Helix Acquisition Limited

Investor Report – 31 March 2020

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This Investor Report contains forward looking statements that reflect the current judgement of the management of the Obligors regarding conditions that it expects to exist in the future. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions which could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. Statements contained in this Investor Report regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. The Obligors do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on forward-looking statements, which speak only as of the date of this Investor Report.

It should also be noted that the information in this Investor Report has not been reviewed by the Obligors' auditors.

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Basis of Preparation

Unless otherwise specified this Investor Report comments on the historic financial performance of the Security Group for the year ended 31st March 2020. Defined terms used in this document have the same meanings as set out in the Master Definitions Agreement unless otherwise stated.

Contents

1. General Overview

- Strong financial performance with earnings before interest, tax, depreciation and amortisation ("EBITDA") of £94.8m (2019: £88.7m)
- Train paths billed increased 0.8% year on year at 74,267 (2019: 73,676)
- Strong cash flow generation demonstrating stable revenues with robust contractual arrangements
- COVID 19 began to impact the business from February with a slow down in retail income from lower passenger numbers. Track access to the year ended 31 March 2020 was paid in full.
- Consolidated net external borrowings of £1,825.4m (2019: £1,846.9m)
- The moving annual average ("MAA") Fatalities and Weighted Injuries Index, our key safety measure decreased to 0.027 (2019: 0.032)
- Robust operational performance, the average delay per train path from HS1's infrastructure has decreased to 6.44 seconds (2019: 8.24 seconds).
- The percentage of trains greater than 5 minutes delayed due to HS1 is 0.4% (Mar 2019: 0.7%) vs. 15% three-month Concession Agreement trigger
- St Pancras International was voted number 1 Station in the UK by the Autumn 2019 National Passenger Survey

2. Financial Summary

The following section should be read in conjunction with the unaudited consolidated accounts of Helix Acquisition Limited, which are available from the Investors section of the Group's corporate website (www.highspeed1.co.uk).

2.1. Train Paths

Train Paths Billed	12mths to 31 Mar 2020	12mths to 31 Mar 2019	Variance
Domestic	55,890	55,606	284
International	18,377	18,070	307
Total	**74,267**	**73,676**	**591**

Train paths billed were up 0.8% YoY. Domestic train paths were broadly flat. International train paths were up 1.7% YoY driven by a significant increase in the Paris service along with the introduction of the new Amsterdam route.

2.2. EBITDA Performance

HS1 converted to IFRS service concession accounting for the year ended 31 March 2019. HS1 now records its concession as part financial asset (for the domestic underpinned income) and part intangible asset, for the remainder of the concession value. In effect this means the majority of IRC track access income from the domestic train paths is now recorded as capital repayment of the financial asset on the balance sheet, reducing EBITDA but not cashflows.

EBITDA (£m)	**12mnths to 31 Mar 2020**	**12mths to 31 Mar 2019**	**Variance**
Investment Recovery Charge ("IRC")	67.2	64.6	2.6
Net Operations, Maintenance and Renewals Charge ("OMRC")	1.0	0.6	0.4
Stations	0.6	0.6	-
Net unregulated income	26.0	22.9	3.1
Total	**94.8**	**88.7**	**6.1**

EBITDA for the year, one of the Group's key measures, was £94.8m up £6.1m vs. Mar 2019.

IRC representing 70.9% of EBITDA, including payments made under revenue transactions, was up 4.0% year on year ("YoY"). The YoY improvement was mainly driven by contractual Retail Price Index ("RPI") increases.

Net OMRC representing 1.1% of EBITDA was up £0.4m YoY driven by lower HS1 OMRC costs in the period

Stations EBITDA was flat at £0.6m YoY.

Net unregulated income representing 27.4% of EBITDA was up £3.1m YoY. Underlying operational performance of St Pancras retail was strong prior to the COVID 19 lockdown, with a slow down in turnover income from lower passenger numbers, particularly in March.

2.3. Profit and Loss Account and Reconciliation Between Operating Profit and Consolidated EBITDA

Profit and Loss Account (£m)	**12mths to 31 Mar 2020**	**12mths to 31 Mar 2019**	**Variance**
Turnover	237.1	225.7	11.4
Other operating expenditure	(191.2)	(185.8)	(5.4)
Operating profit on ordinary activities before interest	**45.9**	**39.9**	**6.0**
Interest receivable and similar income	204.8	193.1	11.7
Finance charges	(157.8)	(160.4)	2.6
Dividends received	-	5.0	(5.0)
Profit on ordinary activities before taxation	**92.9**	**77.6**	**15.3**
Taxation on loss on ordinary activities	(0.5)	(7.1)	6.6
Profit/(loss) for the financial year	**92.4**	**70.5**	**21.9**

Reconciliation Between Operating Profit and Consolidated EBITDA (£m)	12mths to 31 Mar 2020	12mths to 31 Mar 2019	Variance
Operating Profit	**45.9**	**39.9**	**6.0**
Amortisation of intangible asset	48.5	48.4	0.1
Depreciation of RoU asset	0.4	0.4	-
Payments under revenue transactions	-	-	-
Consolidated EBITDA	**94.8**	**88.7**	**6.1**

The Group's tax charge of £0.5m is made up of deferred tax movements in the period, corporation tax has been calculated at the enacted rate of 19% (Mar 2019: £7.1m).

Financing Costs (£m)	12mths to 31 Mar 2020	12mths to 31 Mar 2019	Variance
Interest payable to parent undertaking	54.3	54.2	0.1
Interest payable on bank borrowings	22.5	22.3	0.2
Interest payable on other loans	67.9	68.0	(0.1)
Interest payable on finance leases	25.2	24.7	0.5
Movement in liabilities measured at fair value	(12.1)	(8.8)	(3.3)
Total	**157.8**	**160.4**	**(2.6)**

Finance costs for the year to 31 March 2020 were £157.8m (2019: £160.4m), down £2.6m YoY.

Interest payable in relation to the fully subordinated unsecured loan from the Group's parent undertaking increased to £54.3m (2019: £54.2m).

Interest payable on bank borrowings increased to £22.5m (2019: £22.3m).

Interest payable on other loans has decreased by £0.1m to £67.9m (2019: £68.0m).

Interest payable on finance leases increased by £0.5m to £25.2m (2019: £24.7m).

The movement of fair value through profit and loss includes fair value movement of the concession related financial asset and the movement in the fair value of derivatives where hedge accounting cannot be applied under IFRS.

2.4. Cash Flow

The Group continued to benefit from strong conversion of operating profits to cash flows. Consolidated cash flow, one of the Group's key financial targets, was £187.7m (2019: £180.0m) for the period.

3. Business Update

COVID 19 started having a noticeable impact on passenger volumes in the last few weeks of the financial year as lock down took effect. This has predominantly impacted retail revenue and car park income in the short term, with lower turnover revenue, in particular March. Train paths booked in advance were paid for in full. HS1 has prepared its prospective DSCR covenants disclosed in section 10 of this report, on the basis of forward booked timetable of train paths. HS1 has reviewed scenarios with lower timetabled train paths and the HAL forward looking DSCR covenant stays above the 1.2x lock up ratio under these scenarios. HS1 is continuing to monitor the situation and any relevant notices have and will continue to be been made on the HS1 website.

https://highspeed1.co.uk/

Based on the industry standard accident definition of Fatalities and Weighted Injuries per 1,000,000 hours worked, the accident rate was 0.03 at September 2019 (2019: 0.04). Safety performance remains a key business priority with a target to become an injury free business.

During the year operational performance of the infrastructure remains robust, the average delay per train path from HS1's infrastructure (the Group's primary operational KPI), during the year to 31 March 2020 has decreased to 6.44 seconds (2019: 8.24 seconds). The MAA has improved since March 2019 by 1.8 seconds. Initiatives continue to be delivered to reduce delays and maintain safe operations.

The Concession Agreement measures performance against a three month and annual performance floor. Performance floors measure the percentage of trains delayed by over five minutes or cancelled due mainly to HS1 attributable incidents. The annual threshold is 13% and the three-month threshold is 15%. The three-month position at March 2020 is 0.4% (March 2019: 0.7%).

There were a number of changes to the board of HS1 during the period. The current Directors list as at 31 March 2020 is as follows:

- J Curley
- D Harding — appointed 12 June 2019
- A Leness — (alternate board member for Equitix)
- S Jones
- K Ludeman
- A Pitt
- P Robson — appointed 12 June 2019
- S Springett
- M Woodhams

In relation to customers and operators:

Refer to section 4.1 for the Department for Transport ("DfT") announcement on its rail franchising programme and the resulting impact on HS1 customers (London and South Eastern Railway ("LSER"), East Midlands Trains ("EMT"), East Midlands Railway ("EMR") and Govia Thameslink Railway ("GTR")).

Eurostar overall passenger numbers increased overall by 1.7% (11.1m 2019: 11m 2018), sales revenues were slightly lower (£987m 2019: £989m 2018) impacted by industrial action in France during the year. The preliminary unaudited operating profit for 2019 was £92m.

Eurostar launched a third daily direct service from London to Rotterdam and Amsterdam in June 2019, is in response to strong customer demand for the route to the Netherlands, which launched in April 2018.

4. Significant announcements/publications by the Regulator/Government by or relating to the Security Group

Control Period 3 will commence on 1 April 2020 for 5 years to 31 March 2025. The Periodic Review 2019 ("PR19") is completed, the Office of Rail and Road ("ORR") published its final determination on 07 January 2020 for route and the Department for Transport ("DfT") published its final decision on 17 October 2019 for stations.

A new Direct Award with LSER came into effect on 1st April 2020 and will expire on 17th October 2021, with an optional 6 rail period extension, that could take the Franchise to 31st March 2022. This provides significant stability over the next 2 years.

As a temporary measure in battling the coronavirus crisis the DfT put in place an emergency measures arrangement for UK Passenger Railway services. All commercial franchisees have been suspended for at least six months from March 2020 and the arrangement is a cost-plus model. In the case of LSER, this arrangement applies for the full franchise term.

Key benefits to be delivered under the new franchise include a cross-industry long-term study into train services and capacity, which could pave the way for new high speed services and rolling stock. Further, DfT will require LSER to implement regenerative braking on its high speed train fleet, in partnership with HS1, bringing down electricity costs and further supporting HS1's sustainability objectives.

The East Midlands franchise was awarded to Abellio in April 2019, and the franchise East Midlands Railway ("EMR") began operations in August 2019. HS1 supported the mobilisation of the new franchise, ensuring a smooth transition, from the prior franchise operator East Midlands Trains ("EMT").

The Thameslink, Southern and Great Northern ("TSGN") 7-year franchise has been operated since 14 September 2014 by GTR (a joint venture between Go-Ahead and Keolis). The section through St Pancras is branded 'Thameslink'. For further detail of the rail franchise schedule refer to the link below: https://www.gov.uk/government/publications/rail-franchise-schedule.

Other than as disclosed above or in the News and Investors sections of the Group's corporate website (www.highspeed1.co.uk), there have been no significant announcements or publications by or relating to the Security Group.

5. Financing

5.1. Debt Structure (excluding working capital facility, accrued interest and derivatives)

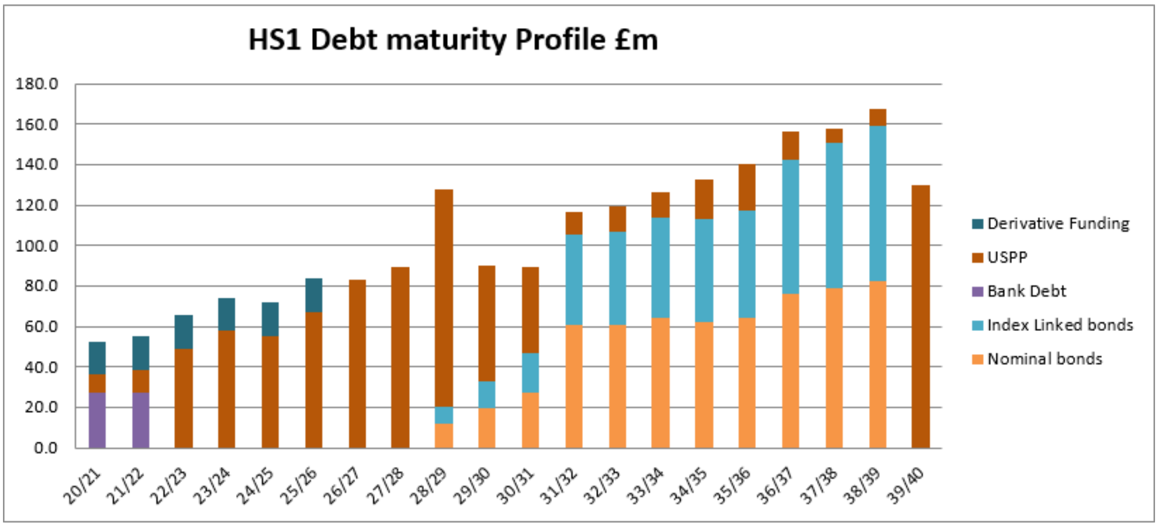
Debt Facility (£m)	Balance Outstanding 31 March 2020	Balance Outstanding 31 March 2019	Maturity Date
Nominal Bonds	610.0	610.0	01 Nov 38
Index Linked Bonds	292.3	285.3	01 Nov 38
7 Year Bank Debt (tranche A)	54.7	78.0	31 Mar 22
US Private Placement tranche A	340.0	340.0	30 Mar 28
US Private Placement tranche B	117.0	117.0	30 Mar 31
US Private Placement tranche C	58.0	58.0	30 Mar 31
US Private Placement tranche D	50.0	50.0	30 Mar 36
US Private Placement tranche E	173.4	184.0	31 Mar 39
US Private Placement tranche F	130.0	130.0	31 Dec 39
Total	**1,825.4**	**1,852.3**	

*Gross of capitalised fees/issuance discounts/premiums

At 31 March 2020, the Group had drawn down £47.0m of the working capital facility (2019: £12.0m).

5.2. Debt Maturity

The HS1 debt maturity profile:



6. Hedging Position

The Security Group's hedging position continues to be compliant with the Group's hedging policy of maintaining between 70% and 110% of its senior debt fixed for a minimum 7-year period.

Of the £1,830.7m of senior debt issued as at 31 March 2020, 85% is fixed rate debt with only the £58m US Private Placement tranche C and the £55m term loan floating with GBP 6mth London Interbank Offered Rate ("LIBOR").

7. Capital Expenditure

Total capital expenditure for the period to 31 March 2020 was £5.1m (2019: £4.9m) of which £3.3m (2019: £2.8m) was funded through Escrow accounts.

8. Acquisitions and Disposals

There have been no acquisitions or disposals involving the Security Group since the previously delivered Investor Report.

9. Restricted Payments

The Security Group submitted its 2019/20 full year compliance certificate on 11 June 2019 and as such, on 27 June 2019 was permitted to pay £38.2m to shareholders. £28.2m was in respect of accrued interest on subordinated loans from the parent company. In addition, a £10.0m dividend was paid to the parent company.

10. Ratios

10.1. We confirm that in respect of this Investor Report dated 31 March 2020, 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 A (*Information Covenants*) of Schedule 2 (*Security Group Covenants*) of the Common Terms Agreement:

10.1.1. the ratio of Historic Consolidated Cashflow to Historic Consolidated Debt Service in respect of the relevant Test Period (12mths to 31 March 2020) is 1.58x; and

10.1.2. the ratio of Projected Consolidated Cashflow to Projected Consolidated Debt Service in respect of the relevant Test Period (12mths to 31 March 2021) is or is estimated to be 1.50x.

10.2. We confirm that the above Ratios have been calculated in respect of the Test Period or as at the Test Dates for which it is required to be calculated under the Common Terms Agreement.

10.3. We confirm that all forward-looking financial ratio calculations and projections made for the purpose of making the confirmation above:

10.3.1. are made on the basis of assumptions made in good faith and arrived at after due and careful consideration; and

10.3.2. are consistent and updated by reference to the most recently available financial information required to be produced by each Obligor under this Schedule 2 (*Security Group Covenants*); and

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

11. Policy

We confirm that:

11.1. no Default or Trigger Event has occurred and is continuing;

11.2. the Borrower is in compliance with the Hedging Policy; and

11.3. the statements set out in this Investor Report are accurate in all material respects.

Yours faithfully

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Director Chief Financial Officer

Signing without personal liability, for and on behalf of
HS1 as Security Group Agent