ABPA Holdings Limited

Investor Report – 31 December 2015

Important Notice

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

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

Basis of preparation

This Investor Report is being distributed pursuant to the terms of the CTA Schedule 2, Part 1. Unless otherwise specified this Investor Report comments on the historic financial performance of the ABPAH group for the year to 31 December 2015. Defined terms used in this document have the same meanings as set out in the Master Definitions Agreement unless otherwise stated.

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1. General Overview

- Continued strong operating performance in 2015 despite weakness in some key commodities
- Robust Consolidated EBITDA growth pre exceptional costs and Consolidated EBITDA margin pre exceptional costs of 4.9% and 60.3% respectively
- Stable investment grade ratings of A- from Fitch and Baa2 from Moody's
- Further extension of ABP's debt maturity profile with a wide variety of domestic and international sources of finance
- Disposal of the group's 49% share of Southampton Container Terminals Limited (trading as DP World Southampton, "DPWS")

Year ended 31 December	2015 £m	2014 £m	Change from 2014
Revenue	**536.7**	519.1	+3.4%
Operating costs[1]	**(255.5)**	(260.6)	+2.0%
Underlying operating profit[2]	**281.2**	258.5	+8.8%
Consolidated EBITDA[3] pre exceptional costs	**323.6**	308.5	+4.9%
Consolidated EBITDA[3]	**317.6**	308.5	+2.9%
Consolidated EBITDA[3] margin pre exceptional costs	**60.3%**	59.4%	+0.9%
Adjusted profit before tax[4]	**112.7**	87.4	+28.9%
Cash generated by operations	**337.8**	292.0	+15.7%
Total tonnage (mt)[5]	**92.0**	94.5	-2.6%
Passenger volumes (000s)	**2,964.1**	2,928.8	+1.2%
Consolidated Net Borrowings[6]	**2,062.5**	1,933.2	+6.7%

[1]Operating costs are operating costs including profit/loss on sale of fixed assets and excluding depreciation/amortisation of acquisition related adjustments, net unrealised 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 acquisition related adjustments, net unrealised loss on fuel derivatives and exceptional items.

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

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

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

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

At 31 December	2015	2014
Ratio of Adjusted Consolidated EBITDA to Net Interest Payable	2.46x	2.42x
Ratio of Consolidated Net Borrowings to Consolidated EBITDA	6.49x	6.27x

The operating performance for the year ended 31 December 2015 reflects the following highlights:

- The group delivered growth in its operating performance which continues to be underpinned by a diversified cargo base, long term contracts with a broad mix of customers and a significant level of guaranteed revenue.
- Revenue increased by 3.4% to £536.7m (2014: £519.1m) reflecting volume growth in biomass, import/export vehicles, containers, increased cruise passengers, partially offset by falling coal volumes.
- Consolidated EBITDA (calculated in accordance with the definitions set out in the group's credit facilities) pre exceptional costs increased by 4.9% to £323.6m (2014: £308.5m).
- Consolidated EBITDA margin pre exceptional costs remained strong at 60.3%, marginally higher than the 59.4% in the prior year.
- Consolidated EBITDA reflecting exceptional costs increased by 2.9% to £317.6m (2014: £308.5m).
- Underlying operating profit increased by 8.8% to £281.2m (2014: £258.5m).

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.

The Group has made a satisfactory start to trading in 2016 but has seen continued falling coal volumes resulting from:

- customers importing coal in 2015 ahead of increases in environmental taxes and subsequent reduced demand as stock piles are used;
- the closure of some UK coal power stations reducing coal generating capacity;
- the sale of coal stocks from closed UK coal power stations and recently closed UK coal mines;
- a reduction in the price of gas making it cheaper to produce electricity from gas than produce electricity from coal; and
- a mild winter reducing coal consumption versus prior years and hence exacerbating the level of available stock piles.

The level of imported coal volumes for electricity generation are therefore likely to be significantly below the levels previously forecast for 2016. The forward looking projections of the financial covenants reflect management's best estimates as at the end of March 2016 of the impact that reduced coal volumes will have on the years 2016 to 2018.

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

Whilst the scale of the current reduction in coal volumes was unforeseen at the time of developing the 2016 budget some of the factors driving the reduction in coal are temporary in nature. There is therefore an expectation that coal volumes in 2017 will partially recover.

Over recent months ABP has proactively responded to the news of Tata's sale of its UK steel business. ABP is in discussions with the buyer of Tata's operations at Scunthorpe, Greybull Capital LLP, and is ready to engage with a prospective buyer of the Port Talbot facility to seek to safeguard revenue the Group presently derives from steel manufacturing. ABP is also progressing a number of other initiatives to reduce and offset any downside risk to revenue created by the Tata sale, including working with the Government on options to promote the wider development of the Port Talbot site.

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

2.1.1 Investments completed in the year

The group completed a number of major investments during the year. Further information on these is provided below.

Marchwood and Cracknore Hard Industrial Estates

In December 2014 ABP signed a contract to acquire the freehold of Marchwood and Cracknore Hard Industrial Estates on the southwest bank of the River Test opposite the Port of Southampton. The estates cover a total area of 114 acres and include some of the largest self-contained industrial and warehousing units in the south of England. Many of the tenants are transport and storage related and include several former ABP Southampton tenants. The industrial estates will provide strategic long-term value for ABP, which will continue to develop the site to increase its rental income and provide economic and employment benefits for the local region. The acquisition of Marchwood Industrial Estate and Cracknore Hard Industrial Estate completed in June and July 2015 respectively. The total consideration paid was £98.1m.

Southampton Cruise Facilities Upgrade

Globally, UK and Ireland is the third largest source market for ocean cruise passengers, this market having grown by 54% since 2005.

In April 2015 the Mayflower Cruise Terminal used by Carnival reopened after a £6m refurbishment allowing it to cater for some of the largest cruise vessels in operation, such as Britannia, which is the flagship vessel in P&O Cruises' fleet, with the ability to accommodate over 3,600 passengers. Britannia departed on its maiden voyage from Southampton in March 2015.

Similarly, the group has also completed a £5m upgrade of the Southampton City Cruise Terminal used by Royal Caribbean, the group's second largest cruise customer. The substantial infrastructure improvements will allow the terminal to accommodate cruise ships with a berth capacity of over 4,000 passengers, such as Royal Caribbean's new Quantum-class vessel, Anthem of the Seas, which departed on its maiden voyage from Southampton in April 2015.

A £5m refurbishment is also underway at Southampton's QEII Cruise Terminal for the benefit of all Carnival Cruise brands. The investment will increase the range of cruise ships able to use the terminal, as well as enhancing passenger experience with improved facilities.

2.1.2 In-progress and forthcoming 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 is provided below.

Immingham Renewable Fuels Terminal

Immingham Renewable Fuels Terminal ("IRFT") is a facility operated by ABP 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. Drax power station is currently being transformed into a significantly biomass-fuelled power station, and has already converted three of its six generating units to run on wood pellet biomass instead of coal.

IRFT became operational in early 2015, comprising cargo handling, a covered conveyor system, storage silos and rail load out facilities. Works to increase the storage capacity are due to be completed in May 2016, doubling the total storage capacity to 200,000 tonnes in eight silos. The total expected cost is £144m.

Green Port Hull

In 2014, one of the world's leading wind turbine manufacturers, Siemens Wind Power, signed an agreement for lease with ABP to develop offshore wind turbine production and installation facilities at Alexandra Dock, Hull. The project is part of plans by the group and local councils to make Hull a leading hub for a wide range of renewable energy projects. The enabling works being undertaken by ABP and its contractors are on schedule and expected to be handed over to Siemens in Q1 2017 at a cost of £146m.

Siemens' new facility will create up to 1,000 new jobs on the Humber, from senior management to production.

Siemens' expected customers for their Alexandra Dock factory include the 402MW Dudgeon offshore wind farm (32km off the North Norfolk coast), the 714MW East Anglia ONE offshore wind farm (43km off the Suffolk coast) and the 1.2GW Hornsea One offshore wind farm (120km off the Yorkshire coast). DONG Energy's Hornsea One will be the world's largest offshore wind farm, capable of powering over one million UK homes.

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 to the developer, Tidal Lagoon (Swansea Bay) Plc. ABP's marine environmental consultancy, ABP Marine Environmental Research Limited, was also commissioned by the developer to help prepare an Environmental Statement for the project.

The UK Government has recently announced an independent review into the feasibility and practicality of tidal lagoon energy in the UK. The six month review will commence this spring.

Business Transformation Project

In June 2015, the Board of ABP approved a significant investment in the transformation of the group's IT hardware and software, including the implementation of SAP. This investment will take place over the next two to three years and will lead to significant improvements in business processes and information, producing ongoing cost efficiencies across the group and facilitate the pursuit of the group's strategy. In advance of the expected cost efficiencies the Board of ABP expects to incur exceptional restructuring costs from 2015 to 2017.

Group Renewable Energy Projects

In recent years ABP has invested in renewable energy generating schemes across its UK locations, and today around 70% of the electricity ABP consumes is provided by renewable energy sources, including a £5m solar array and wind turbines in South Wales and a geothermal supply in Southampton. Additional potential measures being pursued to improve energy performance include the electrification of the company's fleet of vehicles and LED lighting schemes and two further wind turbines in South Wales.

2.2 Performance of the Business

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

The table below summarises the consolidated results for the year ended 31 December 2015:

Income statement (year ended 31 December)	**2015 £m**	**2014 £m**	**Change from 2014**
Revenue*	**536.7**	519.1	+3.4%
Operating costs	**(255.5)**	(260.6)	+2.0%
Underlying operating profit	**281.2**	258.5	+8.8%
Increase/(decrease) in fair value of investment properties	**59.3**	(8.2)	+823.2%
Depreciation and amortisation of fair value uplift of assets acquired in a business combination	**(36.6)**	(34.7)	-5.5%
Net unrealised loss on fuel derivatives	**(3.7)**	-	n/a
Exceptional items	**(6.0)**	-	n/a
Group operating profit	**294.2**	215.6	+36.5%
Net finance costs	**(453.5)**	(755.4)	+40.0%
Loss on sale of investment in associated undertaking	**(110.5)**	-	n/a
Share of profit in associated undertaking	**6.2**	6.8	-8.8%
Loss before taxation	**(263.6)**	(533.0)	+50.5%
Taxation (charge)/credit	**(5.1)**	55.5	-109.2%
Loss for the period	**(268.7)**	(477.5)	+43.7%
Cash generated by operations	**337.8**	292.0	+15.7%
Capital expenditure - cash	**327.3**	187.9	+74.2%

** There was no property development revenue for the year ended 31 December 2015 (year ended 31 December 2014: £nil).*

2.2.1 Group operations

Volumes and revenue

During the year ended 31 December 2015, group revenue increased by 3.4% to £536.7m (2014: £519.1m) and cargo volumes handled by the group's ports (excluding Southampton conservancy only volumes) decreased by 2.6% to 92.0m tonnes (2014: 94.5m tonnes) which compares with UK GDP growth of 2.2%. The table below provides an analysis of the changes in the group's volumes and revenue by cargo category compared with 2014:

Volumes	**2015 million tonnes**	**2014 million tonnes**	**Change from 2014**
Dry bulks	**36.3**	40.3	-9.9%
Break bulks	**6.0**	6.2	-3.2%
Liquid bulks*	**22.9**	22.4	+2.2%
Ro-ro	**9.8**	9.5	+3.2%
Import/export vehicles	**3.3**	3.2	+3.1%
Containers	**13.7**	12.9	+6.2%
Total tonnage	**92.0**	94.5	-2.6%

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

Passenger volumes	2015 000's	2014 000's	Change from 2014
Cruise passengers	**1,692.7**	1,583.7	+6.9%
Ferry passengers	**1,271.4**	1,345.1	-5.5%
Total	**2,964.1**	2,928.8	+1.2%

Ports and transport revenue	2015 £m	2014 £m	Change from 2014
Dry bulks	**163.6**	160.3	+2.1%
Break bulks	**61.3**	63.2	-3.0%
Liquid bulks	**44.7**	43.6	+2.5%
Ro-ro	**28.0**	27.1	+3.3%
Import/export vehicles	**40.8**	36.3	+12.4%
Containers	**55.9**	53.9	+3.7%
Total commodity revenue	**394.3**	384.4	+2.6%
Cruise & ferry	**32.2**	30.5	+5.6%
Pilotage & conservancy	**55.3**	54.3	+1.8%
Property income	**17.7**	13.4	+32.1%
Other	**37.2**	36.5	+1.9%
Total non commodity revenue	**142.4**	134.7	+5.7%
Total ports and transport revenue	**536.7**	519.1	+3.4%

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

- **Dry bulks**: volumes decreased by 9.9% reflecting a decline in coal volumes on the Humber and other coal handling ports driven by reduced coal burn by power stations and high UK stock levels, partially offset by an increase in biomass import volumes at the new facilities on the Humber. Revenue increased by 2.1% due to the higher value of biomass volumes.

- **Break bulks**: volumes decreased by 3.2% reflecting the non-recurrence of steel export trials undertaken by a major steel customer in South Wales in 2014. Revenue decreased by 3.0%, reflecting the decrease in volumes.

- **Liquid bulks**: volumes increased by 2.2%, mostly due to higher oil volumes. Revenue increased by 2.5% reflecting the increase in volumes.

- **Ro-ro**: tonnage increased by 3.2% reflecting an increase in volumes for a major customer on the Humber, with volumes elsewhere remaining broadly flat. Revenue increased by 3.3% reflecting the growth in volumes.

- **Import/export vehicles**: volume increased by 3.1% reflecting growth in both imports and exports. Revenue increased by 12.4%, which reflects volume growth, increased car storage income and one off revenues associated with a grounded vehicle carrying vessel at the Port of Southampton.

- **Containers**: volume increased by 6.2% driven by increases at Southampton following the opening of new facilities in 2014 and growth at Immingham. Revenue increased by 3.7% due to volume growth but with ancillary revenue, predominantly storage, remaining broadly flat.

- **Cruise**: the Port of Southampton remains the UK's number one cruise port. Revenue increased by 6.7% to £23.8m (2014: £22.3m) driven by a 1.7% increase in cruise calls to 429 (2014: 422), and a 6.9% increase in passengers to 1.69m (2014: 1.58m) following investment in new and upgraded facilities.
- **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 grew 2.4% to £8.4m in 2015 (2014: £8.2m), reflecting contractual price increases despite ferry passenger volumes on the group's major routes decreasing by 5.5% to 1.27m (2014: 1.35m).
- **Pilotage and conservancy**: revenue increased by 1.8% in 2015, reflecting annual price increases partially offset by a reduction in pilotage acts.
- **Property**: revenue represents the rental income received for properties that cannot be directly allocated to a commodity. Revenue in 2015 increased by 32.1% to £17.7m (2014: £13.4m) reflecting income from the newly acquired Marchwood site in Southampton, rent reviews and the opening of a distribution facility for Travis Perkins on previously unused land in South Wales.
- **Other revenue**: increased by 1.9% reflecting underlying price growth.

Operating costs

Ports and transport operating costs decreased by 2.0% to £255.5m (2014: £260.6m). The table below provides an analysis of the group's operating costs compared with 2014:

Cost Category	2015 £m	2014 £m	Change from 2014*
Labour	**126.3**	125.7	-0.5%
Maintenance	**15.4**	18.2	+15.4%
Fuel	**7.7**	10.4	+26.0%
Dredging	**5.9**	2.4	-145.8%
Utilities	**7.8**	7.6	-2.6%
Other operating and administrative costs	**49.8**	46.5	-7.1%
Total costs excluding fixed asset related items	**212.9**	210.8	-1.0%
Depreciation	**48.9**	45.6	-7.2%
Amortisation	**2.2**	1.5	-46.7%
(Profit)/loss on write off of intangibles and disposal of property, plant and equipment, investment property and property and land held for sale	**(8.5)**	2.7	+414.8%
Total operating costs	**255.5**	260.6	+2.0%

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

- **Labour costs**: includes the staff costs of the group's operational, engineering, pilotage, administrative and management departments. Labour costs increased by 0.5%, with savings in handling costs resulting from reduced coal volumes and lower bonus accrual largely offsetting annual wage increases and increased staff numbers driven by growth activity, in particular 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. Maintenance costs decreased by 15.4%, driven by the phasing of planned maintenance.
- **Fuel**: predominantly represents fuel required to operate the group's fleet of pilot launches and dredgers. Fuel costs decreased by 26.0%, mainly reflecting the fall in prices, and decreased pilotage acts on the Humber and in South Wales.
- **Dredging**: represents third party dredging costs. Costs increased by 145.8% principally driven by the significant increase in the level of dredging managed by the group on behalf of a major customer.
- **Utilities**: increased by 2.6% due to overall price increases and increased activity.
- **Other operating and administrative costs**: includes operating costs such as lease rentals, security and cleaning and overheads such as IT, legal and professional fees, business rates, insurance and bad debt provisions. Other operating and administrative costs increased by 7.1% mainly reflecting increased business rates, increased demurrage costs and increased IT costs reflecting the continuing investment in new infrastructure.
- **Profit/loss on write off of intangibles and disposal of property, plant and equipment, investment property and property and land held for sale:** mostly reflects the insurance proceeds in relation to assets damaged in a storm surge, which occurred in December 2013.

2.2.2 Other profit and loss items

- **Movement in fair value of investment properties**: the 2015 review of the fair value of the group's investment property portfolio resulted in an Income Statement increase of £59.3m (2014: decrease of £8.2m) largely reflecting an increase in the valuation of investment property occupied by SCT partly offset by a reduction in the valuation of investment property occupied by Tata Steel.
- **Depreciation and amortisation of fair value uplift of assets acquired in a business combination:** the amounts relate to adjustments for the fair value uplifts recorded in 2006 when Associated British Ports Holdings Limited was acquired by ABP Acquisitions UK Limited.
- **Net unrealised loss on fuel derivatives**: for the first time, 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 loss on the valuation of its fuel hedges of £3.7m (2014: £nil).

- **Exceptional items**: the exceptional cost of £6.0m (2014: £nil) within operating profit represents restructuring costs in connection with the Business Transformation Programme.
- **Net finance costs**: net finance costs amounted to £453.5m (2014: £755.4m) and included: interest costs of £84.1m (2014: £76.3m) in relation to the group's external senior secured debt; interest payable of £339.9m (2014: £307.9m) in relation to the fully subordinated and unsecured loans from the company's immediate parent undertaking, ABP SubHoldings UK Limited; and an unrealised gain of £23.4m (2014: loss of £307.5m) in relation to swaps held to hedge the group's exposure to interest and foreign currency exchange rate movements.

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

Net Interest Payable	**2015 £m**	**2014 £m**
Net finance costs	**453.5**	755.4
Adjusted for:		
Amortised costs	**(2.1)**	(7.8)
Net interest payable on loans from parent undertaking	**(329.1)**	(298.2)
Net unrealised gain/(loss) on derivatives at fair value through profit and loss	**23.4**	(307.5)
Non-cash finance costs in relation to pension scheme assets and liabilities	**(1.5)**	(2.0)
Non-cash finance costs in relation to discounted assets and liabilities	**(0.6)**	(1.0)
Net foreign exchange loss on borrowings	**(14.4)**	(11.3)
Net Interest Payable	**129.2**	127.6

- **Loss on sale of investment in associated undertaking**: on 30 October 2015 the group disposed of its 49% share of Southampton Container Terminals Limited ("SCT", trading as DP World Southampton, "DPWS"). Proceeds on the disposal, after accounting for transaction costs, amounted to £38.1m and the group recognised a loss on disposal of £110.5m. Simultaneously, the group entered into a new lease and commercial agreement with SCT, which extended SCT's unexpired contractual term from 7 to 32 years. As a result of the extended term and a change in the mix of variable and fixed revenues, the valuation of the investment property from which SCT operates has increased by £106.7m.
- **Share of profit in associated undertaking**: the group's share of profit from associated undertaking decreased to £6.2m (2014: £6.8m) reflecting the sale of ABP's share of DPWS in October 2015.
- **Taxation**: the overall net tax charge (2014: credit) for the year ended 31 December 2015 amounted to £5.1m (2014: £55.5m) and reflected a deferred tax credit of £15.3m (2014: £57.5m) and a current tax charge of £20.4m (2014: £2.0m).

2.2.3 Reconciliation between Operating Profit and Consolidated EBITDA

Consolidated EBITDA (year ended 31 December)	**2015 £m**	**2014 £m**
Operating Profit	**294.2**	215.6
Amortisation	**32.7**	25.8
Depreciation	**55.0**	56.0
(Increase)/decrease in fair value of investment properties	**(59.3)**	8.2
Unrealised foreign exchange (gain)/loss	**(0.2)**	0.2
Net unrealised loss on fuel derivatives	**3.7**	-
(Profit)/loss on write off of intangibles and disposal of property, plant and equipment, investment property and property and land held for sale	**(8.5)**	2.7
Consolidated EBITDA	**317.6**	308.5
Exceptional items	**6.0**	-
Consolidated EBITDA pre exceptional costs	**323.6**	308.5

2.2.4 Adjusted profit before tax

Adjusted profit before tax as set out in the table below increased by 28.9% to £112.7m (2014: £87.4m).

Adjusted Profit Before Tax	**2015 £m**	**2014 £m**
Loss before taxation	**(263.6)**	(533.0)
(Increase)/decrease in fair value of investment properties	**(59.3)**	8.2
Net foreign exchange loss on borrowings	**14.4**	11.3
Net interest charge on net defined benefit liabilities	**1.5**	2.0
Net interest payable on loans from parent undertaking	**329.1**	298.2
Net unrealised (gain)/loss on derivatives at fair value through profit and loss	**(23.4)**	307.5
Net unrealised loss on fuel derivatives	**3.7**	-
Share of profit in associated undertaking	**(6.2)**	(6.8)
Exceptional items	**6.0**	-
Loss on sale of investment in associated undertaking	**110.5**	-
Adjusted Profit Before Tax	**112.7**	87.4

2.2.5 Cash flows

The group continued to benefit from strong conversion of operating profits to cash flows. Cash generated by operations amounted to £337.8m (2014: £292.0m).

Cash flows summary	**2015 £m**	**2014 £m**
Cash flows from operating activities		
Cash generated by operations	**337.8**	292.0
Interest paid	**(205.6)**	(191.1)
Interest received	**25.6**	16.1
Net cash inflow from operating activities	**157.8**	117.0
Cash flows from investing activities		
Proceeds from sale of associated undertaking	**38.1**	-
Proceeds from sale of property, plant and equipment	**0.7**	0.4
Proceeds from sale of investment property	**6.8**	-
Proceeds from sale of property and land held for sale	**0.6**	-
Purchase of intangible assets	**(11.4)**	(2.2)
Purchase of property, plant and equipment	**(139.9)**	(149.6)
Purchase of investment property	**(176.0)**	(36.1)
Net cash outflow from investing activities	**(281.1)**	(187.5)
Cash flows from financing activities		
Drawdown of borrowings	**464.0**	725.8
Payment of borrowing costs	**(1.0)**	(4.2)
Repayment of borrowings	**(240.0)**	(675.0)
Repayment of obligations under finance leases	**(0.7)**	(0.7)
Net cash inflow from financing activities	**222.3**	45.9
Change in cash and cash equivalents during the year	**99.0**	(24.6)
Cash and cash equivalents at 1 January	**34.8**	59.4
Cash and cash equivalents at 31 December	**133.8**	34.8

2.2.6 Consolidated Net Borrowings

Consolidated Net Borrowings as defined for covenant purposes increased by £129.3m to £2,062.5m (2014: £1,933.2m)

Consolidated Net Borrowings	Maturity at 31 December 2015	31 December 2015 £m	31 December 2014 £m
Term and revolving facilities	2023 – 2029	**224.0**	250.0
Private placements – GBP floating rate	2024 – 2033	**460.0**	460.0
Private placements – GBP fixed rate	2023 – 2035	**365.0**	115.0
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		**2.6**	3.0
Net cash (including restricted cash)		**(133.8)**	(34.8)
Net Borrowings		**2,056.2**	1,931.6
Restricted cash and deposits not held with an Acceptable Bank		**6.3**	1.6
Consolidated Net Borrowings		**2,062.5**	1,933.2

2.3 Significant Announcements/Publications

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

On 2 November 2015, the group announced that it had agreed with DP World Limited and Southampton Container Terminals Limited (trading as DP World Southampton), a 25 year extension to the license agreement for DP World Southampton to operate Southampton Container Terminal until 2047. It was also announced that DP World had acquired ABP's 49% stake in DP World Southampton, making DP World the sole owner of the business.

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

2.4 Significant Board/Management Changes

2.4.1 Executive Directors

- On 12 January 2015, Kay Penney was appointed to the Board of ABP as Director, Human Resources.
- On 21 September 2015, John Fitzgerald resigned from the Board of ABP as Director, Humber.
- On 21 September 2015, Simon Bird was appointed to the Board of ABP as Director, Humber.
- On 8 April 2016, Nicholas Ridehalgh resigned from the Board of ABP as Director, Southampton.

2.4.2 Non-Executive Directors

- On 6 February 2015, David Kerr resigned as a director from the Board of Associated British Ports Holdings Limited and as an alternate director from the Board of ABP Finance Plc, ABP Acquisitions UK Limited and ABPA Holdings Limited.

- On 7 July 2015, the following directors resigned from the Board of Associated British Ports Holdings Limited, ABP Finance Plc, ABP Acquisitions UK Limited and ABPA Holdings Limited:

  Philippe Camu
  Peter Lyneham
  Edward Clarke

- On 7 July 2015, the following directors were appointed to the Board of Associated British Ports Holdings Limited, ABP Finance Plc, ABP Acquisitions UK Limited and ABPA Holdings Limited:

  Robert Wall
  Hakim Drissi Kaitouni

- On 7 July 2015, the following directors were appointed to the Board of Associated British Ports Holdings Limited:

  Cressida Hogg
  Peter Hofbauer

- On 2 March 2016, Peter Hofbauer resigned as a director from the Board of Associated British Ports Holdings Limited.

- On 2 March 2016, Mr John Coghlan was appointed as a Director of Associated British Ports Holdings Limited.

3. Capital Expenditure - cash

Total capital expenditure cash flow for the year increased to £327.3m (2014: £187.9m). There are two elements to the group's capital expenditure: infrastructure replacement to maintain the operating capability of the group's assets and EBITDA earning/enhancing capital projects. Replacement expenditure during 2015 amounted to £60.6m (2014: £33.2m). Revenue earning/enhancing expenditure during 2015 increased to £168.6m (2014: £154.7m) and included £79.5m and £41.3m in relation to the construction of the Siemens wind turbine facility in Hull and the IRFT biomass project in Immingham respectively. The group also acquired Marchwood Industrial Estate and Cracknore Hard Estates for £98.1m. Further details of recent progress on the group's major projects can be found in section 2.1 Business Developments.

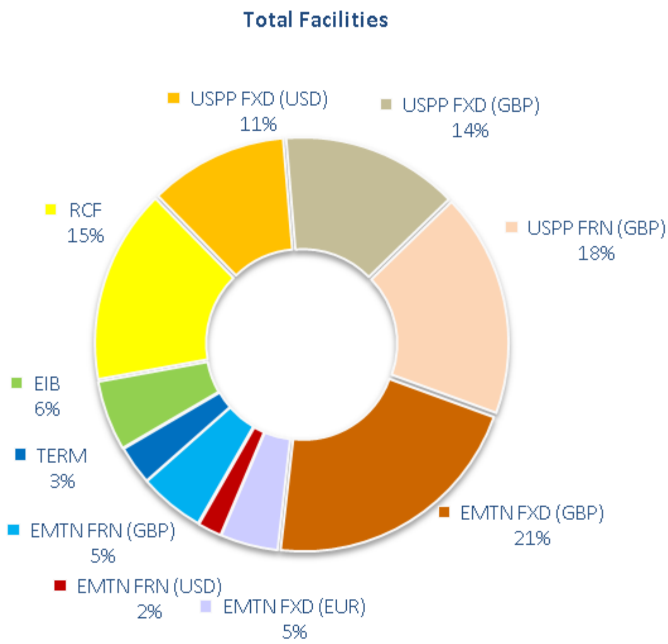
4. Financing and Current Hedging Position

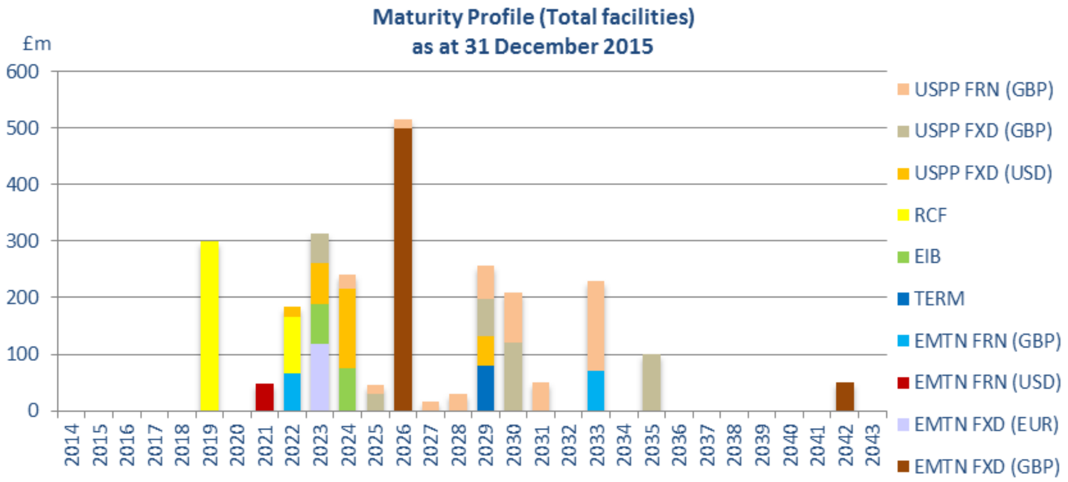
In June 2015, the group arranged £250m of sterling denominated private placements with US investors. Proceeds were received in late September 2015 and were used to repay the balance of revolving facilities drawn at that time.

GBP	Maturity
30.0m	2025
120.0m	2030
100.0m	2035
250.0m	

In August 2015, £140m of 364 day liquidity facilities were extended to August 2016.

The charts below show the profile of the group's externally sourced funding, excluding liquidity facilities of GBP140m, as at 31 December 2015:

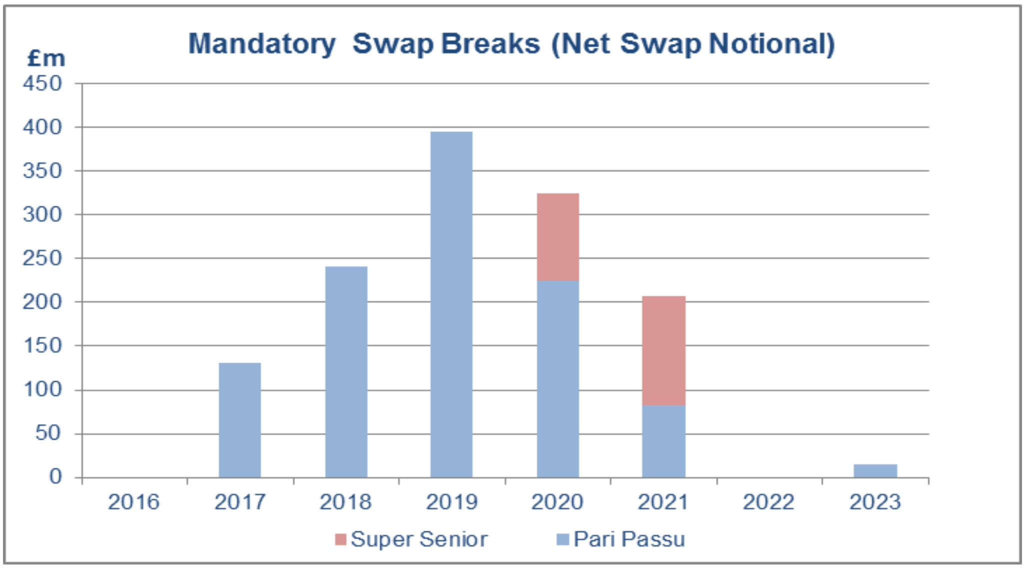




As at 31 December 2015, the group's hedging ratio was just over 100%, with a net £1.31bn of floating to fixed interest rate swaps hedging £1.27bn of floating rate exposure. The hedging position continues to be compliant with the group's hedging policy of maintaining between 75% and 110% of its senior debt fixed for a minimum seven year period.

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

The following graph shows the mandatory swap breaks profile (net swap notional) as at 31 December 2015. Since 30 June 2015, the 2016 and 2017 mandatory breaks on £444.9m and £51.0m respectively of notional have been extended.



5. Restricted Payments

During 2015, the group settled £41.5m (2014: £41.5m) of the interest associated with the loan from its immediate parent undertaking, representing the full amount of interest due on the subordinated Junior Loan Notes.

6. Ratios and Compliance with Covenants

At 31 December	2014 £m	2015 £m	2016* £m	2017* £m	2018* £m
£m					
Consolidated EBITDA	308.5	317.6	323.4	347.4	382.2
Net Interest Payable	127.6	129.2	133.4	148.0	160.2
Consolidated Net Borrowings	1,933.2	2,062.5	2,208.2	2,344.9	2,579.6
Ratio of Adjusted Consolidated EBITDA to Net Interest Payable	2.42x	2.46x	2.42x	2.35x	2.38x
Ratio of Consolidated Net Borrowings to Consolidated EBITDA	6.27x	6.49x	6.83x	6.75x	6.75x

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

6.1 We confirm that in respect of this investor report dated 31 December 2015, by reference to the most recent Financial Statements that we are obliged to deliver to you in accordance with Paragraph 1 (Financial Statements) of Part 1, (Information Covenants) of Schedule 2 (ABPAH Group Covenants) of the Common Terms Agreement:

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

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

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

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

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

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

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

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

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

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

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

6.5 We also confirm that:

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

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

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

Yours faithfully,

Sebastian Bull
Chief Financial Officer

For and on behalf of

ABPH as ABPAH Group Agent