ABPA Holdings Limited

Investor Report – 30 June 2021

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 may 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 six months ending 30 June 2021. Defined terms used in this document have the same meanings as set out in the Master Definitions Agreement (the “MDA”) dated 14 December 2011 and as amended from time to time unless otherwise stated.

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1. Group Highlights

Six months ended 30 June (unaudited)	2021 H1 £m	2020 H1* £m	Change from 2020
Revenue	**290.2**	280.4	+3.5%
Operating costs[1]	**(181.0)**	(179.9)	-0.6%
Other Income	**0.4**	1.8	-77.8%
Underlying operating profit[2]	**109.6**	102.3	+7.1%
Consolidated EBITDA[3] pre exceptional costs	**159.1**	144.0	+10.0%
Consolidated EBITDA[3]	**157.2**	142.2	+10.1%
Consolidated EBITDA[3] margin pre exceptional costs	**54.8%**	51.3%	
Cash generated by operations	**158.7**	149.8	+5.9%
Bulk cargo tonnage (mt)[4]	**27.2**	23.8	+14.3%
Unitised cargo (000s)[4]	**1,601.6**	1,335.6	+19.9%
Passenger volumes (000s)	**30.9**	246.2	-87.4%
Consolidated Net Borrowings[5]	**2,200.0**	2,155.4	+2.1%

[1] Operating costs include profit/loss on sale of fixed assets and exclude the movement in fair value of investment properties, depreciation/amortisation/write off of fair value uplift of assets acquired in a business combination, impairment of fixed assets 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/write off of fair value uplift of assets acquired in a business combination, impairment of fixed assets 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 2.3.5).

[4] Excluding volumes where the group generates conservancy income only. Volume presentation has been changed to align to management reporting. Unitised cargo is now shown as units rather than using a conversion to tonnes.

[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 section2.3.7).

*Comparatives have been restated to conform to current presentation.

Historic Covenanted Financial Ratios

At 30 June (unaudited)	**2021**	2020
Ratio of Adjusted Consolidated EBITDA to Net Interest Payable	**2.09x**	2.18x
Ratio of Consolidated Net Borrowings to Consolidated EBITDA	**6.54x**	7.21x
Ratio of Consolidated Net Borrowings to Consolidated EBITDA pre exceptional costs[1]	**6.45x**	6.94x

[1] Not a covenanted ratio

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

2. Business Update

2.1. Outlook

The UK has seen strong economic growth in the first half of 2021 as Covid-19 related restrictions have eased, reflected in the increased volumes and activity across the Ports. Along with an improved global outlook the recovery from 2020 is expected to be maintained throughout 2021. ABP continues to monitor the situation with regards to the Covid-19 pandemic and any impact that changes may have on its commercial and financial performance.

The EU-UK Trade and Cooperation Agreement which came into effect on 1 January 2021 has begun to bring clarity to the UK's future trade relationship with the EU.

2.2. Business Developments

ABP continues the delivery of its strategy launched in 2020, which included the appointment of a number of sector experts to develop new business opportunities and the commencement of new capital projects which progress throughout 2021. ABP is committed to keeping Britain trading by providing industry-leading port services and infrastructure that connects UK businesses, industry and manufacturers to markets in Europe and across the globe.

Following the Freeports policy announcement by the UK Government, four of the successful bids involve ABP port locations, including on the Humber, in Southampton, Plymouth and Garston. This presents an opportunity to grow trade and exports in these locations by attracting further investment, helping to create jobs and boost manufacturing.

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

2.3. 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.abports.co.uk/investor-relations).

The table below summarises the consolidated results for the six month period ended 30 June 2021.

Income statement (six months ended 30 June)	**2021 H1 £m**	2020 H1 £m	**Change from 2020**
Revenue	**290.2**	280.4	+3.5%
Operating costs	**(181.0)**	(179.9)	-0.6%
Other income	**0.4**	1.8	-77.8%
Underlying operating profit	**109.6**	102.3	+7.1%
Depreciation and amortisation of fair value uplift of assets acquired in a business combination	**(6.1)**	(7.3)	+16.4%
Net unrealised gain/(loss) on fuel derivatives	**1.9**	(1.8)	+205.6%
Exceptional costs	**(1.9)**	(1.8)	-5.6%
Group operating profit	**103.5**	91.4	+13.2%
Net finance costs	**(122.6)**	(310.1)	+60.5%
Loss before taxation	**(19.1)**	(218.7)	+91.3%
Taxation (charge)/credit	**(42.1)**	12.9	-426.4%
Loss for the period	**(61.2)**	(205.8)	+70.3%
Cash generated by operations	**158.7**	149.8	+5.9%
Capital expenditure - cash	**(84.0)**	(58.2)	+44.3%

2.3.1. Volumes and Revenues

Bulk volumes handled by the group's ports increased by 14.3% to 27.2m tonnes (2020: 23.8m tonnes), unitised volumes increased by 19.9% to 1,601.6k units (2020: 1,335.6k units) and passenger numbers decreased by 87.4% to 30.9k (2020: 246.2k). The improvement in volumes is due to improved trading conditions in 2021 following the severe impact of the Covid-19 pandemic in 2020, with the notable exception of passenger cruise and ferry services which were only impacted from Q2 2020 whilst in the first half of 2021 there were no passenger movements in our ports.

Group revenue increased by 3.5% to £290.2m (2020: £280.4m) primarily as a consequence of the recovery of volumes across both bulk and unitised revenues, partially offset by lower revenue due to the return of the direct operation of the Immingham Bulk Terminal to Jingye Steel.

2.3.2. Operating Costs

Ports and transport operating costs increased by 0.6% to £181.0m (2020: £179.9m). The operational expenditure increase was driven by the higher business activity and depreciation costs increased driven by new capital expenditure. These were mostly offset by lower overall labour costs in 2021 due to the reduction in expenditure as a consequence of the return of direct operation of the Immingham Bulk Terminal to Jingye Steel and lower overheads due to a reduction in bad debt provisions which were raised in 2020 in anticipation of the impact of Covid-19.

2.3.3. Other Income

Other income decreased by 77.8% to £0.4m (2020: £1.8m) due to the furlough grant received from the UK Government in 2020 as part of their job retention scheme in response to the pandemic.

2.3.4. Other Profit and Loss Items

- **Depreciation and amortisation of fair value uplift of assets acquired in a business combination** relates to amortisation and depreciation of the fair value uplifts recorded in 2006 when Associated British Ports Holdings Limited was acquired by ABP Acquisitions UK Limited. These totalled £6.1m in 2021 (2020: £7.3m).

- **Net unrealised gain/(loss) on fuel derivatives** where 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. The group recorded an unrealised gain on the valuation, due to the significant changes in oil prices, of its fuel hedges of £1.9m (2020: loss of £1.8m).

- **Exceptional costs** of £1.9m (2020: £1.8m) within operating profit principally represents restructuring costs.

- **Net finance costs** have decreased by £187.5m to £122.6m (2020: £310.1m). The decrease has been driven by an unrealised foreign currency exchange gain on the fair value of loans of £12.1m (2020: loss of £36.0m) and a decrease in the mark to market of the group's derivative portfolio which includes cross currency and interest rate swaps, resulting in a net gain of £70.3m (2020: net loss of £69.2m).

The net unrealised loss on interest rate swaps and the net foreign currency loss 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 £43.4m (2020: £48.1m) in relation to the group's external senior secured debt, interest costs of £37.7m (2020: £33.6m) and interest income of £9.5m (2020: £8.7m) on derivatives.

The table below summarises the reconciliation between net finance costs and net interest payable as defined for covenant purposes:

(six months ended 30 June)	**2021 H1 £m**	2020 H1 £m
Net finance costs	**122.6**	310.1
Adjusted for:		
Amortised costs	**(1.0)**	(1.0)
Net interest payable on loans from parent undertaking	**(132.5)**	(130.5)
Net unrealised gain / (loss) on derivatives at fair value through profit and loss	**70.3**	(69.2)
Non-cash finance costs in relation to pension scheme assets and liabilities	**(0.3)**	(0.3)
Non-cash finance costs in relation to discounted assets and liabilities	**(0.1)**	(0.1)
Net foreign exchange gain / (loss)	**12.1**	(36.0)
Net Interest Payable	**71.1**	73.0

- **Taxation,** the overall net tax charge for the six months ended 30 June 2021 amounted to £42.1m (2020: net tax credit of £12.9m). This reflected a deferred tax charge of £40.4m (2020: credit of £13.8m) and a current tax charge of £1.7m (2020: charge of £0.9m). The increase in the deferred tax charge from 2020 is mainly due to the change in investment property and operational land valuations partially offset by disallowable items for tax relating to fair value gains on derivatives and a bad debt provision.

2.3.5. Reconciliation between Operating Profit and Consolidated EBITDA

(six months ended 30 June)	**2021 H1 £m**	**2020 H1 £m**
Operating Profit	**103.5**	91.4
Amortisation	**8.6**	8.6
Depreciation	**45.2**	43.1
Net unrealised foreign exchange (gain)	**-**	(0.3)
Net unrealised (gain) on fuel derivatives	**(1.9)**	1.8
Loss / (profit) on write off of intangibles and disposal of property, plant and equipment and investment property	**1.8**	(2.4)
Consolidated EBITDA	**157.2**	142.2
Exceptional items	**1.9**	1.8
Consolidated EBITDA pre exceptional costs	**159.1**	144.0

2.3.6. Completed and Ongoing Major Investments

The group continues to make new investments which have the potential to contribute significant growth during the coming years. Further information on ABP's recent major investments are set out below.

Humber Container Terminals

ABP operates two major container terminals on opposite sides of the Humber estuary, at Hull and Immingham. ABP continued 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 allows ABP to handle significant expansion of customer volumes. The second phase of the investment completed this year at the container terminal in the Port of Immingham resulted in an increase in storage space, an improved layout and added new equipment including purpose-built cranes.

Immingham Renewable Fuels Terminal

A new facility with additional storage was built for Drax in a £21m investment to develop blending and storage capacity, allowing Drax to utilise alternative viable fuels that can be blended with wood pellets. The investment involved conversion of an existing shed from agri-bulks to biomass, expansion of the lorry load-in facility and adding additional operational equipment, as well as replacement warehousing to maintain current and forecasted volume growth. The first phase went live in December 2020 and the facility is expected to be fully operational from Q4 2021.

Southampton 5th Cruise Terminal

In 2020, ABP started construction of its fifth dedicated cruise terminal in an investment of £55 million, strengthening Southampton's position as Europe's leading cruise turn-around port and the UK's number one departure port. The new terminal is now substantially complete and serviced its first customer (MSC Cruises) on 2 July. It benefits from roof-mounted solar power and has shore power connectivity installed. This further commitment to sustainable operations at the port will enable cruise ships, with the right onboard technology, to 'plug in' while they are alongside.

The new cruise terminal is a large open access facility, designed to support operations by a number of cruise operators. The port already has terminals designed to support the world's two biggest cruise lines. The new terminal supports the long term growth aspirations of both MSC Cruises and Norwegian Cruise Line (the world's third and fourth largest) through long term partnership agreements.

Sustainable Investment

As the leading port operator in the UK, ABP's goal is to be at the centre of clean growth by transforming our ports and terminals into low carbon, resilient hubs, which can help build sustainable supply chains for our customers. ABP is well placed in this transition to deliver on the Government's agenda to level up and de-carbonise the UK economy in support of the UN Sustainable Development Goals.

ABP is working closely with partners across the industry to drive policies and actions for a sustainable future. ABP is a member of Zero Carbon Humber, a consortium of leading energy and industrial companies and academic institutions with a shared vision to transform the Humber region into the UK's first net-zero carbon cluster by 2040. Zero Carbon Humber are working to deliver low carbon hydrogen production facilities and carbon capture usage and storage facilities together with region-wide infrastructure that will enable large-scale decarbonisation.

Since 2011, ABP has invested over £55 million in green technologies, including renewable energy generation, pilot vessels designed to reduce fuel use, high efficiency transformers and new LED high-mast lighting across its estates.

In recent years the group's ports have increasingly supported the offshore wind industry through the provision of port facilities for construction, 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. 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.

Border Control Posts

As a direct result of Brexit and the consequent end of free movement of goods and people from the European Union (EU), all goods from EU countries will be subject to the same checking regime as goods coming from non-EU countries. These checks will take place at Border Control Posts (BCPs). The BCPs are required to be in operation by 1 January 2022, when full border controls of goods arriving to the UK will be enforced.

BCPs are being built in three of ABP's ports: Immingham, Hull and Plymouth, and a fourth BCP in Southampton has already been built by our customer DP World Southampton. These four ports are the principal Ro/Ro and Lo/Lo ports in the group and having BCPs strategically operating at these locations will enable our current and future customers to be compliant with new UK rules when transporting EU goods.

ABP is investing c. £35 million to build three Border Control Posts as required by the UK's new Border Operating Model. ABP has obtained grants from the Port

Infrastructure Fund (PIF) amounting to c. £28 million and continues to seek further shortfall funding from government.

2.3.7. Consolidated Net Borrowings

Consolidated Net Borrowings as defined for covenant purposes increased by £3.6m to £1,986.3m (December 2020: £1,982.7 m)

Consolidated Net Borrowings	**Due date**	**30 June 2021 £m**	**31 December 2020 £m**
Term and revolving facilities	2023 – 2029	**209.0**	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**	183.6
Public loans – GBP & EUR fixed rate	2023 – 2042	**668.6**	668.6
Finance leases		**9.3**	10.1
Net cash (including restricted cash)		**(205.9)**	(210.3)
Net Borrowings		**1,975.5**	1,971.9
Restricted cash		**9.4**	9.4
Letters of credit		**1.4**	1.4
Consolidated Net Borrowings		**1,986.3**	1,982.7

2.4. Significant Announcements/Publications

Details of the group's ultimate controlling parties can be found in note 30 of the 2020 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.

2.5. Significant Board/Management Changes

The following Board changes took place during the year and up to 27 September 2021:

(i) Associated British Ports Holdings Limited:

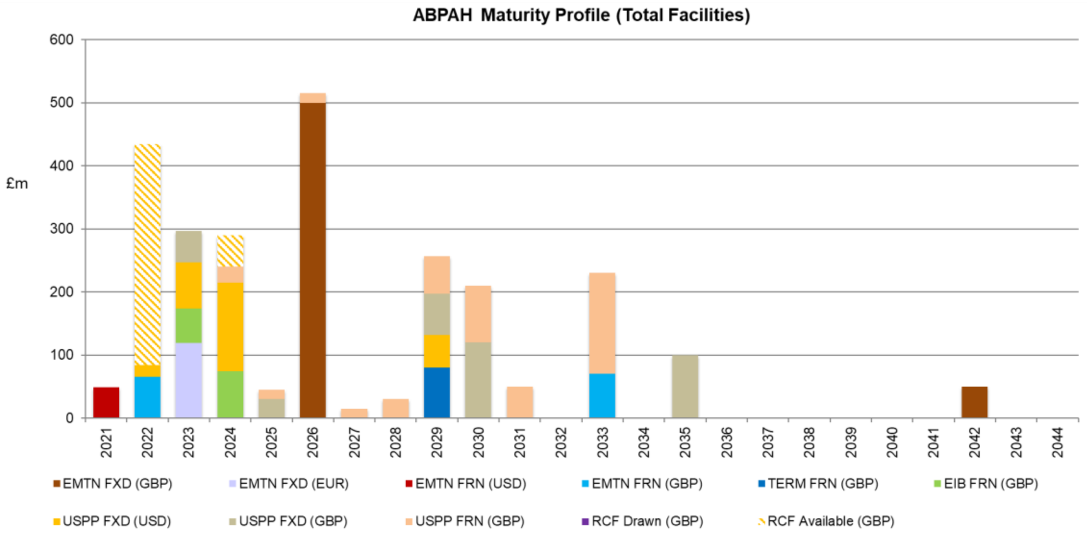
Bugeja, LE	(resigned 1 June 2021)	
Butcher, PG	(appointed 24 June 2021)	
Pugh, SN	(appointed 24 June 2021)	
Rishton, JF	(resigned 30 April 2021)	
Burganov, K	(alternate to HM Newell and AJ Quinlan)	(appointed 10 March 2021)
Butcher, PG	(alternate to LE Bugeja)	(appointment ceased on 1 June 2021 on the resignation of LE Bugeja)
Butcher, PG	(alternate to SN Pugh)	(appointed 24 June 2021)
Gawron, AA	(alternate to R Barr, E Machiels and P Maheshwari)	(appointed 24 June 2021)
Yashnikov, D	(alternate to R Barr, E Machiels and P Maheshwari)	(resigned 1 April 2021)

(ii) ABPA Holdings Limited:

Bugeja, LE	(resigned 1 June 2021)	
Butcher, PG	(appointed 24 June 2021)	
Pugh, SN	(appointed 24 June 2021)	
Rishton, JF	(resigned 30 April 2021)	
Burganov, K	(alternate to HM Newell and AJ Quinlan)	(appointed 10 March 2021)
Butcher, PG	(alternate to LE Bugeja)	(appointment ceased on 1 June 2021 on the resignation of LE Bugeja)
Butcher, PG	(alternate to SN Pugh)	(appointed 24 June 2021)
Gawron, AA	(alternate to R Barr, E Machiels and P Maheshwari)	(appointed 24 June 2021)
Yashnikov, D	(alternate to R Barr, E Machiels and P Maheshwari)	(resigned 1 April 2021)

3. Financing and Hedging Position

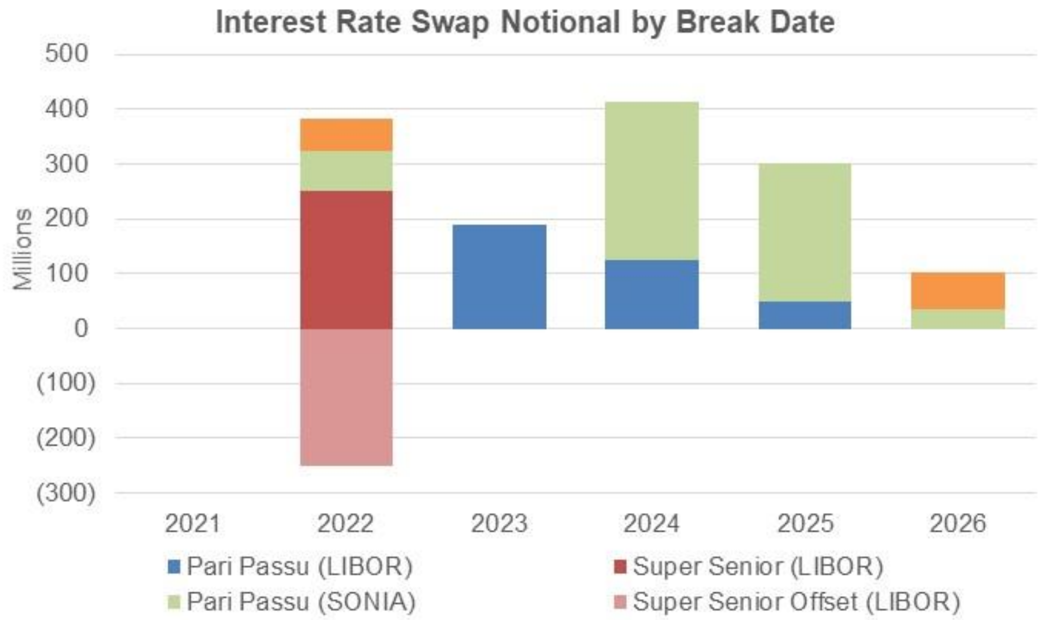
The chart below shows the profile of the ABPAH Group's externally sourced facilities (excluding the debt service Liquidity Facilities but including the Group's undrawn revolving loan facilities). This is the position as at 30 June 2021. In August 2021, the refinancing of the £300m syndicated revolving credit facility has completed with a new maturity of 2024 and options to extend to 2026.

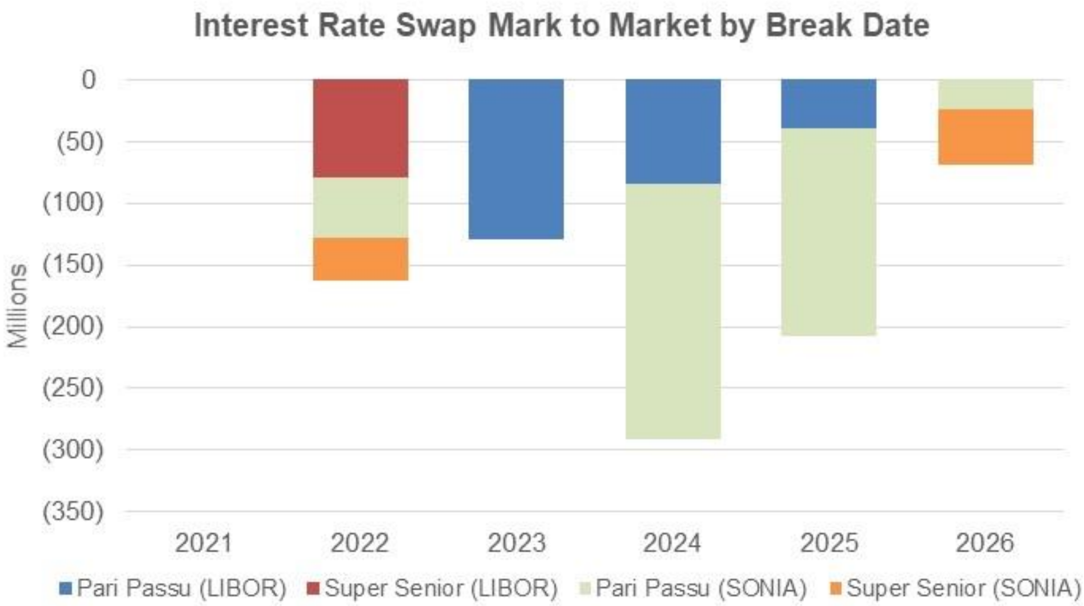


As at the 30 June 2021, the ABPAH Group has cash and cash equivalents of £205.9m in addition to £400m of committed and available undrawn revolving credit facilities.

As at 30 June 2021, the ABPAH group's Relevant Debt hedging ratio was 102.6%, which includes a net position of £1.31bn of floating to fixed interest rate swaps hedging £1.26bn of floating rate debt exposure. The hedging position continues to be compliant with the Hedging Policy of maintaining between 75% and 110% of senior debt which effectively bears a fixed rate for a minimum of at least seven years.

The following charts show the profile of the interest rate swap mandatory breaks by notional amount and clean mark to market as at 30 June 2021:





ABP has steadily been reducing the exposure to GBP LIBOR across its range of financial instruments by only entering into new transactions which reference SONIA and continuing to actively transition existing GBP LIBOR exposures to SONIA. Where new financial instruments are entered in to, these are either linked to SONIA or with a pre-determined mechanism to switch to SONIA within 12 months.

4. Restricted Payments

Since the date of the last Investor Report, a £3m Restricted Payment was made in cash from the ring-fenced group to ABP Bonds UK Limited in order to fund the payment of the ABP Group tax liability for 2021.

This Restricted Payment did not result in any distributions (e.g. loan interest, principal or dividends) or any other payment in cash or in kind to the ABP Group's ultimate shareholders.

5. Covenant Ratios and Compliance

At 30 June	2021 £m	2022* £m	2023* £m	2024* £m
Adjusted Consolidated EBITDA	301.0	313.3	327.0	343.4
Net Interest Payable	(144.3)	(144.0)	(144.3)	(145.8)
Ratio of Adjusted Consolidated EBITDA to Net Interest Payable	2.09x	2.18x	2.27x	2.36x
Consolidated Net Borrowings	1,986.3	2,172.8	2,289.6	2,441.2
Consolidated EBITDA	303.8	321.7	339.1	361.5
Ratio of Consolidated Net Borrowings to Consolidated EBITDA	6.54x	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.

N.B. Ratio of Consolidated Net Borrowings to Consolidated EBITDA pre exceptional costs	6.45x	6.69x	6.72x	6.72x

We confirm that in respect of this investor report dated 30 June 2021, 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").

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, 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;

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

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