price increases.
- **Import/export vehicles**: volumes are in line with 2015. Revenue increased by 4.8%, which reflects increased car storage income on the Humber and one-off revenues at the Port of Southampton, largely associated with a grounded vessel.
- **Containers**: volumes increased by 4.5% driven by growth at Immingham Container Terminal and increased volumes at the Port of Southampton. Revenue remained broadly in line with 2015 reflecting the volume growth, mostly off-set by the closure of the Cardiff container line service.
- **Cruise**: the Port of Southampton remains the UK's number one cruise port. Revenue increased by 8.0% to £12.2m (2015: £11.3m) driven by major customers at Southampton. Cruise calls decreased by a 1.0% to 193 (2015: 195).
- **Ferry**: the majority of the group's ferry volumes relate to the North Sea routes operating from the Port of Hull, and services from Plymouth to France and Spain. Revenue remained stable at £3.8m in 2016 (2015: £3.8m).
- **Pilotage and conservancy**: revenue was broadly in line, with 2016 at £28.1m (2015: £28.0m) reflecting annual price increases and surcharges related to deficit payments to the Pilots National Pension Fund (PNPF) and increased pilotage acts at Southampton. This was partially offset by lower traffic on the Humber.
- **Property income**: revenue represents the rental income received for properties that can not be directly allocated to a commodity. Revenue in 2016 increased by 43.2% to £10.6m (2015: £7.4m) reflecting new rental income from the acquired Marchwood Industrial Estate in Southampton and rent reviews across the group.
- **Other**: decreased by 4.3% principally driven by a decrease in external dredging undertaken by UK Dredging.

Operating costs

Ports and transport operating costs increased by 0.2% to £130.1m (2015: £129.8m). The table below provides an analysis of the group's operating costs compared with 2015:

Cost Category (six months ended 30 June)	2016 H1 £m	2015 H1 £m	Change from 2015*
Labour	**59.6**	60.2	+1.0%
Maintenance	**8.1**	7.5	-8.0%
Fuel	**3.6**	4.0	+10.0%
Dredging	**1.0**	4.8	+79.2%
Utilities	**3.7**	3.9	+5.1%
Other operating and administrative costs	**26.6**	27.1	+1.8%
Total costs excluding fixed asset related items	**102.6**	107.5	+4.6%
Depreciation	**26.3**	22.1	-19.0%
Amortisation	**1.5**	0.9	-66.7%
(Profit)/loss on write off of intangibles and disposal of property, plant and equipment, investment property and property and land held for sale	**(0.3)**	(0.7)	-57.1%
Total operating costs	**130.1**	129.8	-0.2%

**Increases in cost are shown as negative variances to ensure consistency with other reporting.*

- **Labour costs:** includes the staff costs of the group's operational, engineering, pilotage, administrative and management departments. Labour costs decreased by 1.0% due to savings in handling costs resulting from reduced coal volumes and lower bonus accrual partially offset by annual wage increases and increased staff numbers driven by growth activity, in particular at the new ABP operated Immingham Renewable Fuels Terminal.
- **Maintenance:** represents operational expenditure required to repair, service and maintain the group's operating assets including quayside, plant and machinery and vessels and investment property. Maintenance costs increased by 8.0%, partly a consequence of a one off £1.3m stock and asset capitalisation in 2015.
- **Fuel:** predominantly represents fuel required to operate the group's fleet of pilot launches and dredgers. Fuel costs decreased by 10.0%, reflecting the fall in prices, closure of the Cardiff container line service and reduced in-house dredging activity.
- **Dredging:** represents third party dredging costs. Costs decreased from £4.8m to £1.0m principally driven by the significant decrease in the level of dredging managed by the group on behalf of a major customer.
- **Utilities:** decreased by 5.1% due to lower activity across the regions.
- **Other operating and administrative costs:** includes operating costs such as lease rentals, security and cleaning, foreign exchange gains and losses and overheads such as IT, legal and professional fees, business rates, insurance and bad debt provisions. Other operating and administrative costs decreased by 1.8% principally due to net unrealised foreign exchange gains on forward foreign exchange contracts.

2.2.2 Other profit and loss items

- **Depreciation and amortisation of fair value uplift of assets acquired in a business combination:** the amounts include adjustments for the fair value uplifts recorded in 2006 when Associated British Ports Holdings Limited was acquired by ABP Acquisitions UK Limited.
- **Movement in fair value of investment properties**: the decrease in fair value of investment properties of £21.3m (2015: £nil) largely reflects a decrease in the valuation of investment property occupied by Tata Steel.
- **Net unrealised gain on fuel derivatives**: in 2015, the group entered into fuel derivatives to hedge the cost of its fuel used principally to power its fleet of dredgers and support vessels. The group recorded an unrealised gain on the valuation of its fuel hedges of £2.5m (2015: £nil).
- **Exceptional items:** the exceptional cost of £4.2m (2015: £nil) within operating profit principally represents restructuring costs in connection with the Business Transformation Programme.
- **Net finance costs:** net finance costs amounted to £465.4m (2015: £173.3m) and included: interest costs of £187.5m (2015: £168.5m) in relation to the fully subordinated and unsecured loans from the company's immediate parent undertaking ABP SubHoldings UK Limited; net foreign exchange loss on borrowings and accrued interest on derivatives of £53.3m (2015: net gain of £12.5m) and a net unrealised loss on swaps held to hedge the group's exposure to interest rate and foreign currency movements of £159.6m (2015: net gain of £43.4m). The net finance costs mentioned above are excluded from net interest payable for covenant purposes. Included in both net finance costs and net interest payable for covenant purposes are interest costs of £45.9m (2015: £40.2m) in relation to the group's external senior secured debt; interest costs of £34.3m (2015: £34.7m) and interest income of £7.6m (2015: £7.4m) on derivatives.

The table below summarises the reconciliation between net finance costs and Net Interest Payable as defined for covenant purposes:

Net Interest Payable **(six months ended 30 June)**	**2016 H1** **£m**	**2015 H1** **£m**
Net finance costs	**465.4**	173.3
Adjusted for:		
Amortised costs	**(1.0)**	(1.0)
Net interest payable on loans from parent undertaking	**(183.7)**	(163.2)
Net unrealised (loss)/gain on derivatives at fair value through profit and loss	**(159.6)**	43.4
Non-cash finance costs in relation to pension scheme assets and liabilities	**(0.3)**	(0.8)
Non-cash finance costs in relation to discounted assets and liabilities	**(0.3)**	(0.3)
Net foreign exchange (loss)/gain	**(53.3)**	12.5
Net Interest Payable	**67.2**	63.9

- **Share of profit in associated undertaking:** the group's share of profit from associated undertaking was £nil (2015: £2.8m) reflecting the sale of ABP's share of DPWS in October 2015.

- **Taxation:** The overall net tax for the period ended 30 June 2016 amounted to a credit of £33.1m (2015: charge £9.8m). This reflected a deferred tax credit of £33.1m (2015: £1.3m) and a current tax charge of £nil (2015: £11.1m).

2.2.3 Reconciliation between Operating Profit and Consolidated EBITDA

Consolidated EBITDA (six months ended 30 June)	2016 H1 £m	2015 H1 £m
Operating Profit	**86.4**	118.6
Amortisation	**17.7**	13.0
Depreciation	**29.3**	27.3
Decrease in fair value of investment properties	**21.3**	-
Net unrealised gain on fuel derivatives	**(2.5)**	-
Net unrealised foreign exchange gain	**(0.9)**	-
Profit on write off of intangibles and disposal of property, plant and equipment, investment property and property and land held for sale	**(0.3)**	(0.7)
Consolidated EBITDA	**151.0**	158.2
Exceptional items	**4.2**	-
Consolidated EBITDA pre exceptional costs	**155.2**	158.2

2.2.4 Adjusted profit before tax

Adjusted profit before tax as set out in the table below decreased by 25.1% to £40.0m (2015: £53.4m).

Adjusted Profit Before Tax (six months ended 30 June)	2016 H1 £m	2015 H1 £m
Loss before taxation	**(379.0)**	(51.9)
Decrease in fair value of investment properties	**21.3**	-
Net foreign exchange loss/(gain)	**53.3**	(12.5)
Net interest charge on net defined benefit liabilities	**0.3**	0.8
Net interest payable on loans from parent undertaking	**183.7**	163.2
Net unrealised loss/(gain) on derivatives at fair value through profit and loss	**159.6**	(43.4)
Net unrealised gain on fuel derivatives	**(2.5)**	-
Net unrealised foreign exchange gain	**(0.9)**	-
Share of profit in associated undertaking	**-**	(2.8)
Exceptional items	**4.2**	-
Adjusted Profit Before Tax	**40.0**	53.4

2.2.5 Cash flows

The group continued to benefit from strong conversion of operating profits to cash. Cash generated by operations amounted to £138.0m (2015: £153.6m).

Cash flows summary (six months ended 30 June)	**2016 H1 £m**	**2015 H1 £m**
Cash flows from operating activities		
Cash generated by operations	**138.0**	153.6
Interest paid	**(87.0)**	(101.8)
Interest received	**13.6**	12.8
Net cash inflow from operating activities	**64.6**	64.6
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	**7.3**	0.1
Purchase of intangible assets	**(11.8)**	(3.0)
Purchase of property, plant and equipment	**(66.8)**	(63.6)
Purchase of investment property	**(30.6)**	(120.4)
Purchase of other financial assets	**(30.0)**	-
Net cash outflow from investing activities	**(131.9)**	(186.9)
Cash flows from financing activities		
Drawdown of borrowings	**-**	204.0
Repayment of borrowings	**(15.0)**	(100.0)
Repayment of obligations under finance leases	**(0.3)**	(0.3)
Net cash (outflow)/inflow from financing activities	**(15.3)**	103.7
Change in cash and cash equivalents during the period	**(82.6)**	(18.6)
Cash and cash equivalents at 1 January	**133.8**	34.8
Cash and cash equivalents at period end	**51.2**	16.2

2.2.6 Consolidated Net Borrowings

Consolidated Net Borrowings as defined for covenant purposes increased by £41.7m to £2,104.2m (December 2015: £2,062.5m)

Consolidated Net Borrowings	Due date	30 June 2016 £m	31 December 2015 £m
Term and revolving facilities	2023 – 2029	**209.0**	224.0
Private placements – GBP floating rate	2024 – 2033	**460.0**	460.0
Private placements – GBP fixed rate	2023 – 2035	**365.0**	365.0
Private placements – USD fixed rate	2022 – 2029	**285.8**	285.9
Public loans – GBP & USD floating rate	2021 – 2033	**183.9**	183.9
Public loans – GBP & EUR fixed rate	2023 – 2042	**668.6**	668.6
Finance leases		**2.5**	2.6
Net cash (including restricted cash)		**(51.2)**	(133.8)
Net Borrowings		**2,123.6**	2,056.2
Restricted cash		**1.6**	6.3
Cash balances held in Debt Service Reserve accounts*		**9.0**	-
Other financial assets (money market deposits)		**(30.0)**	-
Consolidated Net Borrowings		**2,104.2**	2,062.5

*****The cash balances held in the Debt Service Reserve accounts are only considered restricted cash for covenant purposes.*

2.3 Significant Announcements/Publications

Details of the group's ultimate controlling parties can be found in note 28 of the 2015 annual report and accounts of ABPA Holdings Limited.

Other than as disclosed above and on the Media Centre and Investor Relations section of the group's corporate website (www.abpinvestor-relations.co.uk), there have been no significant announcements or publications by or relating to ABPAH Group.

2.4 Significant Board/Management Changes

The changes reflected below are subsequent to those disclosed in the 2015 annual report and accounts of ABPA Holdings Limited.

2.4.1 Executive Directors

- On 9 May 2016, Alastair Welch was appointed to the Board of Associated British Ports as Director, Southampton.

2.4.2 Non-Executive Directors

- On 28 June 2016, Andrew Hay was appointed as a director to the Board of Associated British Ports Holdings Limited and ABPA Holdings Limited.

- On 28 June 2016, Robert Wall resigned as a director to the Board of Associated British Ports Holdings Limited and ABPA Holdings Limited.

3. Capital Expenditure - cash

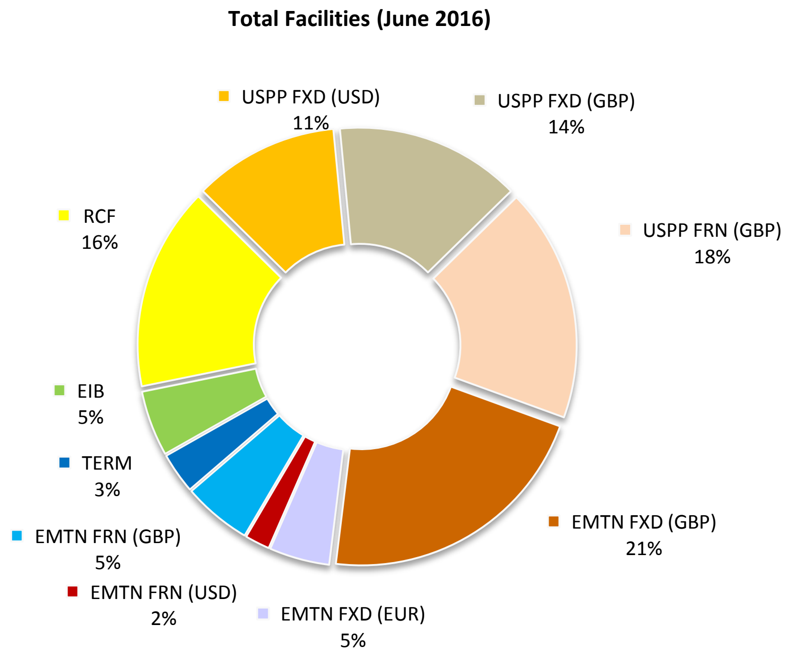
Total capital expenditure cash flow for the first half of the year decreased to £109.2m (2015: £187.0m). There are three elements to the group's capital expenditure: infrastructure replacement to maintain the operating capability of the group's assets, revenue earning/enhancing capital projects and land acquisitions. Replacement expenditure during 2016 amounted to £30.2m (2015: £19.5m) and included expenditure on the replacement of container cranes in Hull of £4.0m, £2.4m in relation to the head office move, £1.9m on two replacement cranes in HIT and £1.9m on the refurbishment of 5 quayside grabbing cranes. Revenue earning/enhancing expenditure during 2016 decreased to £72.7m (2015: £74.1m) and included expenditure associated with the construction of the Siemens wind turbine facility in Hull of £29.3m and £11.6m in relation to the SAP implementation occurring across the group. Land acquisitions during 2016 amounted to £6.3m (2015: £93.4m) and included the purchase of land and buildings, known as 3-9 York Street in Ayr and the purchase of farmland at Weeton for environmental mitigation purposes. Further details of recent progress on the group's major projects can be found in section 2.1 Business Developments.

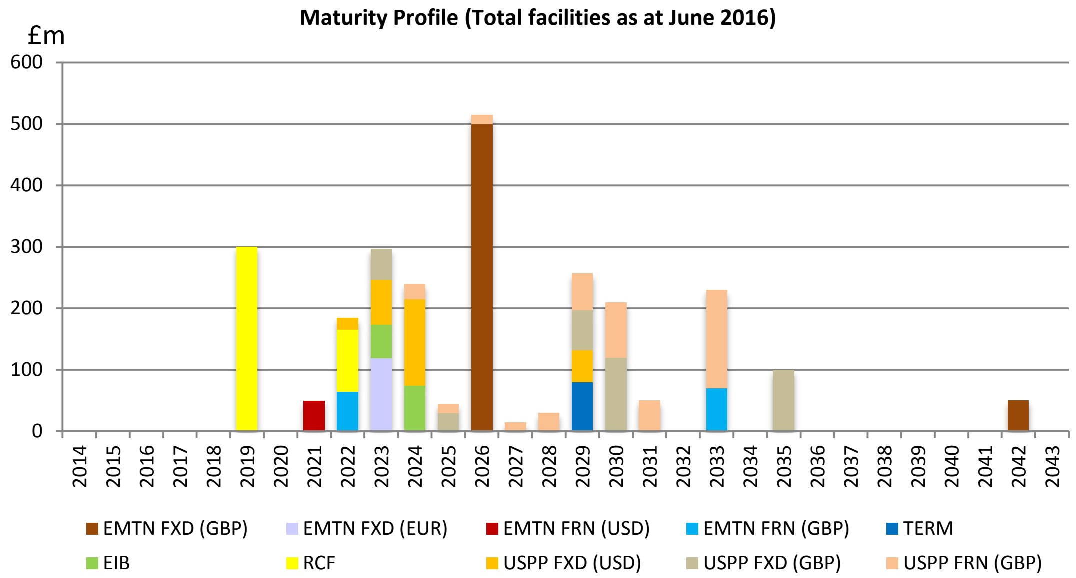
4. Financing and Current Hedging Position

During the period, the group repaid £15.0m of the £70m EIB facility due in 2023 as required under the terms of the agreement following final analysis of the costs of the associated project.

The 364 day liquidity facility was increased in August 2016 to £155.0m and £9.0m placed in the debt service reserve account at 30 June 2016 was withdrawn following the refinancing.

The charts below show the profile of the group's externally sourced facilities, excluding liquidity facilities of GBP140.0m, as at 30 June 2016:

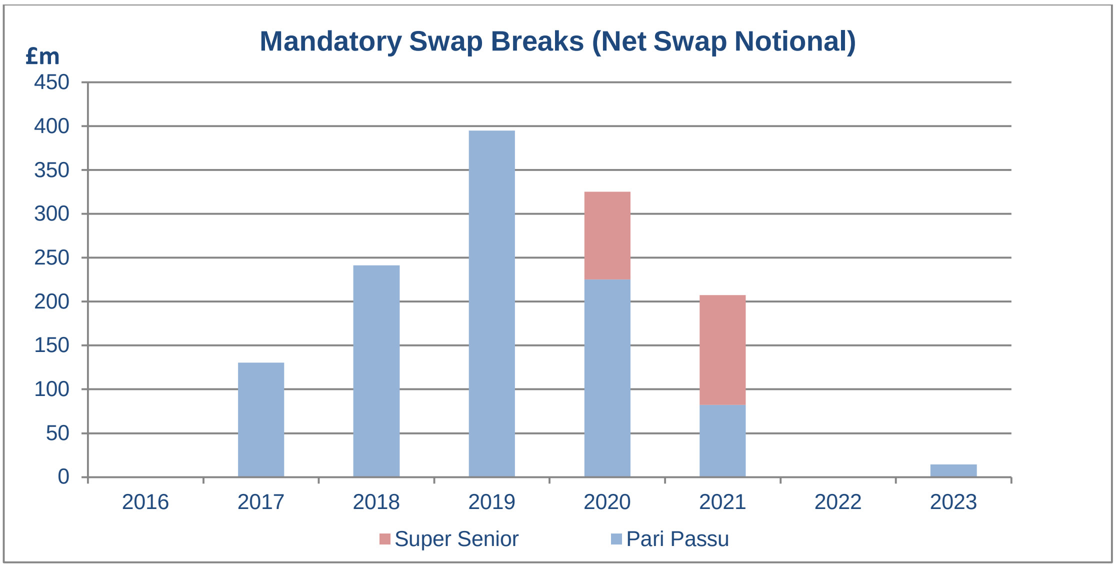




As at 30 June 2016, the group's hedging ratio was just over 100%, with a net £1.31bn of floating to fixed interest rate swaps hedging £1.26bn of floating rate exposure. The hedging position continues to be compliant with the group's hedging policy of maintaining between 75% and 110% of its senior debt fixed for a minimum seven year period.

More detailed debt information can be found on the Investor Relations section of the group's corporate website (www.abpinvestor-relations.co.uk)

The following graph shows the mandatory swap breaks profile (net swap notional) as at 30 June 2016.



5. Restricted Payments

The group's policy is to maintain a leverage ratio in the medium term at or close to 6.75 times EBITDA, to provide headroom broadly equivalent to 10% of EBITDA to the group's lock up trigger. As such, the group did not make any restricted payments during the first half of 2016.

6. Ratios and Compliance with Covenants

At 30 June	2015 £m	2016 £m	2017* £m	2018* £m	2019* £m
£m					
Consolidated EBITDA	315.3	310.4	336.0	364.7	395.2
Net Interest Payable	127.5	132.5	140.3	152.6	169.1
Consolidated Net Borrowings	2,055.6	2,104.2	2,268.1	2,461.5	2,667.9
Ratio of Adjusted Consolidated EBITDA to Net Interest Payable	2.47x	2.34x	2.39x	2.39x	2.34x
Ratio of Consolidated Net Borrowings to Consolidated EBITDA	6.52x	6.78x	6.75x	6.75x	6.75x

** Forward-looking ratio calculations and projections are based on the most recent ITA Information provided to and certified by the Independent Technical Advisor.*

6.1 We confirm that in respect of this investor report dated 30 June 2016, 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 (ABPAH Group Covenants) of the Common Terms Agreement:

(a) the Historic Adjusted Consolidated EBITDA is or is estimated to be equal to or more than 1.75 times Historic Net Interest Payable for the Relevant Calculation Period;

(b) the Projected Adjusted Consolidated EBITDA is or is estimated to be equal to or more than 1.75 times Projected Net Interest Payable for the Relevant Calculation Period;

(c) the ratio of Historic Consolidated Net Borrowings to Historic Consolidated EBITDA is or is estimated to be equal to or less than 7.50 as at the Relevant Calculation Date; and

(d) the ratio of Projected Consolidated Net Borrowings to Projected Consolidated EBITDA is or is estimated to be equal to or less than 7.50 as at the Relevant Calculation Date, (together the "Ratios").

6.2. We confirm that each of the above Ratios has been calculated in respect of the Relevant Calculation Period or as at the Relevant Calculation Date for which it is required to be calculated under the Common Terms Agreement.

6.3 We confirm that historic ratios have been calculated using, and are consistent and have been updated by reference to the most recently available financial information required to be provided by the Covenantors under Schedule 2 (ABPAH Group Covenants) of the Common Terms Agreement.

6.4 We confirm that all forward looking financial ratio calculations and projections:

(i) have been made on the basis of assumptions made in good faith and arrived at after due and careful consideration;

(ii) are consistent and updated by reference to the most recently available financial information required to be produced by the Covenantors under Schedule 2 (ABPAH Group Covenants) of the Common Terms Agreement; and

(iii) are consistent with the Accounting Standards (insofar as such Accounting Standards reasonably apply to such calculations and projections).

(iv) are based on the most recent ITA Information provided to and certified by the Independent Technical Advisor in accordance with Schedule 2 (ABPAH Group Covenants) of the Common Terms Agreement.

6.5 We also confirm that:

(a) no Default or Trigger Event has occurred and is continuing, or if a Default or Trigger Event has occurred and is continuing, steps (which shall be specified) are being taken to remedy such Default or Trigger Event;

(b) the ABPAH Group is in compliance with the Hedging Policy; and

(c) this Investor Report is accurate in all material respects;

Yours faithfully,

Sebastian Bull
Chief Financial Officer

For and on behalf of

ABPH as ABPAH Group Agent