
Helix Acquisition Limited

Investor Report – 30 September 2017

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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 six months to 30 September 2017. 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

- Robust financial performance with earnings before interest, tax, depreciation and amortisation (“EBITDA”) of £95.3m (Sep 2016: £94.3m)
- Train paths billed down 3.2% year on year at 37,026 (Sep 2016: 38,236)
- Solid cash flow generation from growing revenues supported by robust contractual arrangements
- Consolidated net external borrowings of £1,878.2m (31 Mar 2017: £1,882.7m)
- The moving annual average (“MAA”) Fatalities and Weighted Injuries Index improved to 0.041 (Sep 2016: 0.194)
- Strong operational performance, the average delay per train path from HS1’s infrastructure has slightly decreased to 2.8 seconds (Sep 2016: 7.6 seconds) The MAA has improved since March 2017 by 2.33 seconds from 5.03 seconds
- The percentage of trains greater than 5 minutes delayed due to HS1 is 0.19% (Sep 2016: 0.36%) vs. 15% three month Concession Agreement trigger
- On 6 September 2017, OMERS Administration Corporation and Ontario Teachers’ Pension Plan completed the sale of Helix Holdings Limited, the indirect holding company of Helix Acquisition Limited, to a consortium comprised of HICL Infrastructure Company Limited (the listed infrastructure investment company, advised by InfraRed Capital Partners Limited), funds managed by Equitix Investment Management Limited and third party funds managed by InfraRed Capital Partners Limited
- As part of the sale, RPI revenue swaps were entered into by the new shareholders and then novated to HS1 on 13 September 2017. This fixes inflation on c£116m of Investment Recovery Charge (IRC) income which reduces the volatility of the IRC revenue growth to inflation
- A Security Trust and Intercreditor Deed (STID) proposal to reflect the treatment of RPI revenue swaps as cashflow was accepted and the Debt Service Cover Ratio (DSCR) reflects the amendments

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. EBITDA Performance

EBITDA (£m)	6mths to 30 Sep 2017	6mths to 30 Sep 2016	Variance
IRC	85.1	81.6	3.5
Net Operations, Maintenance and Renewals Charge (“OMRC”)	(0.1)	1.4	(1.5)
Stations	0.3	0.3	-
Net unregulated income	10.0	11.0	(1.0)
Total	95.3	94.3	1.0

EBITDA for the year, one of the Group’s key measures, was £95.3m up £1.0m vs. Sep 2016.

IRC representing 89.3% of EBITDA was up 4.3% year on year ("YoY"). The YoY improvement was mainly driven by contractual Retail Price Index ("RPI") increases and the end of the Brussels discount in December 2016.

Net OMRC representing 0.1% of EBITDA was down £1.5m YoY driven by higher HS1 OMRC costs.

Stations EBITDA was flat at £0.3m YoY.

Net unregulated income representing 10.5% of EBITDA was down £1.0m YoY. In the prior period, there was a release of long standing accruals. Underlying operational performance of St Pancras retail remains strong.

Train Paths Billed	6mths to 30 Sep 2017	6mths to 30 Sep 2016	Variance
Domestic	27,998	28,078	(80)
International	9,028	10,158	(1,130)
Total	37,026	38,236	(1,210)

Train paths billed were down 3.2% YoY. Domestic train paths were down 0.3% YoY. International train paths were down 11.1% YoY driven by reduced services on the main Paris route due to:

- Eurostar full roll out of new E320 larger capacity trains
- Decrease in leisure passengers due to the European terrorist attacks and disruption in Calais.

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

Profit and Loss Account (£m)	6mths to 30 Sep 2017	6mths to 31 March 2016	Variance
Turnover	159.6	152.9	6.7
Other operating expenditure	(104.5)	(98.4)	(6.1)
Operating profit on ordinary activities before interest	55.1	54.5	0.6
Interest receivable and similar income	20.0	2.9	17.1
Finance charges	(72.8)	(77.0)	4.2
Profit/(Loss) on ordinary activities before taxation	2.3	(19.6)	21.9
Taxation on loss on ordinary activities	(13.4)	(8.9)	(4.5)
Loss for the financial year	(11.1)	(28.5)	17.4

RPI revenue swaps were novated into HS1 on 13 September 2017. However, no Profit and Loss (P&L) impact was reflected in the P&L to the period ending 30 September 2017. The first payment will be made in February 2018.

Reconciliation Between Operating Profit and Consolidated EBITDA (£m)	6mths to 30 Sep 2017	6mths to 30 Sep 2016	Variance
Operating Profit	55.1	54.5	0.6
Grant amortisation	(30.6)	(30.6)	-
Depreciation	70.8	70.4	0.4
Consolidated EBITDA	95.3	94.3	1.0

The Group's tax charge of £13.4m (Sep 2016: £8.9m) relates solely to deferred tax.

From 1 April 2017, the UK corporate tax rate is 19%, reducing to 17% from 1 April 2020. The deferred tax balance has been calculated at the enacted rate of 17% (2016: 18%).

Financing Costs (£m)	6mths to 30 Sep 2017	6mths to 30 Sep 2016	Variance
Interest payable to parent undertaking	27.2	27.2	-
Interest payable on bank borrowings	11.2	11.4	(0.2)
Interest payable on other loans	36.0	29.7	6.3
Interest payable on finance leases	12.3	11.8	0.5
Movement in assets / liabilities measured at fair value	(13.9)	(3.1)	(10.8)
Total	72.8	77.0	(4.2)

External finance costs for the 6 months to 30 September 2017 were £72.8m (Sep 2016: £77.0m), down £4.2m YoY.

Interest payable in relation to the fully subordinated unsecured loan from the Group's parent undertaking remained constant at £27.2m (Sep 2016: £27.2m).

The interest on the bank debt was fully fixed from October 2015 through the use of derivatives. Interest payable on bank borrowings decreased to £11.2m (Sep 2016: £11.4m).

Interest payable on other loans has increased by £6.3m to £36.0m (Sep 2016: £29.7m) predominately driven by the new £314m USPP notes issued in December 2016.

Interest payable on finance leases increased by £0.5m to £12.3m as the finance lease liability is linked to RPI.

Where hedge accounting cannot be applied under FRS 102, the movement in the fair value of derivatives is reflected through the profit and loss account.

2.3. 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 £61.7m (Sep 2016: £68.0m) for the period.

3. Business Update

- 3.1. Operational performance of the infrastructure is strong, the average delay per train path from HS1's infrastructure (the Group's primary operational KPI), during the 6 months to 30 September 2017 has decreased to 2.8 seconds (Sep 2016: 7.6 seconds). The MAA has improved since March 2017 by 2.33 seconds from 5.03 seconds. Initiatives continue to be delivered to reduce delays and ensure the public's safety.
- 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 September 2017 is 0.19% (Sep 2016: 0.36%).
- 3.3. Based on the industry standard accident definition of Fatalities and Weighted Injuries per 1,000,000 hours worked, the accident rate was 0.041 at September 2017 (Sep 2016: 0.194). Safety performance remains a key business priority with a target to become an injury free business.
- 3.4. St Pancras International was voted number 4 Station in the UK by the Spring 2017 National Passenger Survey (Spring 2016: No 1).
- 3.5. On 6 September 2017, OMERS Administration Corporation and Ontario Teachers' Pension Plan completed the sale of Helix Holdings Limited, the indirect holding company of Helix Acquisition Limited, to a consortium comprised of HICL Infrastructure Company Limited (the listed infrastructure investment company, advised by InfraRed Capital Partners Limited), funds managed by Equitix Investment Management Limited and third party funds managed by InfraRed Capital Partners Limited.
- 3.6. There were a number of changes to the board as a result of the change in ownership during the period. The current Directors list as at 30 September 2017 is as follows:
- A Bhuwania
 - S Jones
 - J O'Halloran
 - B Loomes
 - R Newton
 - M Wayment
 - C Hood
 - J Curley
- 3.7. In relation to customers and potential new operators:
- 3.7.1. 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") and Govia Thameslink Railway ("GTR")).

3.7.2. Eurostar has had a positive year to quarter 3 2017 with passenger numbers up by 2% (7.73m 2017: 7.55m 2016) and sales revenues up by 12% (£666m 2017: £593m 2016) compared with last year.

3.7.3. Eurostar aims to start running London-Amsterdam trains from Easter 2018. For further Eurostar press releases refer to https://mediacentre.eurostar.com/mc_news?language=uk-en

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

4.1. The rail franchising programme, a series of franchise extensions and/or directly awarded franchises, impacts on the Security Group's key domestic train operator, London & South Eastern Railway Limited ("LSER"). The current LSER Direct Award was due to end on 24 June 2018 with an option of an extension up to 7-rail periods potentially taking the LSER term to 6 January 2019. The DfT were not obliged to inform Southeastern of the proposed extension period until March 2018.

On 29 November 2017, the DfT issued the Invitation to Tender ("ITT") and announced a change to the previous arrangements. It is expected that with a new Contract Variation the current LSER Franchise will now be extended until 31 March 2019.

The new franchise award is expected to be issued for an 8 year period, taking the new Franchise to mid 2027 with a 1 year extension option for the DfT.

The new franchise bid process was launched in May 2016, the current shortlisted bidders are:

- South Eastern Holdings Ltd, a joint venture company that on franchise award will be wholly owned by Abellio Transport Group Ltd and East Japan Railway Company and Mitsui & Co Ltd:
- London and South East Passenger Rail Services Ltd, a wholly owned subsidiary of Govia Ltd:
- Stagecoach South Eastern Trains Ltd, a wholly owned subsidiary of Stagecoach Group plc.

HS1 responded to the DfT's public consultation on the new Franchise in May 2017 and has started discussions with the 3 remaining bidders regarding questions they may have in their bids. A Town Hall general briefing session was held on 14 November 2017 with all bidders in attendance.

Bids for the new Franchise are due to be submitted by 14 March 2018, with the DfT expected to announce the new Franchise in October/November 2018 prior to the April 2019 commencement of operations.

A more marginal impact to HS1 is around the franchising programs for East Midlands Trains ("EMT") and Govia Thameslink Rail ("GTR") (the successor to First Capital Connect ("FCC")). These train operators do not run trains on the HS1 infrastructure and do not generate Track Access Charges for HS1. EMT does use St Pancras International Station, therefore, HS1 recovers Station Access Charges

(Station Access Charges are also received on diversion routes from some other operators when they use the EMT platforms e.g. GTR).

The new EMT franchise bid process was launched in May 2016. A DfT public consultation ran between 20 July and 11 October 2017 with HS1 responding on 9 October. DfT expect to issue the ITT for the East Midlands Franchise in April 2018.

The current EMT franchise is due to end on 4 March 2018, but the DfT have confirmed a one year extension until 3 March 2019. Announcement of the Bidders for the East Midlands has yet to be confirmed. The DfT expect to issue a further extension to EMT until August 2019 (from 1 April 2019). Following the receipt of bids (circa July 2018) they expect to announce the new Franchisee in Spring 2019 with the new Franchise starting in August 2019, for a 7-10 year period.

The Thameslink, Southern and Great Northern ("TSGN") 7-year franchise started on 14 September 2014 with Govia Thameslink Railway (a joint venture between Go-Ahead and Keolis) taking over from FCC. 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>

- 4.2. The Office of Rail and Road ("ORR") published its Annual Report on HS1 in July 2017. This can be found at the following link:
http://orr.gov.uk/_data/assets/pdf_file/0016/25270/hs1-annual-report-2016-17.pdf

The ORR continues to be positive about HS1, "Performance improved in 2016-17, with only 0.26% of services being delayed by HS1 Ltd attributable incidents. This year also saw a recovery in performance (as measured by average seconds delay) from 2015-16, with HS1 Ltd outperforming its stretch target by the end of the year."

- 4.3. 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

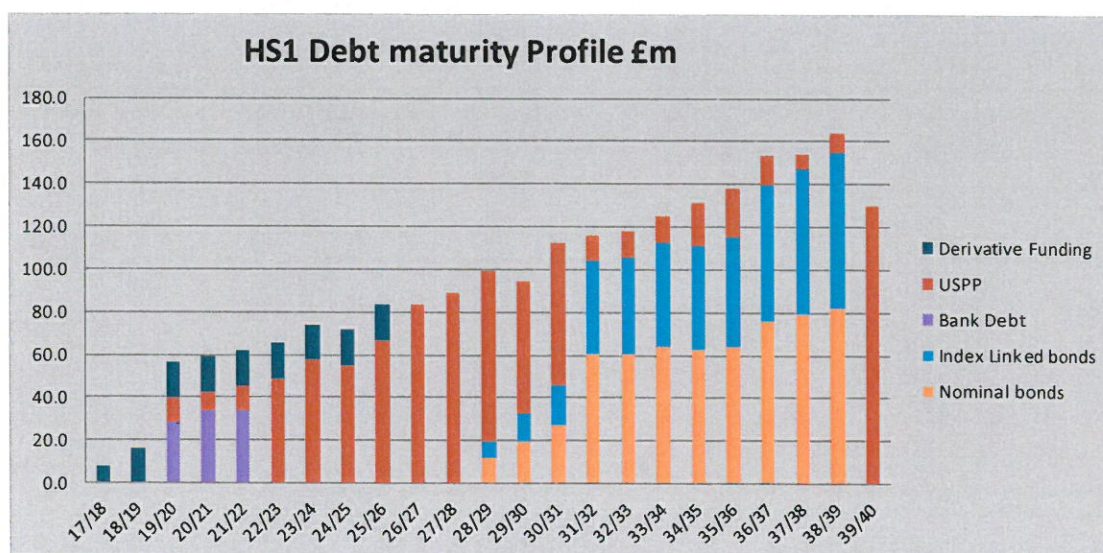
5.1. Debt Structure (excluding working capital facility, accrued interest and derivatives)

Debt Facility (£m)	Balance Outstanding 30 September 2017*	Balance Outstanding 31 March 2017*	Maturity Date
Nominal Bonds	610.0	610.0	01 Nov 38
Index Linked Bonds	291.6	286.1	01 Nov 38
7 Year Bank Debt (tranche A)	97.6	97.6	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	184.0	184.0	31 Mar 39
US Private Placement tranche F	130.0	130.0	31 Dec 39
Total	1,878.2	1,872.7	

*Gross of capitalised fees/issuance discounts/premiums

At 30 September 2017, the Group had drawn down £37.0m of the working capital facility (Mar 2017: £10.0m).

5.2. Debt Maturity



The 2017/18 payments relate only to H2 payments.

On 3 October 2017 High Speed Rail Finance (1) PLC announced that HS1 launched a STID Proposal under the terms of the Security Trust and Intercreditor Deed for the prior written

consent of the HS1 Security Trustee on relation to certain definitions in the MDA following on from HS1 entering into Revenue Swap Derivatives.

On 3 November 2017 High Speed Rail Finance (1) PLC announced that HS1 Limited had received the consents requested under the STID Proposal and the STID Proposal has been implemented by amending the required documents.

The DSCR ratio in s10 is now calculated reflecting the STID proposal, with the RPI revenue swaps derivatives included within consolidated cashflow. As such, payments relating to the new RPI revenue swap derivatives have been excluded from the debt maturity profile above.

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 £1,878.2m of senior debt issued as at 30 September 2017, 97% is fixed rate debt with only the £58m US Private Placement tranche C floating with GBP 6mth London Interbank Offered Rate ("LIBOR").

7. Capital Expenditure

Total capital expenditure for the period to 30 September 2017 was £2.2m (Sep 2016: £1.2m) of which £2.0m (Sep 2016: £0.5m) 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 other than that noted at 3.4 above.

9. Restricted Payments

The Security Group submitted its 2016/17 full year compliance certificate on 23 June 2017 and as such, at the end of June was permitted to pay £43.2m to shareholders. £28.2m was in respect of accrued interest on subordinated loans from the parent company. In addition, a £15.0m upstream loan was advanced to the parent company.

10. Ratios

10.1. We confirm that in respect of this Investor Report dated 30 September 2017, 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 30 September 2017) is 2.24x; and

10.1.2. the ratio of Projected Consolidated Cashflow to Projected Consolidated Debt Service in respect of the relevant Test Period (12mths to 30 September 2018) is or is estimated to be 2.22x.

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).

10.3.4. HS1 entered into Revenue Transactions on 13 September 2017 in accordance with the Common Terms Agreement and the STID, constituting Additional Financial Indebtedness. The tests in paragraph 32 (*Incurrence of Additional Financial Indebtedness*) of Part C (*General Covenants*) of Schedule 2 (*Security Group Covenants*) do not apply in respect of this Additional Financial Indebtedness

11. Policy

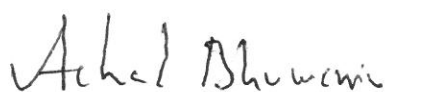
We confirm that:

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,



Director



Finance Director

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