Helix Acquisition Limited

Investor Report – 31 March 2021

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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 twelve months to 31 March 2021. 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

- Earnings before interest, tax, depreciation and amortisation ("EBITDA") of £55.1m (Mar 20: £94.8m). Lower EBITDA was due to the impact of Covid-19, with significantly reduced retail and car park income as well as lower train paths.
- COVID 19 has, and continues to have, an unprecedented impact on the UK and Global Economy, with domestic and international travel significantly reduced by lockdown and quarantine travel restrictions, impacting the number of travellers and shoppers in the stations.
- HS1 has been partially insulated from the reduction in passenger numbers as the forward booked timetable to mid-December 2020 was paid for in advance by both Eurostar and Southeastern.
- However, from December 2020, Eurostar have booked train paths on an ad-hoc "spot bid" basis to react to demand. This impacted the cash flow timing and reduced the certainty of cashflows in the short term.
- Operational performance remains strong, the average delay per train path from HS1's infrastructure has decreased to 2.92 seconds (March 2020: 6.44 seconds).
- The moving annual average ("MAA") Fatalities and Weighted Injuries index, our key safety measure, has remained low at 0.028 (March 2020: 0.027).
- St Pancras International was voted number 3 Station in the UK by the Spring 2020 National Passenger Survey (Autumn 2019: No 1). There was no Autumn 2020 survey due to COVID 19
- In the period, HS1 issued its sustainability strategy with a commitment to be net-zero carbon impact by 2030. To support this, HS1 has secured renewable energy for all traction power for the railway. A first for the UK.

2. Financial Summary

The following section should be read in conjunction with the audited 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	12 mths to 31 Mar 2021	12 mths to 31 Mar 2020	Variance
Domestic	55,902	55,890	12
International	13,966	18,377	(4,411)
Total	**69,868**	**74,267**	**(4,399)**

Both train operators have been impacted by a reduction in passenger numbers due to Covid-19, however HS1 has been protected due to the forward booked timetable that was in place until December 2020, meaning it was paid for the full timetable even if trains did not run.

Eurostar has had to reduce its services significantly following the imposition of travel restriction due to Covid. Additionally, to manage cash flow Eurostar did not book a forward booked timetable from mid-December 2020. They will operate on a spot bid basis only going forward, meaning they will only pay for operated trains. Eurostar train paths billed were down 24% YoY, but trains operated were down 84% YoY.

In relation to domestic services, LSER booked a full timetable for the whole financial year but at the timetable change date in February 2021, announced they would reduce services by 19% from May 2021. HS1 has not needed to exercise the underpin agreement in FY21 but this will be required in FY22 as domestic services will be below the minimum underpinned amount.

2.2. EBITDA Performance

EBITDA (£m)	12 mths to 31 Mar 2021	12 mths to 31 Mar 2020	Variance
Investment Recovery Charge ("IRC")	53.9	67.2	(13.3)
Net Operations, Maintenance and Renewals Charge ("OMRC")	(3.2)	1.0	(4.2)
Stations	0.8	0.6	0.2
Net unregulated income	3.6	26.0	(22.4)
Total	**55.1**	**94.8**	**(39.7)**

EBITDA for the year, one of the Group's key measures, was £55.1m down £39.7m vs. March 2020. This is mainly driven by the Unregulated business and IRC from lower Eurostar trains.

IRC representing 98% of EBITDA, was down 20% YoY and this is driven by the reduction in international trains of 24%.

Net unregulated income, from retailers at St Pancras, has been significantly impacted by a reduction in passenger numbers and the closure of non-essential stores during lockdowns.

Net OMRC, was down £4.2m YoY because of the reduced international train paths.

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

Profit and Loss Account (£m)	12 mths to 31 Mar 2021	12 mths to 31 Mar 2020	Variance
Turnover	191.8	237.1	(45.3)
Other operating expenditure	(185.5)	(191.2)	5.7
Operating profit on ordinary activities before interest	**6.3**	**45.9**	**(39.6)**
Interest receivable and similar income	214.4	204.8	9.6
Finance charges	(160.8)	(154.5)	(6.3)
Profit on ordinary activities before taxation	**59.9**	**96.2**	**(36.3)**
Taxation on loss on ordinary activities	(8.2)	(1.2)	(7.0)
Profit/(loss) for the financial year	**51.7**	**95.0**	**(43.3)**

Reconciliation Between Operating Profit and Consolidated EBITDA (£m)	12 mths to 31 Mar 2021	12 mths to 31 Mar 2020	Variance
Operating Profit	**6.3**	**45.9**	**(39.6)**
Amortisation of intangible asset	48.4	48.5	(0.1)
Depreciation of RoU asset	0.4	0.4	0.0
Consolidated EBITDA	**55.1**	**94.8**	**(39.7)**

The Group's tax charge has Nil of cash tax payable in the period (March 2020: Nil)

Financing Costs (£m)	12 mths to 31 Mar 2021	12 mths to 31 Mar 2020	Variance
Interest payable to parent undertaking	54.2	54.3	(0.1)
Interest payable on bank borrowings	20.6	22.4	(1.8)
Interest payable on other loans	63.9	67.9	(4.0)
Interest payable on finance leases	25.6	25.2	0.4
Movement in liabilities measured at fair value	(3.5)	(15.3)	11.8
Total	**160.8**	**154.5**	**6.3**

Finance costs for the year ending 31 March 2021 were £160.8m (March 2020: £154.5m), up £6.3m YoY.

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

Covid-19 has impacted the Group's cash flows at both an operating profit and cash flow level. Net cash from operating activities was £28.1m (March 2020: £110.7m) which is a £82.6m YoY reduction.

3. Business Update

3.1. Operational performance of the infrastructure improved despite the complexity of managing the railway under COVID compliant rules. The average delay per train path from HS1's infrastructure (the Group's primary operational KPI) at 31 March 2021 has decreased to 2.92 seconds (March 2020: 6.44 seconds) which is significantly below target. Initiatives continue to be delivered to reduce delays and maintain safe operations.

3.2. 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 2021 is 0.09% (Mar 2020: 0.4%).

3.3. Based on the industry standard accident definition of Fatalities and Weighted Injuries per 1,000,000 hours worked, the accident rate was 0.028 at March 2021 (Mar 2020: 0.027). Safety performance remains a key business priority with a target to become an injury free business.

3.4. The current Directors list as at 31 March 2021 is as follows:

- J Curley
- D Harding
- A Leness
- S Jones
- K Ludeman
- A Pitt
- P Robson
- S Springett
- M Woodhams

3.5. In relation to customers and potential new operators:

3.5.1. Further to 2.1, while Eurostar's traffic has declined significantly during COVID-19, its HS1 track access changes were pre-paid to December 2020, delaying the direct financial impacts on HS1.

3.5.2. Notwithstanding the challenges in recent months, Eurostar successfully launched direct London-Amsterdam (and return) services on 26 October 2020, removing the need to disembark at Brussels for passport control. We expect this change will support growth in the market when COVID-19 restrictions ease.

3.5.3. LSER has pre-booked a reduced timetable, which will start from May 2021. HS1's cash flows are partially protected by the underpin agreement with the DfT.

3.5.4. HS1 launched its sustainability strategy in September 2020, committing to Net Zero Carbon by 2030. As part of the strategy HS1 has secured renewable energy for all traction power for the railway, ensuring HS1 is the first railway to operate as fully renewable.

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

4.1. HS1's regulatory charges for Control Period 3 commenced on 1 April 2020, and are effective until 31 March 2025.

4.2. Given the reduction in train path volumes driven by COVID-19, HS1 triggered its contractual mechanism to re-apportion charges among its train operators, in early 2021. This was done with the pre-agreement of stakeholders. The timetable booked by LSER also triggered the execution of the Domestic Underpin Agreement for the first time. This means that in Q2 and Q3 of the financial year ending 31 March 2022 the DfT will pay the shortfall between the LSER booked timetable for that quarter and the baseline services in the Underpin agreement. This equates to c. 4,200 paths across those two quarters.

4.3. Moving forward HS1 will need to re-open its charges again in December 2021. The first formal indication of likely volumes will be the submission of the FWT by operators on 9 July 2021. We will not be able to formally determine whether underpinning will continue next year until the receipt of the LSER FWT in December.

4.4. The rail franchising programme, a series of franchise extensions and/or directly awarded franchises, impacts on the Security Group's key domestic train operator, LSER. DfT signed a new Direct Award with LSER on 30 March 2020. The new agreement is in place until 16 October 2021, with the option to extend until 31 March 2022. The Government has yet to announce its plans for the extension of the Direct Award into a new management contract although this will need to commence from July 2021 in order to be in place before the March 2022 deadline.

4.5. The Government announced once in a generation changes to the structure of the industry as part of the Williams - Shapps Plan in late May 2021. These changes, both organisationally and contractually, will fundamentally change how the relationship between infrastructure and train operators are managed. The major reform with see the creation of Great British Railways (GBR) a single body responsible for the overall strategic direction of the railway. Infrastructure and the awarding of Passenger Service Contracts to replace the franchising system. The government announcement is a vision, so significant detail is expected to emerge over the coming 12 months with a view to a transition to GBR by 2024 (the conclusion of the current Network Rail control period). Although there should not be a direct impact on HS1 and the Concession a number of issues such as our approach to Track Access Contracts and the Performance Regime could change in the longer term as well as a series of consequential amendments to our contracts.

4.6. 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 2021*	Balance Outstanding 31 March 2020*	Maturity Date
Nominal Bonds	610.0	610.0	01 Nov 38
Index Linked Bonds	295.9	292.3	01 Nov 38
7 Year Bank Debt (tranche A)	13.0	54.7	31 Mar 24
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	164.5	173.4	31 Mar 39
US Private Placement tranche F	130.0	130.0	31 Dec 39
Total	**1,778.4**	**1,825.4**	

*Gross of capitalised fees/issuance discounts/premiums

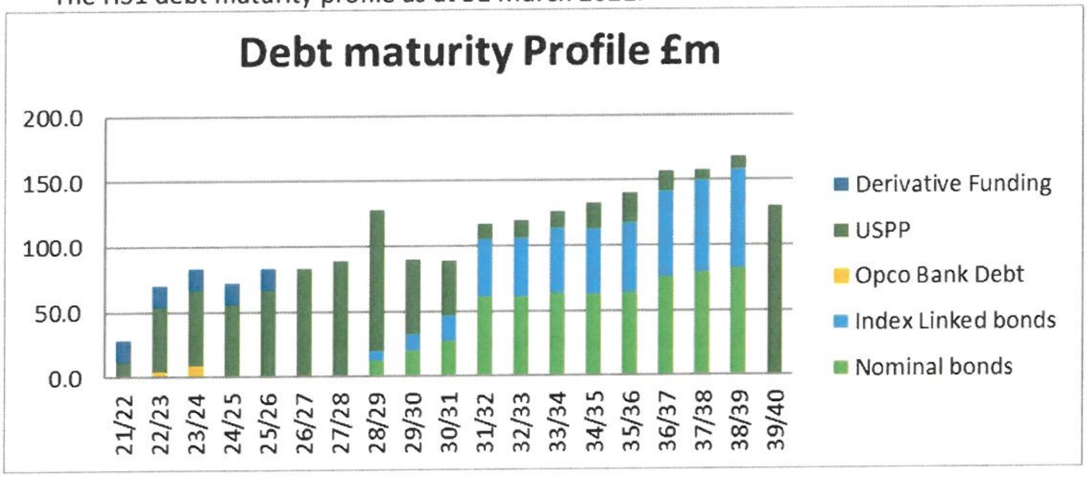
During the twelve-month period, the Group made capital repayments of £41.7m for the 7 year bank debt, including a voluntary prepayment of £28m in December 2020. The Group also made scheduled payments of £8.9m of on tranche E US private placement debt.

In March 2021, the Group extended the maturity of the remaining £13m of 7 year bank debt by 2 years to March 2024 and also increased the size of the working capital facility from £65m to £84m for 3 years to March 2024.

At 31 March 2021, the Group had drawn down £50m of the working capital facility (2020: £47m).

5.2. Debt Maturity

The HS1 debt maturity profile as at 31 March 2021.



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 £1,778.4m of senior debt issued as at 31 March 2021, 98% is effectively fixed rate debt with the only underlying floating rate debt being the £58m US Private Placement tranche C against GBP 6mth London Interbank Offered Rate ("LIBOR") and the £13.0m term loan against 6mth Sterling Overnight Index Average ("SONIA").

7. Capital Expenditure

Capex for the year to 31 Mar 2021 was £20.7m (Mar 2020: £5.1m) of which £21.2m (Mar 2020: £3.3m) was funded through Escrow accounts and £0.8m was a recharge to Eurostar for works done in FY20.

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 12 June 2020 and as such, on 29 June 2020 was permitted to pay £28.2m in respect of accrued interest on subordinated loans from the parent company.

10. Ratios

10.1. We confirm that in respect of this Investor Report dated 31 March 2021, by reference to the most recent Financial Statements that we are obliged to deliver to you in accordance with Paragraph 1 (*Financial Statements*) of Part 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 2021) is 1.25x; 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 2022) is or is estimated to be 1.26x.

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;

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