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## Helix Acquisition Limited

### Investor Report – 30 September 2018

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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 2018. 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

- Strong financial performance with earnings before interest, tax, depreciation and amortisation (“EBITDA”) of £102.9m (Sep 2017: £95.3m)
- Train paths billed increased 1% year on year at 37,408 (Sep 2017: 37,026)
- Strong cash flow generation demonstrating stable revenues with robust contractual arrangements
- Consolidated net external borrowings of £1,850.5m (Sept 2017: £1,860.6m)
- The moving annual average (“MAA”) Fatalities and Weighted Injuries Index decreased to 0.032 (Sep 2017: 0.041)
- Robust operational performance, although the average delay per train path from HS1’s infrastructure has increased to 7.26 seconds (Sep 2017: 2.80 seconds). The MAA has decreased by 2.20 seconds since March 2018
- The percentage of trains greater than 5 minutes delayed due to HS1 is 0.1% (Sep 2017: 0.19%) vs. 15% three month Concession Agreement trigger
- St Pancras International was voted number 1 Station in the UK by the Spring 2018 National Passenger Survey (Spring 2017: No 4)

## 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](http://www.highspeed1.co.uk)).

### 2.1. EBITDA Performance

EBITDA (£m)	6mths to 30 Sep 2018	6mths to 30 Sep 2017	Variance
Investment Recovery Charge (“IRC”)	88.9	85.1	3.8
Net Operations, Maintenance and Renewals Charge (“OMRC”)	1.7	(0.1)	1.8
Stations	0.3	0.3	-
Net unregulated income	12.0	10.0	2.0
<b>Total</b>	<b>102.9</b>	<b>95.3</b>	<b>7.6</b>

EBITDA for the year, one of the Group’s key measures, was £102.9m up £7.6m vs. Sep 2017.

IRC representing 86.4% of EBITDA, including payments made under revenue transactions, was up 4.5% year on year (“YoY”). The YoY improvement was mainly driven by contractual Retail Price Index (“RPI”) increases.

Net OMRC representing 1.7% of EBITDA was up £1.8m YoY driven by lower HS1 OMRC costs in the period.

Stations EBITDA was flat at £0.3m YoY.

Net unregulated income representing 11.7% of EBITDA was up £2.0m YoY. Underlying operational performance of St Pancras retail remains strong.

Train Paths Billed	6mths to 30 Sep 2018	6mths to 30 Sep 2017	Variance
Domestic	28,061	27,998	63
International	9,347	9,028	319
<b>Total</b>	<b>37,408</b>	<b>37,026</b>	<b>382</b>

Train paths billed were up 1% YoY. Domestic train paths were up 0.2% YoY driven by additional services to Ashford. International train paths were up 3.5% YoY driven by Eurostar's introduction of the London-Amsterdam route, which launched in April 2018.

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

Profit and Loss Account (£m)	6mths to 30 Sep 2018	6mths to 31 March 2017	Variance
Turnover	170.0	159.6	10.4
Other operating expenditure	(106.9)	(104.5)	(2.4)
<b>Operating profit on ordinary activities before interest</b>	<b>63.1</b>	<b>55.1</b>	<b>8.0</b>
Interest receivable and similar income	30.1	20.0	10.1
Finance charges	(78.3)	(72.8)	(5.5)
<b>Profit on ordinary activities before taxation</b>	<b>14.9</b>	<b>2.3</b>	<b>12.6</b>
Taxation on loss on ordinary activities	(0.9)	(13.4)	12.5
<b>Profit/(loss) for the financial year</b>	<b>14.0</b>	<b>(11.1)</b>	<b>25.1</b>

Reconciliation Between Operating Profit and Consolidated EBITDA (£m)	6mths to 30 Sep 2018	6mths to 30 Sep 2017	Variance
<b>Operating Profit</b>	<b>63.1</b>	<b>55.1</b>	<b>8.0</b>
Grant amortisation	(30.4)	(30.6)	0.2
Depreciation	70.5	70.8	(0.3)
Payments under revenue transactions	(0.3)	-	(0.3)
<b>Consolidated EBITDA</b>	<b>102.9</b>	<b>95.3</b>	<b>7.6</b>

The Group's tax charge of £0.9m is cash tax payable in the period, corporation tax has been calculated at the enacted rate of 19% (Sep 2017: £13.4m relates solely to deferred tax).

Financing Costs (£m)	6mths to 30 Sep 2018	6mths to 30 Sep 2017	Variance
Interest payable to parent undertaking	27.2	27.2	-
Interest payable on bank borrowings	11.0	11.2	(0.2)
Interest payable on other loans	35.9	36.0	(0.1)
Interest payable on finance leases	12.6	12.3	0.3
Movement in liabilities measured at fair value	(8.4)	(13.9)	5.5
<b>Total</b>	<b>78.3</b>	<b>72.8</b>	<b>5.5</b>

Finance costs for the 6 months to 30 September 2018 were £78.3m (Sep 2017: £72.8m), up £5.5m YoY.

Interest payable in relation to the fully subordinated unsecured loan from the Group's parent undertaking remained constant at £27.2m (Sep 2017: £27.2m).

Interest payable on bank borrowings decreased to £11.0m (Sep 2017: £11.2m). The reduction in interest payable is as a result of a capital repayment of £19.6m on the term loan made on 31 March 2018.

Interest payable on other loans has decreased by £0.1m to £35.9m (Sep 2017: £36.0m).

Interest payable on finance leases increased by £0.3m to £12.6m 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 £82.4m (Sep 2017: £61.7m) for the period.

## 3. Business Update

3.1. Operational performance of the infrastructure remains robust, although the average delay per train path from HS1's infrastructure (the Group's primary operational KPI), during the 6 months to 30 September 2018 has increased to 7.26 seconds (Sep 2017: 2.80 seconds). The MAA has improved since March 2018 by 2.20 seconds. 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 September 2018 is 0.1% (Sep 2017: 0.19%).

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3.3. Based on the industry standard accident definition of Fatalities and Weighted Injuries per 1,000,000 hours worked, the accident rate was 0.032 at September 2018 (Sep 2017: 0.041). Safety performance remains a key business priority with a target to become an injury free business.

3.4. There were a number of changes to the board of HS1 during the period. The current Directors list as at 30 September 2018 is as follows:

- A Bhuwania
- J Curley
- S Jones
- B Loomes
- K Ludeman
- A Pitt
- S Springett
- M Woodhams

3.5. In relation to customers and potential new operators:

3.5.1. 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”)).

3.5.2. Eurostar has had a positive year to quarter 3 2018 with growth in all quarters and passenger numbers up by 12% (3.0m 2018 : 2.69m 2017) and sales revenues up by 17% (£247m 2018 vs £211m 2017).

3.5.3. Passenger numbers has been boosted by the success of Eurostar’s new service between London and the Netherlands, with an additional 130,000 passengers travelling to Amsterdam and Rotterdam since the service launched in April this year.

#### **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, LSER. The current LSER Direct Award was originally due to end on 24 June 2018 with an option of an extension of up to 7-rail periods potentially taking the LSER term to 6 January 2019. The DfT were not obliged to inform South Eastern of the proposed extension period until March 2018. DfT have since advised South Eastern that the Direct Award will be extended until 31 March 2019 with a potential further 3 rail period extension (until 22 June 2019) that the DfT do not have to announce until December 2018.

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

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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 2018. This can be found at the following link:

[http://orr.gov.uk/data/assets/pdf\\_file/0019/28414/hs1-annual-report-2017-18.pdf](http://orr.gov.uk/data/assets/pdf_file/0019/28414/hs1-annual-report-2017-18.pdf)

4.3. The ORR continues to be positive about HS1 : “HS1 Ltd.’s performance remained positive in this reporting year, with only 0.34% of services (245 trains) being delayed by HS1 Ltd-attributable incidents.”

4.4. Other than as disclosed above or in the News and Investors sections of the Group’s corporate website ([www.highspeed1.co.uk](http://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 2018*	Balance Outstanding 31 September 2017*	Maturity Date
Nominal Bonds	610.0	610.0	01 Nov 38
Index Linked Bonds	283.5	274.0	01 Nov 38
7 Year Bank Debt (tranche A)	78.0	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
<b>Total</b>	<b>1,850.5</b>	<b>1,860.6</b>	

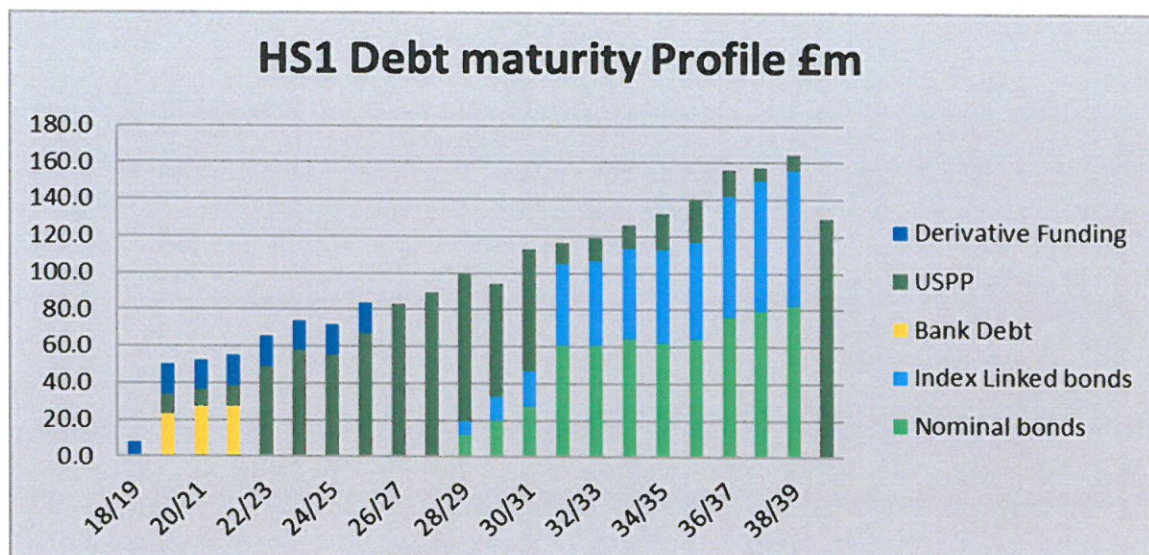
\*Gross of capitalised fees/issuance discounts/premiums

At 30 September 2018, the Group had drawn down £24.0m of the working capital facility (Sept 2017: £37.0m).

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## 5.2. Debt Maturity

The HS1 debt maturity profile.



The 2018/19 payments relate only to H2.

## 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 £1,850.5m of senior debt issued as at 30 September 2018, 92% is fixed rate debt with only the £58m US Private Placement tranche C and the £78m term loan floating with GBP 6mth London Interbank Offered Rate ("LIBOR").

## 7. Capital Expenditure

Total capital expenditure for the period to 30 September 2018 was £1.2m (Sep 2017: £2.2m) of which £1.1m (Sep 2017: £2.0m) 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 2017/18 full year compliance certificate on 14 June 2018 and as such, on 29 June 2018 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.



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## 10. Ratios

10.1. We confirm that in respect of this Investor Report dated 30 September 2018, 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 2018) is 2.18x; 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 2019) is or is estimated to be 1.73x.

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:

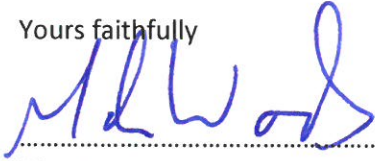
11.1. no Default or Trigger Event has occurred and is continuing;

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.

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Yours faithfully



Director



Chief Financial Officer

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