Helix Acquisition Limited

Investor Report – 30 September 2024

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

The information in this Investor Report is provided as at the date of this Investor Report and is subject to change without notice or liability to any person.

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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 six months to 30 September 2024. Defined terms used in this document have the same meanings as set out in the Master Definitions Agreement unless otherwise stated.

1. General Business Overview

1.1 In the half year to 30 September 2024, the Group has benefitted from the growth in demand for international rail travel, and a growth in footfall, driving an increase in both the International and Retail revenue streams.

1.2 Earnings before Interest, Tax, Depreciation and Amortisation for the six months ended 30 September 2024 was £55.9m (Sep 2023: £46.2m), with the increase primarily driven by higher RPI and increased train paths.

1.3 International paths have continued to grow, with Eurostar ("EIL") increasing paths operated by 279 (3.3%) compared to the same period last year. Paths booked in advance made up 97.5% of all trains for the six months ended 30 September 2024 (H1 2023: 74%), evidencing an improving confidence in the market post-pandemic. Eurostar book the remainder of their paths through spot bids.

1.4 Domestic train services, run by Southeastern Trains ("SET"), have continued to operate below the underpin level set out in the UK Government Domestic Underpinning Agreement ('DUA'). This has continued to partially insulate the Group from the reduction in domestic services. In the period to 30 September 2024 domestic services were at 91% of pre-Covid levels.

1.5 Retail income has also performed well, with a 9.5% year on year increase.

1.6 Operational performance of the infrastructure is the Group's primary performance KPI. The moving annual average ("MAA") delays per train path from the HS1 infrastructure has reduced to 8.23 seconds at September 2024 (March 2024: 11.8 seconds), this is well within the concession target, but above HS1 internal target of 7.5 seconds. The Route has seen improved performance with better infrastructure reliability and a reduction in delays due to trespass incidents.

1.7 The Concession Agreement measures performance against a three month and annual performance floor for trains delayed by over five minutes or cancelled due to HS1 attributable incidents. The annual threshold is 13% and three-month threshold is 15%. The position for Q2, which ended on 14 September 2024 is 0.22% (Q2 2023: 0.63%)

1.8 Safety performance remains a key business priority with the target of a zero-harm business. The moving annual average ("MAA") Fatalities and Weighted Injuries index, our key workforce safety measure, has reduced to 0.069 at 30 September 2024 (September 2023: 0.145). Safety performance remains a key business priority and an annual safety plan for functions within NR(HS) is monitored by HS1.

1.9 The current Directors list at 30 September 2024 is as follows:

- J Curley
- S Jones
- A Leness
- K Ludeman
- M Osborne
- A Pitt
- J Carter

2.0 Financial Summary

This section should be read in conjunction with the unaudited consolidated accounts of Helix Acquisition Limited, which are available on the Group's corporate website (HS1 Ltd – High Speed 1)

2.1 Train Paths

Train Paths Billed	6mnths to 30-Sep-24	6mnths to 30-Sep-23	Variance
Domestic	27,478	26,968	510
International	8,995	8,563	432
Total	**36,473**	**35,531**	**942**

2.1.1 Domestic train services, run by SET, have continued to operate below the contractual underpin level. SET train paths billed increased by 1.9% versus H1 2023 following an increase in domestic service offerings, however HS1 continues to be protected by the DUA agreement.

2.1.2 International train paths billed continue to increase, with an 5% increase versus H1 2023. FWT paths booked in advance now make up 99.7% of all trains (H1 2023: 74%), evidencing an improving confidence in the market post-pandemic.

2.2 EBITDA Performance

EBITDA (£m)	6mnths to 30-Sep-24	6mnths to 30-Sep-23	Variance
Investment Recovery Charge ("IRC")	35.7	32.1	3.6
Net Operations, Maintenance and Renewals Charge ("OMRC")	7.2	2.2	5.0
Stations	0.4	0.4	0.0
Net unregulated income	12.6	11.5	1.1
Total	**55.9**	**46.2**	**9.7**

*EBITDA does not capture IRC related to the underpin. This is included in interest receivable in 2.3.

2.2.1 As part of half-year Financial Statement preparation, a misstatement in the prior unaudited half-year accounts of Helix Acquisition Limited (**HAL**) was identified. The misstatement resulted in an understatement of operating profit by £5.8m and has been adjusted in comparative figures within the current half-year HAL Financial Statements.

The misstatement arose due to an error in the posting of a manual IFRS adjustment relating to the intangible concession asset, affecting turnover and working capital. The error was non-cash and there was no impact on our figures for Historical or Projected DSCR in the Compliance Certificate for the Test Date of 30 September 2023 or cash flow available for debt service.

The error did not result in any Security Group company making any incorrect debt service payments or repayments or Restricted Payments or otherwise breaching any of its obligations under the Finance Documents. Accordingly, HS1 does not consider the Investor Report or Compliance Certificate to have been materially incorrect or misleading in any material respect. This error relates to the unaudited half year accounts as at 30 September 2023 and was not present in the year-end financial statements. The appendices to the Compliance Certificate for the Test Date of 30 September 2023 have been updated to reflect the revised calculations (without any changes to the continuing compliance with our financial ratio obligations) and reissued to the lenders.

2.2.2 EBITDA for the period was £55.9m, up £9.7m from September 2023. This was driven by higher IRC and OMRC income from higher international train paths, and improved retail performance.

2.2.3 IRC, which represents 64% of EBITDA, was up 11.2% year on year, driven by the increase in EIL trains billed and inflation in the year.

2.2.4 Net OMRC was up £5.0m year on year due to increased train paths billed.

2.2.5 Net unregulated income has increased by £1.1m year on year, driven by strong rental income and sales performance, due to returning footfall and demand.

2.3 Profit and Loss Account and Reconciliation of Operating Profit and EBITDA

Profit and Loss Account (£m)	6mnths to 30-Sep-24	6mnths to 30-Sep-23	Variance
Turnover	148.9	145.2	3.7
Other operating expenditure	(117.5)	(123.4)	5.9
Operating profit on ordinary activities before interest	**31.4**	**21.8**	**9.6**
Interest receivable and similar income	113.3	109.8	3.5
Finance charges	(78.5)	(88.6)	10.1
Profit on ordinary activities before taxation	**66.2**	**42.9**	**23.3**
Taxation on loss on ordinary activities	(1.9)	2.5	(4.4)
Profit/(loss) for the financial year	**64.3**	**45.4**	**18.9**

2.3.1 Operating profit has increased by £9.6m due to an increase in turnover (£3.7m) primarily due to international train paths and inflation throughout the year. There has also been a recovery in retail income in St Pancras due to increased footfall and inflation. Electricity income has fallen due to reductions in electricity prices following a spike in the prior year, and other operating expenses have decreased by £5.9m, mainly driven by the falling electricity prices.

Reconciliation Between Operating Profit and Consolidated EBITDA (£m)	6mnths to 30-Sep-24	6mnths to 30-Sep-23	Variance
Operating Profit	**31.4**	**21.8**	**9.6**
Amortisation of intangible asset	24.3	24.2	0.1
Depreciation of RoU assets	0.2	0.2	0.0
Consolidated EBITDA	**55.9**	**46.2**	**9.7**

2.3.2 The Group’s corporation tax charge is £1.7m in the period (H1 2023: Nil). We have started making quarterly payments on account based on an expected full year charge of £3.5m.

2.3.3 The amortisation charge is linked to the service concession asset which is amortising over time until 2040.

Financing Costs (£m)	6mnths to 30-Sep-24	6mnths to 30-Sep-23	Variance
Interest payable to parent undertaking	30.2	31.2	(1.0)
Interest payable on bank borrowings	10.6	10.1	0.5
Interest payable on other loans	35.8	44.9	(9.1)
Interest payable on finance leases	13.4	13.4	(0.0)
Movement in liabilities measured at fair value	(11.5)	(11.0)	(0.5)
Total	**78.5**	**88.6**	**(10.1)**

2.3.4 Finance costs for the period were £78.5m (H1 2024: £88.6m). RPI uplift on indexed linked Bonds was significantly higher in the 6 months to 30 September 23, £13.3m against £5.6m in the 6 months to 30 September 24. This is because RPI has fallen significantly, from 8.9% in September 23 to 2.7% in September 24, and interest has fallen due to principal repayments of USPP notes.

2.3.5 The movement of fair value through profit and loss includes a 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

2.4.1 Net cash from operating activities was £43.6m (H1 2023: £44.3m), a decrease of £0.3m. Operational cash flow is generated from track access income from EIL and SET based on contracted prices and timetabled volumes received in advance, with some additional cashflow generated by the retail and car parking operations.

2.4.2 The prior year operating cashflow has been restated, with £21.9m of cash received for future renewals being reclassified into financing activities. There has been no change to overall cashflows.

3.0 Regulator and/or Government announcements relating to the Security Group

3.1 HS1's regulatory charges for Control Period 3 ("CP3") commenced on 1st April 2020, and are effective until 31 March 2025. Due to changes in the fixed timetable from EIL and SET during the pandemic, HS1 has and will execute an annual "Volume Reopener" for the remainder of CP3 to adjust the OMR charges and ensure fixed OMR costs are recovered. The final Volume Reopener will occur in December 2024 for the remaining four months of the Control Period.

3.2 The Periodic Review 24 ("PR24") process with the ORR is underway to set the route OMR charges and station renewals charges for the next control period, 1st April 2025 to 31st March 2030. The ORR published it's Draft Determination in September 2024, and HS1's plans to oversee and control station and route charges were assessed positively. The ORR outlined some specific areas where further improvement and efficiencies could be achieved which would reduce operators' charges further. The ORR consultation of stakeholders is now closed and HS1 will provide its revised plans in response to the ORR Draft Determination by the end of November. The ORR will make its Final Determination on 6th January 2025.

3.3 The new UK government has progressed with Rail Reform of the UK mainline network which brings those passenger railway services into public ownership. The Passenger Railway Services (Public Ownership) Bill has passed all stages in the House of Commons and the House of Lords, and a Shadow Great British Railways has been established. While there should not be a direct impact on HS1 and the Concession, HS1 remains engaged with the Great British Railways developments.

3.4 Other than as disclosed above or in the Investor sections of the Group's corporate website, there have been no significant publications by or relating to the Security Group.

4. Other Industry Updates

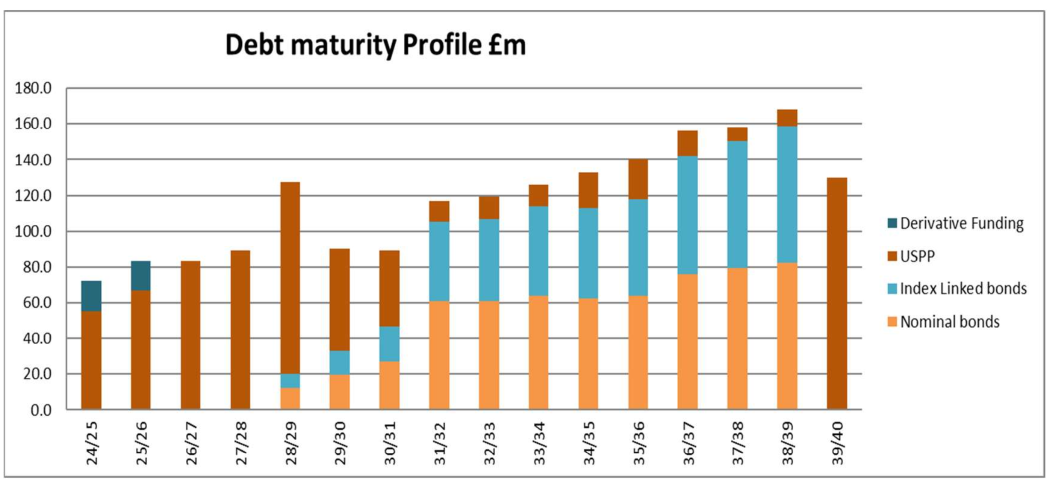
4.1 The group remains committed to its updated Sustainability Strategy, focusing on three key areas: Climate Action, Environmental Stewardship, and Social Value. In April 2024, HS1 introduced a social value framework aimed at leveraging the Group's resources to maximise social value for communities along the route. HS1 has submitted its third Energy Savings Opportunity Scheme (ESOS) report to the Environment Agency and continues to implement energy reduction initiatives across both lineside and station assets. Additionally, work is ongoing to advance the Group's transition to zero-carbon electricity, including a private-wire feasibility study. A new ecology consultancy has been engaged to update HS1's biodiversity baseline, with the report and management handbook scheduled for publication in January 2025.

4.2 The electronic visa Entry / Exit system ("EES") was planned for initial implementation in November 2024 for the Schengen Area, however in October 2024 it was announced that the Go-Live date would be delayed. A new date has not been specified, however HS1 is well prepared, with 49 kiosks installed in St Pancras station, awaiting testing and software install.

5. Financing

5.1 Debt Maturity

The HS1 debt maturity profile as at 30 September 2024 is illustrated in the graph below:



5.2 Debt Structure excluding working capital facility, accrued interest, and derivatives

Debt Facility (£m)	Outstanding 30 Sep 2024*	Outstanding 30 Sep 2023*	Maturity Date
Nominal Bonds	610.0	610.0	01-Nov-38
Index Linked Bonds	388.9	375.6	01-Nov-38
7 Year Bank Debt (tranche A)	-	4.3	28-Mar-24
US Private Placement tranche A	201.8	255.6	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	156.7	159.5	31-Mar-39
US Private Placement tranche F	130.0	130.0	31-Dec-39
Total	**1,712.4**	**1,759.9**	

*Gross of capitalised fees/issuance discounts/premiums

5.2.1 During the twelve-month period to 30 September 2024, the Group made scheduled capital repayments of £53.7m on tranche A US private placement debt and £2.7m on tranche E US private placement debt. The Group also repaid the remaining £4.3m on tranche A Bank Debt. At 30 September 2024, the Group had drawn down £36m of the working capital facility (H1 2024: £49m).

6. Hedging Position

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

6.2 Of the £1,712.4m of senior debt issued at 30 September 2024, 97% is effectively fixed rate debt with only underlying floating rate debt being the £58m US Private Placement tranche C.

7. Capital Expenditure

7.1 Capital expenditure for the year to 30 September 2024 was £8.7m (FY24 H1 £6.2m). Of this, £7.2m (FY24 H1: £6.2m) was funded through Escrow, with the rest funded by HS1 directly.

8. Acquisitions and Disposals

8.1 There have been no acquisitions or disposals involving the Security Group since the previous Investor Report.

9. Restricted Payments

9.1 The Security Group submitted its 2023/24 full year compliance certificate on 20 June 2024 and as such, on 28 June 2024 and 10 September 2024 was permitted to pay £25.6m and £12.5m, respectively, for accrued interest on subordinated loans from the parent company.

10. Ratios

10.1 We confirm that in respect of this Investor Report dated 30 September 2024, by reference to the most recent Financial Statements that we are obliged to deliver in accordance with

Paragraph 1 (*Financial Statements*) of Part A (*Information Covenants*) of Schedule 2 (*Security Group Covenants*) of the Common Terms Agreement:

- the ratio of Historic Consolidated Cashflow to Historic Consolidated Debt Service in respect of the relevant Test Period (12 months to 30 September 2024) is 1.56x; and
- the ratio of Projected Consolidated Cashflow to Projected Consolidated Debt Service for the relevant Test Period (12 months to 30 September 2025) is or is estimated to be 1.50x.

10.2 We confirm that the above Ratios have been calculated for 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:

- are made based on assumptions made in good faith and arrived at after due and careful consideration;
- 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
- are consistent with the Accounting Standards (as far as such Accounting Standards reasonably apply to such calculations and projections).

11.0 Policy

We confirm that:

- no Default or Trigger Event has occurred and is continuing;
- the Borrower is in compliance with the Hedging Policy; and
- the statements set out in this Investor Report are accurate in all material respects.

Yours faithfully

Mike Osborne
Mike Osborne (Dec 4, 2024 09:57 GMT)
Director

Virginie Merle
Virginie Merle (Dec 4, 2024 11:04 GMT)
Chief Financial Officer

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