ABPA Holdings Limited

Investor Report – 31 December 2019

Important Notice

This Investor Report is distributed by Associated British Ports Holdings Limited (“ABPH”) (as New Holdco 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 dated 14 December 2011 and as amended from time to time (the “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 ABPAH and its subsidiaries (“New Holdco Group” or “Group”) for the year ending 31 December 2019. Defined terms used in this document have the same meanings as set out in the Master Definitions Agreement dated 14 December 2011 and as amended from time to time (the “MDA”) unless otherwise stated.

Associated British Ports Holdings Limited. Registered in England and Wales with Registered Office at 25 Bedford Street, London WC2E 9ES and Registered Number 1612178.

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1. Group Highlights

Year ended 31 December	2019 £m	2018[6] £m	Change from 2018
Revenue	**611.6**	587.0	+4.2%
Operating costs[1]	**(369.6)**	(325.3)	-13.6%
Underlying operating profit[2]	**242.0**	261.7	-7.5%
Consolidated EBITDA[3] pre exceptional costs	**331.0**	336.8	-1.7%
Consolidated EBITDA[3]	**315.4**	331.5	-4.9%
Consolidated EBITDA[3] margin pre exceptional costs	**54.1%**	58.3%	-4.2%
Cash generated by operations	**295.1**	314.4	-6.1%
Total tonnage (mt)[4]	**80.9**	87.6	-7.6%
Passenger volumes (000s)	**2,940.0**	3,129.0	-6.0%
Consolidated Net Borrowings[5]	**2,182.0**	2,137.5	+2.1%

[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, increase/decrease in fair value of investment property, 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 and after excluding certain items) is calculated in accordance with the definitions set out in the MDA (details set out in section 2.3.4).

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

[5] Consolidated Net Borrowings (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, restricted cash and the value of letters of credit for which ABP is held liable) is calculated in accordance with the definitions set out in the MDA (details set out in section 2.4.4).

[6] During the year the Group restated Utilities revenue that had been erroneously presented net of associated costs

Historic Covenanted Financial Ratios

At 31 December	2019	2018
Ratio of Adjusted Consolidated EBITDA to Net Interest Payable	**2.24x**	2.21x
Ratio of Consolidated Net Borrowings to Consolidated EBITDA*	**6.92x**	6.45x
*Ratio of Consolidated Net Borrowings to Consolidated EBITDA pre exceptional costs[7]	**6.59x**	6.35x

[7] Not a covenanted ratio

2. Business Update

2.1. COVID-19

The COVID-19 pandemic is creating unprecedented disruption to our society and the global economy. Throughout this crisis Associated British Ports (ABP) is seeking to ensure the health and wellbeing of our employees, contractors, customers and other port users.

ABP remains committed to minimising disruption to our customers' supply chains and preserving continuity of operational service across all our 21 ports. We are working closely with the UK Government to facilitate COVID-19 management and recovery plans.

The situation with COVID-19 is rapidly evolving and, whilst it is not possible to quantify the impact for ABP at this stage, management expect it to have a negative effect on overall performance for the year. The Group is taking steps to reduce costs and defer non-essential capital expenditure to mitigate the impact of any potential downsides.

We continue to work in partnership with our customers and suppliers to manage the impact of any disruption consistent with our mission of Keeping Britain Trading.

The group is proactively considering downside scenarios and monitoring headroom against its loan covenants. Based on currently available information the group does not expect the impact of the virus to cause it to breach its covenants or to otherwise threaten the viability of the group. Projected covenant ratios incorporating management's assessment of the potential impacts of COVID-19 can be found in section 5 of this report; "Covenant Ratios and Compliance."

2.2. Business Developments

During 2019 ABP undertook a comprehensive strategy review involving the senior leadership team as well as employees, customers and shareholders. In 2020 ABP will communicate the strategy to the wider organisation and customers, undertake more detailed implementation planning and commence delivery of the strategy.

The group's strategy is aimed at being the best port company in the United Kingdom ("UK") and being recognised as such. ABP's mission is 'Keeping Britain Trading'.

ABP will utilise its strong port locations to drive increased value for its customers, optimising its supply chain solutions in a safe and sustainable manner.

Brexit

The UK's departure from the European Union took place on the 31st January 2020. Events relating to a future trade deal will continue to unfold and the political situation remains uncertain in respect to this. There remain a range of outcomes in terms of a future trade deal with the European Union ("EU"), with the backdrop of the UK Government committing that the UK will not extend the current transitional period beyond 31 December 2020 and that it is prepared to revert to World Trade Organisation rules for EU trade after that date. ABP continues to monitor the potential impacts of Brexit on trade flows through our Ports as well as engaging with government departments, industry stakeholders and customers to ensure trade continues to flow between the UK and EU Member States.

British Steel

In December 2018 ABP took over the operation of the Immingham Bulk Terminal from British Steel, resulting in increases in revenue and direct operating costs in 2019. ABP planned to spend £57m over several years upgrading the Terminal but this investment was placed on hold when British Steel entered insolvency in May 2019.

Control of British Steel passed to the Official Receiver ("OR") who continued to operate the business whilst they sought a buyer. In March 2020 the Jingye Group acquired the site. ABP has agreed Heads of Terms with Jingye for a long-term agreement which will see direct operation of the Immingham Bulk Terminal returning to British Steel, reducing ABP's revenue and direct operating costs, but significantly reducing ABP's capital investment.

2.3. Completed, Ongoing and Prospective Major Investments

The group continues to pursue a number of major investments which have the potential to contribute significant profitable growth during the coming years. Further information on major investments which are yet to be completed, and potential opportunities, is provided below.

Humber Container Terminals

ABP operates two major container terminals on opposite sides of the Humber estuary, at Hull and Immingham. ABP is continuing its investment programme to increase the combined capacity of the Humber container terminals from 295,000 units per annum to over 500,000 units per annum. The investment will allow ABP's customers to meet increasing demand, with the total volume of containers passing through ABP's Humber ports having increased by 63% between 2013 and 2019.

The second phase of the investment is currently underway in the container terminal in the Port of Immingham which will increase the space, improve the layout and add new equipment, including new purpose-built cranes.

Car Storage Facilities

Southampton is the UK's leading vehicle-handling port, handling around 800,000 import and export vehicles a year, and it continues to invest in facilities to support this important trade. A recent focus has been on further increasing car-parking capacity to meet the storage needs of automotive customers. In addition to the seven multi-story car parks ("MSCPs") already established, the eighth MSCP has been completed at Southampton in the fourth quarter of 2019, adding an additional 3,000 spaces and bringing the port's total automotive storage capacity to 50,000 vehicles.

Cruise Facilities

After the completion of the first phase of construction work to upgrade Ocean Cruise Terminal at the Port of Southampton, the second phase of works has commenced and is scheduled to be complete in early 2020. This work will include the installation of two new airbridges and the installation of a further 2,000 roof-mounted solar panels. This £12m investment will accommodate the next generation of larger cruise ships enabling Southampton to be the homeport for Iona, the first of two new ships of the XL class for P&O Cruises and the first British cruise ships to be powered by Liquefied Natural Gas. The group considers it likely that future investment will be required in the medium term to support further growth in the cruise sector driven by increasing demand from cruise lines for peak demand days and growth in passenger volumes.

Port Master Planning

ABP is continuing its Master Planning initiative, with the objective of improving the delivery of the infrastructure and change required to sustain ABP's future growth.

The four Humber masterplans (at Immingham, Hull, Grimsby and Goole) were delivered in final draft form in December 2019, alongside a Regional Plan document. The aim of the masterplans is to deliver and to reshape the local infrastructure in line with the wider Group Strategy, and to consider a wide variety of commercial, social, technical, environmental and political drivers of change.

As work on the Humber winds down, the focus is shifting to the South Wales ports of Newport, Cardiff, Barry, Port Talbot and Swansea. By October 2020, we will have a suite of documents that considers the right configuration of the South Wales assets. ABP will be looking both across the port network and at a more granular level within individual ports.

In Southampton, work has focussed on building the business case to support the long-term vision of the port, in parallel with the group wide strategic business review. This work has now completed and has concluded that there is a viable business case to make significant investments to meet the long-term growth aspirations of our customers across the cruise, container, Ro-Ro, automotive, bulk and general cargo sectors. It is anticipated that formal consultation on longer-term development plans will commence in 2020.

Alongside this work in South Wales and Southampton, the next year will also see high-level work at Garston and Barrow. ABP will be looking at the right approach to the Lowestoft masterplan in 2020 Q1, following the consultation process launched in May 2019. The Planning Inspectorate will announce its delayed decision on the Lowestoft Lake Lothing Third Crossing in Q1 and this will inform the conclusion of the Lowestoft master plan.

Offshore Wind

In recent years the group's ports have increasingly supported the offshore wind industry through the provision of port facilities for construction, and operation and maintenance of offshore wind related infrastructure. Many of the group's ports are in close proximity to existing and planned offshore wind development zones, in particular those in the North and Irish Seas. Additional land has been leased to Siemens Gamesa in Hull in 2019 and Triton Knoll signed a new lease with ABP at

Grimsby's Royal Dock in April 2019 to house its offshore construction and operations and maintenance facility. These developments highlight the growth opportunities that are available in this sector. The group continues to work with the offshore wind supply chain to cater for their growing needs, which may provide future opportunities for investment in new port infrastructure.

HS2

Following the government's announcement on the 11 February that the HS2 will be going ahead, ABP reaffirmed its readiness to support the project. The combination of port locations, available facilities, connectivity and expertise mean ABP is well placed to support the construction of Britain's new high speed railway. ABP will continue to communicate with all stakeholders within the existing and potential supply chain to the project in particular where there is alignment with the new strategy.

New Nuclear Power Plant Opportunities

The government has identified several sites in England that are suitable to build new nuclear power stations. Hinckley Point C new nuclear plant is already under construction and is expected to begin operations in 2025. There are further new nuclear power stations being planned including Sizewell in Suffolk and Bradwell in Essex. The large scale of new nuclear construction, coupled with the proximity of ABP's ports to key sites and ABP's proven experience in delivering world-class major infrastructure, means the group is well placed to benefit from nuclear development in the UK.

2.4. Performance of the Business

The following section should be read in conjunction with the consolidated audited Annual Report and Accounts of ABPAH, which are 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 31 December 2019:

Income statement	**2019 £m**	**2018[1] £m**	**Change from 2018**
Revenue	**611.6**	587.0	+4.2%
Operating costs	**(369.6)**	(325.3)	-13.6%
Underlying operating profit	**242.0**	261.7	-7.5%
Depreciation and amortisation of fair value uplift of assets acquired in a business combination	**(16.8)**	(17.1)	+1.8%
Impairment of fixed assets	**(72.3)**	-	-
Increase in fair value of investment properties	**35.6**	35.1	+1.4%
Net unrealised loss on fuel derivatives	**-**	(0.7)	-100.0%
Exceptional costs	**(15.6)**	(5.3)	-194.3%
Group operating profit	**172.9**	273.7	-36.8%
Net finance costs	**(495.7)**	(327.5)	-51.4%
Loss before taxation	**(322.8)**	(53.8)	-500.0%
Taxation (charge)/credit	**22.2**	(41.0)	154.1%
Loss for the period	**(300.6)**	(94.8)	-217.1%
Cash generated by operations	**295.1**	314.4	-6.1%
Capital expenditure – cash	**173.8**	149.0	+14.3%

[1] During the year the Group restated Utilities revenue that had been erroneously presented net of associated costs

2.4.1. Volumes and Revenues

Cargo volumes handled by the group's ports (excluding Southampton conservancy only volumes) decreased by 7.6% to 80.9m tonnes in 2018 (2018: 87.6m tonnes) due to a reduction in coal imports used for electricity generation and weaker general trading conditions following the March 2019 Brexit deadline.

Group revenue increased by 4.2% to £611.6m (2018: £587.0m) primarily driven by an increase in iron ore of 70.0% to £31.8m (2018: £18.7m), break bulks of 15.2% to £87.1m (2018: £75.6m) and biomass of 9.8% to £52.6m (2018: £47.9m). The increase in iron ore revenue is due to higher income from the taking over of operations of Immingham Bulk Terminal for British Steel. The increase in break bulks revenue is predominantly driven by higher exports of wind turbines from Siemens and an additional BAE dredging campaign in 2019. The increase in biomass revenue is due to an increase in guaranteed Drax biomass volumes.

2.4.2. Operating Costs

Ports and transport operating costs increased by 13.6% to £369.6m (2018: £325.3m). The table below provides an analysis of the group's operating costs compared with 2018:

Cost Category	2019 £m	2018 £m	Change from 2018*
Labour	**174.4**	153.5	-13.6%
Maintenance	**12.5**	10.0	-25.0%
Fuel	**10.0**	8.9	-12.4%
Dredging	**5.9**	2.8	-110.7%
Utilities	**20.5**	19.1	-7.3%
Other operating and administrative costs	**57.3**	56.1	-2.1%
Total costs excluding fixed asset related items	**280.6**	250.4	-12.1%
Depreciation[1]	**79.6**	74.9	-6.3%
Amortisation[2]	**10.4**	2.9	-258.6%
Profit on write off of intangibles and disposal of property, plant and equipment and investment property	**(1.0)**	(2.9)	-65.5%
Total operating costs	**369.6**	325.3	-13.6%

*Increases in cost are shown as negative variances to ensure consistency with other reporting.
[1] Depreciation and amortisation excludes acquisition related adjustments included in administrative expenses.
[2] Prior year comparatives have been reanalysed to conform to current presentation.

- **Labour costs:** includes the staff costs of the group's operational, engineering, pilotage, administrative and management departments and third party staff. Labour costs increased by 13.6% mainly due to ABP having taken over the operation of Immingham Bulk Terminal from December 2018, increased calls to Hull Container Terminal, and additional labour required to handle higher steel volumes at Newport. Increases were partly offset by a reduction in bonus accruals in 2019.
- **Maintenance:** represents operational expenditure required to repair, service and maintain the group's operating assets including quayside, plant and machinery, vessels and investment property. Maintenance costs increased by 25% mainly due to ABP having taken over the operation of Immingham Bulk Terminal from December 2018.
- **Fuel:** predominantly represents fuel required to operate the group's fleet of pilot launches and dredgers. Also included is the cost of fuel sold to third parties at Hams Hall. Fuel costs increased by 12.4%, mostly due to higher fuel costs for UKD, Immingham Bulk Terminal, which ABP took over operations of in December 2018, and an increase in fuel sold at Hams Hall.

- **Dredging:** represents third party dredging costs. Costs increased by 110.7% due to Dredging managed by the group on behalf of a major customer. The increased costs were more than matched by increased revenue from dredging as mentioned above.
- **Utilities:** costs increased by 7.3% mainly due to the Immingham Bulk Terminal, which ABP took over operations of in December 2018.
- **Other operating and administrative costs:** includes operating costs such as lease rentals, security and cleaning, foreign exchange gains and losses, overheads such as IT, legal and professional fees, business rates, insurance and bad debt provisions. Other operating and administrative costs increased by 2.1%.

2.4.3. 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 increase in fair value of investment properties of £35.6m (2018: £35.1m) was largely driven by improvements in expectations of the level or quality of future earnings at a number of key properties, including the Southampton Container Terminal £10.3m, Marchwood Industrial Estate £10.8m, and DFDS at Immingham £6.4m.
- **Net unrealised (loss)/gain on fuel derivatives**: the group has entered into fuel derivatives to hedge the cost of its fuel used principally to power its fleet of dredgers and support vessels. There was no gain or loss in the valuation of fuel derivatives in 2019 (2018: loss of £0.7m).
- **Exceptional costs:** the exceptional cost of £15.6m (2018: £5.3m) within operating profit principally relates to restructuring costs incurred as part of the group's change programme, and to a bad debt charge from a significant customer entering insolvency.

- **Net finance costs:** net finance costs amounted to £495.7m (2018: £327.5m) and included: interest costs of £97.0m (2018: £94.2m) in relation to the group's external senior secured debt; interest payable of £251.9m (2018: £255.8m) in relation to the fully subordinated and unsecured loans from the company's immediate parent undertaking ABP SubHoldings UK Limited; an unrealised loss of £124.0m (2018: gain of £95.1m) in relation to swaps held to hedge the group's exposure to interest and foreign currency exchange rate movements; and net exchange gains in relation to the translation of loans denominated in foreign currencies of £20.0m (2018: net losses of £27.8m).

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

Net Interest Payable	**2019 £m**	2018 £m
Net finance costs	**495.7**	327.5
Adjusted for:		
Amortised costs	**(2.0)**	(2.6)
Net interest payable on loans from parent undertaking	**(242.1)**	(246.0)
Net unrealised gain/(loss) on derivatives at fair value through profit and loss	**(124.0)**	95.1
Non-cash finance costs in relation to pension scheme assets and liabilities	**(0.4)**	(1.3)
Non-cash finance costs in relation to discounted assets and liabilities	**(0.6)**	(0.6)
Net foreign exchange (loss)/gain	**20.0**	(27.8)
Net Interest Payable	**146.6**	144.3

- **Taxation:** The overall net tax for the period ended 31 December 2019 amounted to a credit of £22.2m (2018: charge £41.0m). This reflected a deferred tax credit of £9.5m (2018: charge £28.2m) and a current tax credit of £12.7m (2018: charge £12.8m).

2.4.4. Consolidated Net Borrowings

Consolidated Net Borrowings as defined for covenant purposes increased by £44.5m to £2,182.0m (December 2018: £2,137.5m).

Consolidated Net Borrowings	**Due date**	**2019 £m**	2018 £m
Term and revolving facilities	2022 – 2029	**244.0**	209.0
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	**285.9**	285.9
Public loans – GBP & USD floating rate	2021 – 2033	**183.6**	183.9
Public loans – GBP & EUR fixed rate	2023 – 2042	**668.6**	668.6
Finance leases		**11.5**	1.8
Net cash (including restricted cash)		**(38.3)**	(37.8)
Net Borrowings		**2,180.3**	2,136.4
Restricted cash		**0.6**	-
Letters of credit		**1.1**	1.1
Consolidated Net Borrowings		**2,182.0**	2,137.5

2.5. Significant Announcements/Publications

Details of the group's ultimate controlling parties can be found in note 30 of the 2019 Annual Report and Accounts of ABPA Holdings Limited.

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

2.6. Significant Board/Management Changes

On 7 February 2019 Marina Wyatt joined ABP as the Chief Financial Officer of the trading group to replace Sebastian Bull and was appointed to the Boards of a number of companies within the ABPAH group with effect from 14 March 2019.

The following Board changes took place during the year and up to 22 April 2020:

(i) Associated British Ports:

Bull, GSM	(resigned 29 March 2019)
Rumsey, AJ	(appointed 23 July 2019)
van Weezel, HA	(appointed 23 July 2019)
Walker, JW	(appointed 2 September 2019)
Wyatt, MM	(appointed 14 March 2019)

(ii) Associated British Ports Holdings Limited:

Barr, R	(appointed 13 March 2019)	
Bull, GSM	(resigned 14 March 2019)	
Busslinger, PA	(resigned 18 September 2019)	
Hicks, SN	(resigned 13 March 2019)	
Kay, GPR	(resigned 13 June 2019)	
Maheshwari, P	(appointed 18 September 2019)	
Morea, JV	(resigned 31 January 2019)	
Newell, HM	(appointed 13 March 2019)	
Noergaard, B	(appointed 18 September 2019)	
Quinlan, AJ	(appointed 18 September 2019)	
Wyatt, MM	(appointed 14 March 2019)	
Butcher, PG	(alternate to B Noergaard)	(appointed 18 September 2019)
Hofbauer, PF	(alternate to JB Coghlan)	(appointment ceased 26 November 2019)
Newell, HM	(alternate to SN Hicks)	(appointed 25 January 2019 and appointment ceased on the resignation of SN Hicks on 13 March 2019)
Yashnikov, D	(alternate to R Barr)	(appointed 13 March 2019)
Yashnikov, D	(alternate to PA Busslinger)	(appointment ceased on the resignation of PA Busslinger on 18 September 2019)
Yashnikov, D	(alternate to P Maheshwari)	(appointed 18 September 2019)
Yashnikov, D	(alternate to JV Morea)	(appointment ceased on the resignation of JV Morea on 31 January 2019

(iii) ABP Acquisitions UK Limited:

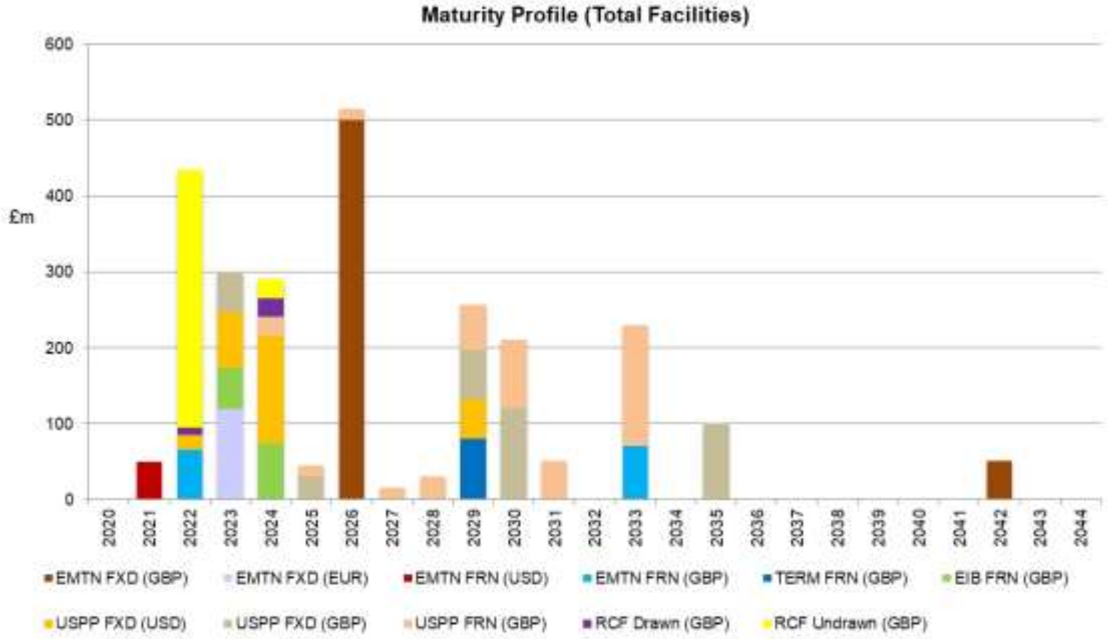
Bull, GSM	(resigned 29 March 2019)	
Wyatt, MM	(appointed 14 March 2019)	
Kennedy, SR	(alternate to GSM Bull)	(appointment ceased on 29 March 2019 on resignation of GSM Bull)
Kennedy, SR	(alternate to MM Wyatt)	(appointed 14 March 2019)

(iv) ABPA Holdings Limited:

Barr, R	(appointed 13 March 2019)	
Bull, GSM	(resigned 14 March 2019)	
Busslinger, PA	(resigned 18 September 2019)	
Hicks, SN	(resigned 13 March 2019)	
Kay, GPR	(resigned 13 June 2019)	
Maheshwari, P	(appointed 18 September 2019)	
Morea, JV	(resigned 31 January 2019)	
Newell, HM	(appointed 13 March 2019)	
Noergaard, B	(appointed 18 September 2019)	
Quinlan, AJ	(appointed 18 September 2019)	
Wyatt, MM	(appointed 14 March 2019)	
Butcher, PG	(alternate to B Noergaard)	(appointed 18 September 2019)
Hofbauer, PF	(alternate to JB Coghlan)	(appointment ceased 26 November 2019)
Newell, HM	(alternate to SN Hicks)	(appointed 25 January 2019 and appointment ceased on the resignation of SN Hicks on 13 March 2019)
Yashnikov, D	(alternate to R Barr)	(appointed 13 March 2019)
Yashnikov, D	(alternate to PA Busslinger)	(appointment ceased on the resignation of PA Busslinger on 18 September 2019)
Yashnikov, D	(alternate to P Maheshwari)	(appointed 18 September 2019)
Yashnikov, D	(alternate to JV Morea)	(appointment ceased on the resignation of JV Morea on 31 January 2019)

3. **Financing and Hedging Position**

The 364 day liquidity facilities were renewed in August 2019 and remain a total of £165.0m. The chart below shows the profile of the group's externally sourced debt facilities (excluding the liquidity facilities) as at 31 December 2019:

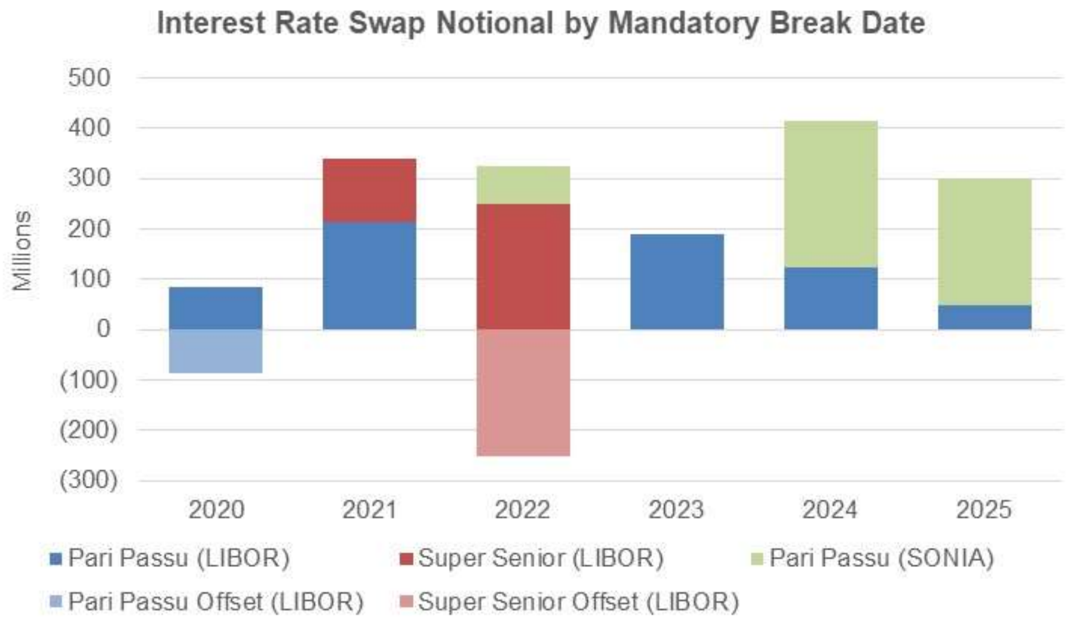


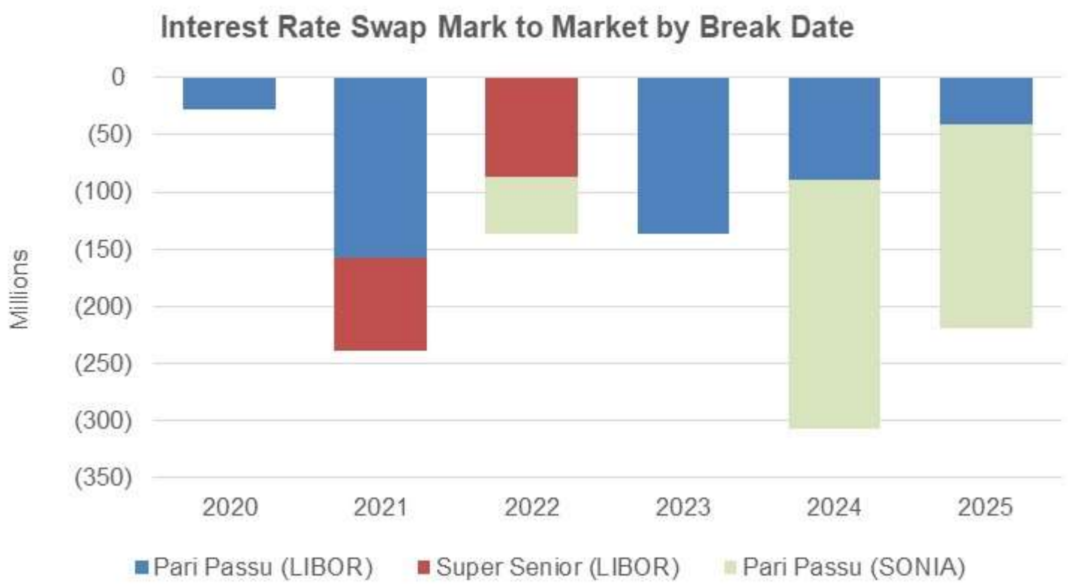
As at 31 December 2019, the group's Hedge Ratio in accordance with the CTA Interest Rate Risk Principles was 103%. The hedging position remains compliant with the group's hedging policy of maintaining between 75% and 110% of senior debt fixed, or effectively bearing a fixed rate, for a minimum seven-year period.

ABP has significant exposure to GBP LIBOR across a range of instruments and through the Working Group on Sterling Risk-Free Reference Rates is taking an active role in the ongoing interest rate benchmark reform work that aims to coordinate a transition towards SONIA as an alternative to LIBOR.

ABP Finance plc and ABP Acquisitions UK Ltd have been continued to transition financial instruments from LIBOR to SONIA.

The following charts show the interest rate swaps mandatory break profile both by Notional and Mark to Market as at 31 December 2019. LIBOR and SONIA linked interest rate swap positions are shown separately.





Since the year-end, the interest rate swaps with 2020 mandatory breaks on the charts above, have had the mandatory breaks removed.

4. Restricted Payments

The group's distribution 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 Trigger Event level. The group made £nil Restricted Payments during the year to 31 December 2019.

5. Covenant Ratios and Compliance

At 31 December	2019 £m	2020* £m	2021* £m	2022* £m
Adjusted Consolidated EBITDA	328.1	294.0	316.6	334.8
Net Interest Payable	146.6	149.7	150.7	155.6
Ratio of Adjusted Consolidated EBITDA to Net Interest Payable	2.24x	1.96x	2.10x	2.15x
Consolidated Net Borrowings	2,182.0	2,210.8	2,264.5	2,365.8
Consolidated EBITDA	315.4	301.9	329.2	349.4
Ratio of Consolidated Net Borrowings to Consolidated EBITDA	6.92x	7.32x	6.88x	6.77x

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

We confirm that in respect of this investor report dated 31 December 2019, 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 (New Holdco 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").

Associated British Ports Holdings Limited. Registered in England and Wales with Registered Office at 25 Bedford Street, London WC2E 9ES and Registered Number 1612178.

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.

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 (New Holdco Group Covenants) of the Common Terms Agreement.

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 (New Holdco 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 (New Holdco Group Covenants) of the Common Terms Agreement.

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 New Holdco Group is in compliance with the Hedging Policy; and

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

Yours faithfully,

Marina Wyatt

Marina Wyatt
Chief Financial Officer
For and on behalf of
ABPH as New Holdco Group Agent