ABPA Holdings Limited

Investor Report – 31 December 2016

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 2016. 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.

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ASSOCIATED BRITISH PORTS

1. Group Highlights

Year ended 31 December	2016 £m	2015 £m	Change from 2015
Revenue	**523.3**	536.7	-2.5%
Operating costs[1]	**(266.3)**	(255.5)	-4.2%
Underlying operating profit[2]	**257.0**	281.2	-8.6%
Consolidated EBITDA[3] pre exceptional costs	**314.6**	323.6	-2.8%
Consolidated EBITDA[3]	**306.7**	317.6	-3.4%
Consolidated EBITDA[3] margin pre exceptional costs	**60.1%**	60.3%	-0.2%
Adjusted profit before tax[4]	**85.0**	112.7	-24.6%
Cash generated by operations	**299.0**	337.8	-11.5%
Total tonnage (mt)[5]	**89.0**	92.0	-3.3%
Passenger volumes (000s)	**3,012.5**	2,964.1	+1.6%
Consolidated Net Borrowings[6]	**2,129.5**	2,062.5	+3.2%

[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 and after excluding certain items) is calculated in accordance with the definitions set out in the MDA (details set out in section 0).

[4] Adjusted profit before tax is profit before tax after excluding certain items (details set out in section 2.3.5.)

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

[6] 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 and restricted cash) is calculated in accordance with the definitions set out in the MDA (details set out in section 2.3.8)

Historic Covenanted Financial Ratios

At 31 December	2016	2015
Ratio of Adjusted Consolidated EBITDA to Net Interest Payable	**2.23x**	2.46x
Ratio of Consolidated Net Borrowings to Consolidated EBITDA*	**6.94x**	6.49x
*Ratio of Consolidated Net Borrowings to Consolidated EBITDA pre exceptional costs	**6.77x**	6.37x

The operating performance for the year ended 31 December 2016 reflects the following:

- The group's operating performance continues to be underpinned by a highly diversified cargo base, long term contracts with a broad mix of customers and a significant level of guaranteed revenue. However, the year ended 31 December 2016 was challenging as reflected by the decline in operating performance. This is principally due to a severe decline in Electricity Supply Industry (ESI) coal imports which have been adversely impacted by the significant reduction in the proportion of electricity generated from coal (down from 29.7% in 2014 to 9.1% in 2016).
- Revenue decreased by 2.5% to £523.3m (2015: £536.7m) principally due to the impact of the reduction in coal revenues (which reduced £24.3m (56%) from £43.2m in 2015 to £18.9m in 2016) partially offset by new revenues in relation to new facilities at Green Port Hull, favourable vehicle storage income and container revenue.
- Underlying operating profit decreased by 8.6% to £257.0m (2015: £281.2m).
- Consolidated EBITDA pre exceptional costs decreased by 2.8% to £314.6m (2015: £323.6m). This represented strong performance given the 58% reduction in ESI coal passing through our ports, previously the single largest profit earner within the business.
- Consolidated EBITDA margin pre exceptional costs remained robust at 60.1%, in line with 60.3% in the prior year.

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 2016 (so-called 'Brexit') and the subsequent triggering of Article 50 by the UK government on 29 March 2017. Just over half of the value 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. Through our ports, approximately 64% of imports and 42% of exports are with countries in the EU.

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 previous Investor Reports, ABP's 2016 financial performance has been impacted by a continued fall in coal volumes resulting from:

- customers importing coal in 2015 ahead of increases in environmental taxes and subsequent reduced demand as stock piles are utilised;
- 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; and
- sustained lower gas prices, making it cheaper to produce electricity from gas than produce electricity from coal.

Given the backdrop of increasing regulation of coal burning plant in recent years, the group has pursued a strategy of diversifying its exposure through a number of strategic investments aimed at serving renewable energy. This includes our completed projects in the Humber to support increasing volumes of biomass for the UK's largest power station, Drax, and Siemens' offshore wind turbine blade facility at Alexandra Dock (see 2.2 for more details). These renewable related projects are designed to deliver stable returns over a long term period. ABP is well-placed to benefit from further growth in renewables, with several offshore wind farms and tidal lagoons planned for areas close to its ports. Furthermore, the development of new nuclear power stations in England and Wales could provide opportunities for the group's ports to handle construction and project cargoes.

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

2.2. Completed and Planned Major Investments

Green Port Hull ("GPH")

GPH is a collaboration between ABP, Hull City and East Riding Council and partner organisations aimed at transforming Hull into a world-class centre for renewable energy. Siemens' offshore wind turbine blade manufacturing, project construction, assembly and service facility at Alexandra Dock, Hull has been partly operational since September 2016. In October 2016, Siemens began to import wind turbine components into Hull and in December 2016 the first 75 metre blade manufactured on site was unveiled. The final works at the Alexandra Dock site were completed in January 2017, with Siemens having invested £160m and ABP £150m in the joint project since 2014.

The first load-out from GPH in January 2017, using imported components, was for the 402MW Dudgeon Offshore Wind Farm off the coast of North Norfolk. One of the first offshore wind farms to be supplied with blades manufactured in Hull is expected to be the 573MW Race Bank, under construction off the North Norfolk and Lincolnshire coast.

Immingham Renewable Fuels Terminal ("IRFT")

IRFT is an ABP-operated facility at the Port of Immingham for the import, storage and onward distribution of wood pellet biomass fuel. The new terminal serves the Drax power station in North Yorkshire, which is the largest power station in the UK, meeting around 8% of the UK's electricity demand. To date, Drax has converted three of its six generating units to run on wood pellet biomass instead of coal.

IRFT phase 1 became operational in early 2015, comprising continuous ship unloaders, a covered conveyor system, storage silos and rail load out facilities. Phase 2 works to increase the storage capacity, a second train loading station and additional belt conveyors were completed in autumn 2016, doubling the total storage capacity to 200,000 tonnes in eight silos, taking the designed throughput capacity of the terminal to 6 million tonnes per annum. Total costs to date on the project amount to £135.3m.

Humber Container Terminals

Since taking over operation of Hull Container Terminal on 1 May 2016, ABP has invested £4.1m in terminal improvements and £10.0m in new cranes in order to provide better service to the terminal's major customer, Samskip. A further investment of £14.0m has been approved to expand capacity, including the installation of two additional Liebherr gantry cranes (increasing the total at the terminal to four) and purchase of additional operational plant. The investment will allow two vessels to be loaded or discharged simultaneously. The additional capacity will enable the terminal to support additional Lo-Lo operators looking to offer services into Hull.

ABP also owns and operates Immingham Container Terminal on the south bank of the Humber estuary and in 2016, the group completed a £3.3m investment in upgraded container handling equipment and operational layout enhancements.

Southampton Cruise Facilities Upgrade

ABP Southampton is Europe's most popular turnaround cruise port, capable of handling the largest cruise ships. 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.

Southampton Fresh Produce Terminal

In August 2016, ABP announced an investment of £8.3m to upgrade the port's Fresh Produce Terminal underpinned by a new 20-year contract with Solent Stevedores. The improvements to the terminal, completed in February 2017, include two new mobile cranes, improved storage, and new energy efficient lighting. Solent Stevedores is also investing in providing additional equipment to enhance fresh produce handling capacity. The works to upgrade the terminal's refrigerated storage areas provide an expanded cool store temperature range and more chilled storage capacity. The improved facility enables Solent Stevedores to handle a wider range of chilled fruit and other high-value products all year round in Southampton, in addition to the long-standing seasonal Canary Islands' tomato import trade.

Agribulk Capacity Upgrades

In October 2016, a new £2.3m warehouse opened at the Port of Newport. The 3,500 square metre facility is used to store the increasing volumes being handled by existing customer Feed Factors, which specialises in organic animal feed products. Over the last two years ABP has invested over £15m in infrastructure and equipment at Newport, which is also the UK's second largest steel-handling port.

Fertiliser Upgrades

At the Port of Garston, ABP has invested almost £1m creating storage and baggage facilities for Yara UK, who already operate at the ABP ports of Immingham, Swansea and Ayr. Yara UK will use Garston to supply their customers in the north-west of England and Wales, with the first shipment into the port having taken place in November 2016.

Business Transformation Project

As part of the group's strategic ambition to put customers first and to continually improve the operations and services it provides, ABP launched a group-wide change programme in 2015, tasked with the transformation of the group's business processes and IT hardware and software, including the implementation of SAP.

In 2016 the group completed the implementation of the first phase of new standardised processes for managing customer relationships and Human Resources. A new SharePoint intranet was also rolled out across the business improving communication and providing staff with better access to information resources. This project 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

In recent years ABP has invested in renewable energy generating schemes across its UK locations with the further roll out of solar arrays and wind energy, reaching a total installed capacity of 14.6MW at the end of 2016.

ABP is continuing to invest in energy saving measures to reduce overall energy demand, such as energy efficient lighting and trials of electric vehicles. In 2017, ABP will further examine the potential use of under-utilised land holdings for large energy supply and distribution schemes.

Car Storage Facilities

Southampton is the leading UK port for trade vehicles, handling around 900,000 vehicles a year, of which about 60 per cent are for export. In September 2016, ABP announced a phased £50m investment to support UK trade vehicle volumes through the Port of Southampton. The first phase involves the construction of two new 5-deck multi-storey car parks, the sixth and seventh such facilities at the port, providing an additional 3,170 car export spaces and 4,378 car import spaces respectively. The works are expected to be completed by the end of 2017.

In August 2016, the group acquired 103 acres of land adjacent to the Port of Grimsby to provide the ability to expand its trade vehicle storage capacity and facilitate growth in volumes over the Grimsby ro-ro terminal. The group is currently discussing opportunities with existing and potential new customers to utilise this space and anticipates that the site will be developed in the short to medium term once suitable commercial agreements have been reached.

Swansea Bay Tidal Lagoon

Swansea Bay Tidal Lagoon is a proposed 240MW power-generating project for the Severn Estuary in South Wales, which has the second highest tidal range in the world. ABP has, subject to the project going ahead, agreed terms for the lease of land and foreshore to the developer, Tidal Lagoon (Swansea Bay) Plc. In the event the scheme is approved and construction proceeds, there are likely to be opportunities to handle construction related cargo through the Port of Swansea.

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 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 31 December 2016.

Income statement	**2016 £m**	**2015 £m**	**Change from 2015**
Revenue	**523.3**	536.7	-2.5%
Operating costs	**(266.3)**	(255.5)	-4.2%
Underlying operating profit	**257.0**	281.2	-8.6%
Depreciation and amortisation of fair value uplift of assets acquired in a business combination	**(29.6)**	(36.6)	-19.1%
Decrease/(Increase) in fair value of investment properties	**(36.9)**	59.3	-162.2%
Net unrealised gain/(loss) on fuel derivatives	**4.0**	(3.7)	+208.1%
Exceptional costs	**(7.9)**	(6.0)	-31.7%
Group operating profit	**186.6**	294.2	-36.6%
Net finance costs	**(659.3)**	(453.5)	-45.4%
Loss on sale of investment in associated undertaking	**-**	(110.5)	+100.0%
Share of profit in associated undertaking	**-**	6.2	-100.0%
Loss before taxation	**(472.7)**	(263.6)	79.3%
Taxation credit/(charge)/credit	**48.4**	(5.1)	+1,049.0%
Loss for the period	**(424.3)**	(268.7)	-57.9%
Cash generated by operations	**299.0**	337.8	-11.5%
Capital expenditure - cash	**215.7**	327.3	-34.1%

2.3.1. Volumes and Revenues

During 2016, group revenue decreased by 2.5% to £523.3m (2015: £536.7m) and cargo volumes (excluding Southampton conservancy only volumes) decreased by 3.3% to 89.0m tonnes (2015: 92.0m tonnes). However, excluding ESI coal volumes, group revenues and cargo volumes would have increased by 2.6% and 2.0% respectively.

The tables that follow provide analysis of the changes in the group's volumes and revenue by cargo category compared with 2015.

Volumes	2016 million tonnes	2015 million tonnes	Change from 2015
ESI coal	**3.3**	7.9	-58.2%
Biomass	**4.9**	4.6	+6.5%
Other dry bulks	**25.4**	23.8	+6.7%
Break bulks	**6.2**	6.0	+3.3%
Liquid bulks*	**22.2**	22.9	-3.1%
Ro-ro	**9.8**	9.8	-
Import/export vehicles	**3.1**	3.3	-6.1%
Containers	**14.1**	13.7	+2.9%
Total tonnage	**89.0**	92.0	-3.3%

* Excludes Southampton volumes where ABP generates conservancy income only

Passenger volumes	2016 000's	2015 000's	Change from 2015
Cruise passengers	1,762.5	1,692.7	+4.1%
Ferry passengers	1,250.0	1,271.4	-1.7%
Total	**3,012.5**	2,964.1	+1.6%

Ports and transport revenue	2016 £m	2015 £m	Change from 2015
ESI coal	18.9	43.2	-56.3%
Biomass	48.2	46.0	+4.8%
Other dry bulks	76.8	74.4	+3.2%
Break bulks	62.7	61.3	+2.3%
Liquid bulks	45.9	44.7	+2.7%
Ro-ro	27.6	28.0	-1.4%
Import/export vehicles	42.3	40.8	+3.7%
Containers	56.6	55.9	+1.3%
Total commodity revenue	**379.0**	394.3	-3.9%
Cruise & ferry	33.6	32.2	+4.3%
Pilotage & conservancy	54.7	55.3	-1.1%
Property income	21.2	17.7	+19.8%
Other	34.8	37.2	-6.5%
Total non commodity revenue	**144.3**	142.4	+1.3%
Total ports and transport revenue	**523.3**	536.7	-2.5%

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

- **ESI coal**: volumes decreased by 58.2%, principally reflecting significantly weaker demand for imported coal on the Humber driven by reduced coal burn by power stations and high UK stock levels. Revenue decreased by 56.3% as a consequence of the overall volume decline.

- **Biomass**: volumes increased by 6.5% and revenue by 4.8% largely driven by Drax's change in fuel mix from coal to biomass on the Humber.

- **Other dry bulks**: volumes increased by 6.7% and revenue increased by 3.2% mainly due to increased grain across regions.
- **Break bulks**: volumes increased by 3.3%. Revenue increased by 2.3% which reflects the increase in volumes and increased wind turbine revenue for a major customer on the Humber.
- **Liquid bulks**: volumes decreased by 3.1% predominantly due to adverse volumes across Immingham Oil Terminal. Despite the fall in volumes, revenue increased by 2.7% mainly due to the introduction of road tolls at East and West Jetties on the Humber.
- **Ro-ro**: tonnage remained in line with 2015. Revenue decreased by 1.4% due to the loss of a major customer at a Short Sea Port.
- **Import/export vehicles**: volumes decreased by 6.1% and revenue increased by 3.7% reflecting increased car storage income on the Humber and at the Port of Southampton.
- **Containers**: volumes increased by 2.9% driven by growth at Immingham Container Terminal, and at Hull Container Terminal following the transfer of the operation to ABP. Revenue increased by 1.3% reflecting the volume growth, largely 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 5.5% to £25.1m (2015: £23.8m) driven by major customers at Southampton. Cruise calls increased by 5.4% to 452 (2015: 429).
- **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 increased by 1.2% to £8.5m in 2016 (2015: £8.4m).
- **Pilotage and conservancy**: revenue decreased by 1.1% at £54.7m (2015: £55.3m) reflecting lower traffic on the Humber.
- **Property income**: revenue in 2016 increased by 19.8% to £21.2m (2015: £17.7m) reflecting new rental income from the acquired Marchwood Industrial Estate in Southampton and rent reviews across the group.
- **Other**: decreased by 6.5% principally driven by a decrease in external dredging undertaken by UK Dredging.

2.3.2. Operating Costs

Ports and transport operating costs increased by 4.2% to £266.3m (2015: £255.5m). The table below provides an analysis of the group's operating costs compared with 2015:

Cost Category	**2016 £m**	**2015 £m**	**Change from 2015***
Labour	**121.9**	126.3	+3.5%
Maintenance	**16.1**	15.4	-4.5%
Fuel	**7.4**	7.7	+3.9%
Dredging	**2.2**	5.9	+62.7%
Utilities	**7.6**	7.8	+2.6%
Other operating and administrative costs	**52.8**	49.8	-6.0%
Total costs excluding fixed asset related items	**208.0**	212.9	+2.3%
Depreciation	**55.7**	48.9	-13.9%
Amortisation	**3.3**	2.2	-50.0%
(Profit)/loss on write off of intangibles and disposal of property, plant and equipment, investment property and property and land held for sale	**(0.7)**	(8.5)	-91.7%
Total operating costs	**266.3**	255.5	-4.2%

*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 and third party staff. Labour costs decreased by 3.5% due to savings in handling costs resulting from reduced coal volumes and lower bonus accrual. This is partly offset by annual wage increases and increased third party staff costs 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 4.5%, 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 3.9%, 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 by 62.7% from £5.9m to £2.2m principally driven by the significant decrease in the level of dredging managed by the group on behalf of a major customer.

- **Utilities:** decreased by 2.6% 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 increased by 6.0%.

2.3.3. 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 decrease in fair value of investment properties of £36.9m (2015: increase of £59.3m) largely reflects a decrease in the valuation of investment property occupied by British Steel and Humber Oil Terminal Trustees and the impact of the change in stamp duty.
- **Net unrealised gain/(loss) 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 £4.0m (2015: loss of £3.7m).
- **Exceptional costs:** the exceptional cost of £7.9m (2015: £6.0m) within operating profit principally represents restructuring costs in connection with the Business Transformation Programme.
- **Net finance costs:** net finance costs amounted to £659.3m (2015: £453.5m) and included: interest costs of £378.1m (2015: £339.9m) 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 £88.2m (2015: £14.4m) and a net unrealised loss on swaps held to hedge the group's exposure to interest rate and foreign currency movements of £58.5m (2015: net gain of £23.4m). 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 £92.8m (2015: £84.1m) in relation to the group's external senior secured debt; interest costs of £69.4m (2015: £69.5m) and interest income of £16.7m (2015: £14.4m) on derivatives.

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

Net Interest Payable	2016 £m	2015 £m
Net finance costs	**659.3**	453.5
Adjusted for:		
Amortised costs	**(2.0)**	(2.1)
Net interest payable on loans from parent undertaking	**(370.2)**	(329.1)
Net unrealised (loss)/gain on derivatives at fair value through profit and loss	**(58.5)**	23.4
Non-cash finance costs in relation to pension scheme assets and liabilities	**(0.7)**	(1.5)
Non-cash finance costs in relation to discounted assets and liabilities	**(2.2)**	(0.6)
Net foreign exchange loss	**(88.2)**	(14.4)
Net Interest Payable	**137.5**	129.2

- **Share of profit in associated undertaking:** the group's share of profit from associated undertaking was £nil (2015: £6.2m) reflecting the sale of ABP's share of DPWS in October 2015.
- **Taxation:** The overall net tax for the period ended 31 December 2016 amounted to a credit of £48.4m (2015: charge £5.1m). This reflected a deferred tax credit of £45.8m (2015: £15.3m) and a current tax credit of £2.6m (2015: charge £20.4m).

2.3.4. Reconciliation between Operating Profit and Consolidated EBITDA

Consolidated EBITDA	2016 £m	2015 £m
Operating Profit	**186.6**	294.2
Amortisation	**26.9**	32.7
Depreciation	**61.7**	55.0
Decrease/(increase) in fair value of investment properties	**36.9**	(59.3)
Net unrealised (gain)/loss on fuel derivatives	**(4.0)**	3.7
Net unrealised foreign exchange gain	**(0.7)**	(0.2)
Profit on write off of intangibles and disposal of property, plant and equipment, investment property and property and land held for sale	**(0.7)**	(8.5)
Consolidated EBITDA	**306.7**	317.6
Exceptional items	**7.9**	6.0
Consolidated EBITDA pre exceptional costs	**314.6**	323.6

2.3.5. Adjusted Profit Before Tax

Adjusted profit before tax as set out in the table below decreased by 24.6% to £85.0m (2015: £112.7m).

Adjusted Profit Before Tax (year ended 31 December)	2016 £m	2015 £m
Loss before taxation	(472.7)	(263.6)
Decrease/(increase) in fair value of investment properties	36.9	(59.3)
Net foreign exchange loss	88.2	14.4
Net interest charge on net defined benefit liabilities	0.7	1.5
Net interest payable on loans from parent undertaking	370.2	329.1
Net unrealised loss/(gain) on derivatives at fair value through profit and loss	58.5	(23.4)
Net unrealised (gain)/loss on fuel derivatives	(4.0)	3.7
Net unrealised foreign exchange gain	(0.7)	-
Share of profit in associated undertaking	-	(6.2)
Exceptional items	7.9	6.0
Loss on sale of investment in associated undertaking	-	110.5
Adjusted Profit Before Tax	85.0	112.7

2.3.6. Cash Flows

The group continued to benefit from strong conversion of operating profits to cash. Cash generated by operations amounted to £299.0m (2015: £337.8m).

Cash flows summary	2016 £m	2015 £m
Cash flows from operating activities		
Cash generated by operations	**299.0**	337.8
Interest paid	**(175.3)**	(205.6)
Interest received	**28.1**	25.6
Net cash inflow from operating activities	**151.8**	157.8
Cash flows from investing activities		
Proceeds from sale of associated undertaking	**-**	38.1
Proceeds from sale of property, plant and equipment	**7.5**	0.7
Proceeds from sale of investment property	**-**	6.8
Proceeds from sale of land held for sale	**-**	0.6
Purchase of intangible assets	**(24.2)**	(11.4)
Purchase of property, plant and equipment	**(127.3)**	(139.9)
Purchase of investment property	**(64.2)**	(176.0)
Payments into money market deposits	**(15.0)**	-
Net cash outflow from investing activities	**(223.2)**	(281.1)
Cash flows from financing activities		
Drawdown of borrowings	**-**	464.0
Repayment of borrowing costs	**-**	(1.0)
Repayment of borrowings	**(15.0)**	(240.0)
Repayment of obligations under finance leases	**(0.6)**	(0.7)
Net cash (outflow)/inflow from financing activities	**(15.6)**	222.3
Change in cash and cash equivalents during the period	**(87.0)**	99.0
Cash and cash equivalents at 1 January	**133.8**	34.8
Cash and cash equivalents at period end	**46.8**	133.8

2.3.7. Capital Expenditure - Cash

Total capital expenditure cash flow for the year decreased to £215.7m (2015: £327.3m). 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 £61.9m (2015: £60.6m) and included expenditure on the replacement of container cranes at Hull and Immingham container terminals (£6.4m), £2.7m in relation to the head office move, £4.2m on two replacement cranes in HIT and £2.6m on the VTS (Vehicle Traffic Service) relocation and system upgrade on the Humber. Revenue earning/enhancing expenditure during 2016 decreased to £147.5m (2015: £168.6m) and included expenditure associated with the construction of the Siemens wind turbine facility in Hull of £53.5m and £22.4m in relation to the SAP implementation occurring across the group. Land acquisitions during 2016 amounted to £6.3m (2015: £98.1m) 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.

2.3.8. Consolidated Net Borrowings

Consolidated Net Borrowings as defined for covenant purposes increased by £67.0m to £2,129.5m (December 2015: £2,062.5m)

Consolidated Net Borrowings	**Due date**	**2016 £m**	**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	**285.9**	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		**2.3**	2.6
Net cash (including restricted cash)		**(46.8)**	(133.8)
Net Borrowings		**2,127.9**	2,056.2
Restricted cash		**1.6**	6.3
Consolidated Net Borrowings		**2,129.5**	2,062.5

2.3.9. Reconciliation of Statutory Net Borrowings to Consolidated Net Borrowings

	2016 £m	2015 £m
Current borrowings	**17.0**	18.7
Non-current borrowings	**5,843.3**	5,386.8
Current receivables (Interest receivable on derivatives)	**(6.8)**	(5.1)
Cash and cash equivalents	**(46.8)**	(133.8)
Statutory net borrowings	**5,806.7**	5,266.6
Adjusted for:		
Unsecured subordinated loan notes	**(1,062.2)**	(1,062.2)
Unsecured subordinated junior debt facility	**(416.0)**	(416.0)
Deferred borrowing costs	**0.1**	0.2
Amounts due to parent undertaking	**(1,478.1)**	(1,478.0)
Interest accrual - Unsecured subordinated loan notes	**(2,056.6)**	(1,721.6)
Interest accrual - Unsecured subordinated junior debt facility	**(46.6)**	(3.5)
Interest due to parent undertaking	**(2,103.2)**	(1,725.1)
Accrued interest due on term and revolving facilities	**(0.2)**	(0.2)
Accrued interest due on private placement notes	**(11.8)**	(10.4)
Accrued interest due on public loan notes	**(3.7)**	(3.4)
Accrued interest due on derivatives	**(1.0)**	(0.9)
Accrued interest receivable on derivatives	**6.8**	5.1
Accrued interest	**(9.9)**	(9.8)
Deferred borrowing costs	**20.3**	22.2
Cash balances held subject to security interest	**1.6**	6.3
Exclude the impact of the foreign currency movements on the USD and EUR loans	**(107.9)**	(19.7)
Consolidated Net Borrowings	**2,129.5**	2,062.5

2.4. Significant Announcements/Publications

Details of the group's ultimate controlling parties can be found in note 30 of the 2016 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.

2.5. Significant Board/Management Changes

Executive Directors

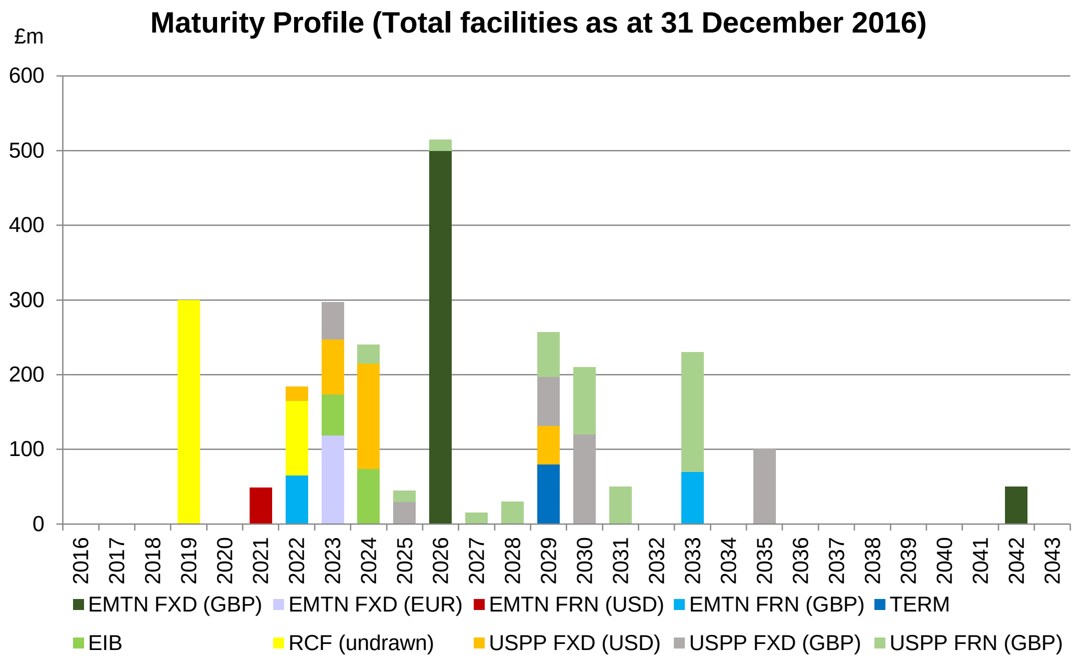
- On 8 April 2016, Nick Ridehalgh, resigned as a director of the Board of Associated British Ports.
- On 9 May 2016, Alastair Welch was appointed to the Board of Associated British Ports as Director, Southampton.
- On 31 December 2016, Michelle Tilley, resigned as a director of the Board of Associated British Ports.
- On 28 February 2017, Robert Walvis resigned as Chairman and a director of the Board of Associated British Ports Holdings Limited.

Non-Executive Directors

- On 2 March 2016, John Coghlan appointed as a director to the Board of Associated British Ports Holdings Limited
- On 2 March 2016, Peter Hofbauer resigned as a director of the Board of Associated British Ports Holdings Limited
- 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 of the Board of Associated British Ports Holdings Limited and ABPA Holdings Limited.
- On 9 November 2016, John Rishton appointed as a director to the Board of Associated British Ports Holdings Limited

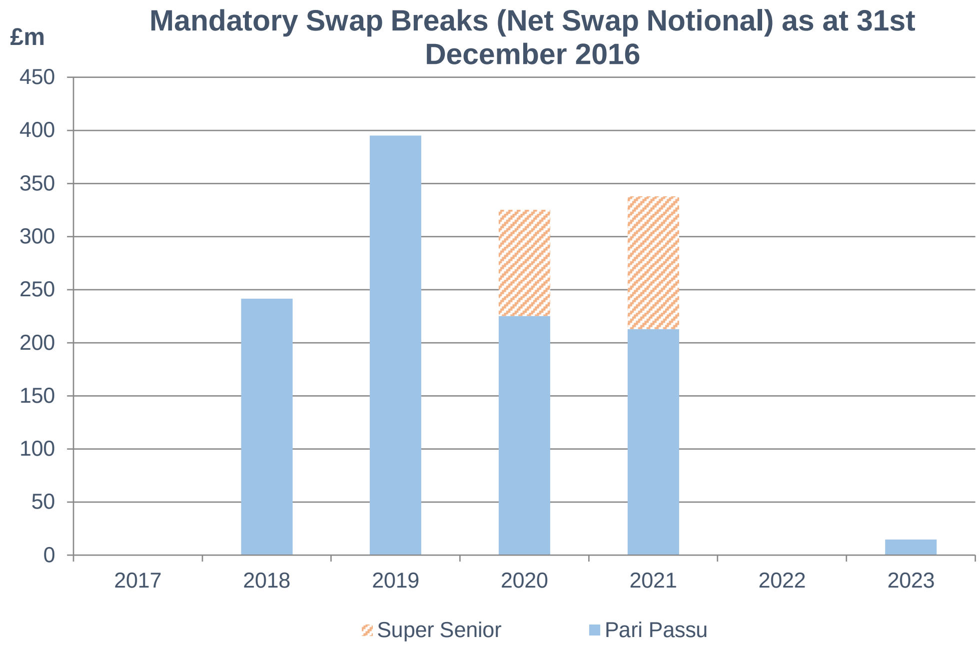
3. Financing and Hedging Position

The 364 day liquidity facilities were renewed and increased in August 2016 to £155.0m. The charts that follow show the profile of the group's externally sourced facilities (excluding the liquidity facilities) as at 31 December 2016:



As at 31 December 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.

The following graph shows the mandatory swap breaks profile (net swap notional) as at 31 December 2016:



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

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. As a result, the group did not make any Restricted Payments during the year to 31 December 2016.

5. Ratios and Covenant Compliance Covenants

At 31 December	2016 £m	2017* £m	2018* £m	2019* £m
Adjusted Consolidated EBITDA	306.7	315.7	330.3	374.9
Net Interest Payable	137.5	142.8	146.4	153.3
Ratio of Adjusted Consolidated EBITDA to Net Interest Payable	2.23x	2.21x	2.26x	2.45x
Consolidated Net Borrowings	2,129.5	2,152.3	2,257.8	2,544.6
Consolidated EBITDA	306.7	315.7	330.3	377.0
Ratio of Consolidated Net Borrowings to Consolidated EBITDA	6.94x	6.82x	6.84x	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	6.77x	6.67x	6.69x	6.75x

We confirm that in respect of this investor report dated 31 December 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 (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, 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,

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