Helix Acquisition Limited

Investor Report – 30 September 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 six months to 30 September 2021. 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

- Earnings before interest, tax, depreciation, and amortisation ("EBITDA") of £1.2m for the six month period (Sep 20: £36.8m). Lower EBITDA was driven by significantly reduced track access income.
- Covid-19 continues to have an impact on the UK and Global Economy, with domestic and international travel not expected to recover to pre pandemic levels for a number of years.
- There is evidence of the beginnings of a recovery, Eurostar (EIL) have shown a 102% quarter on quarter growth in trains ran during the period.
- In May 2021, the Domestic Underpin Agreement was employed as London Southeastern (LSER) fell below the minimum level guaranteed under this agreement. Therefore, the Department for Transport (DfT) has been making up the shortfall in revenue.
- The LSER direct award was not extended in October 2021 and the Government's Operator of Last Resort (OLR), Southeast Trains Limited (SETL), has taken over the domestic service.
- Operational performance remains robust, the average delay per train path from HS1's infrastructure has decreased to 3.36 seconds (Sep 2020: 4.35 seconds)
- The MAA Fatalities and Weighted Injuries has remained low at 0.030 (Sep 2020: 0.021).
- St Pancras International, Stratford International and Ebbsfleet International have all been awarded the Certificate of Assurance from Bureau Veritas as recognition for the cleaning measures in place which reduces the risk of transmission of Covid-19.
- HS1 continues to offer strong sustainability credentials, being the first UK railway to operate entirely on renewable electricity.

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 Invoiced	6mths to 30 Sep 2021	6mths to 30 Sep 2020	Variance
Domestic	26,864	28,071	(1,207)
International	1,589	9,347	(7,758)
Total	**28,453**	**37,418**	**(8,965)**

Both train operators continue to be impacted by a reduction in passenger numbers due to Covid-19.

Domestic trains paths invoiced were down 4% YoY and International train paths were down 83%. International paths were down so significantly because in the prior year Eurostar had a timetable committed to December 2020 and this delayed the impact of Covid-19 on HS1. There are signs in the period of some recovery in the operated services of international travel, whilst Domestic travel is broadly flat.

In terms of trains invoiced, domestic services represent the majority of HS1 income. There is an underpin agreement guaranteed by the DFT which sets a minimum level of trains that are to be billed, which is above the current level of domestic train paths run, see s4.3.

Eurostar booked a minimal forward booked timetable in July 2021 that will operate from December 2021. They will be reacting to excess demand by booking spot bid train paths.

2.2. EBITDA Performance

EBITDA (£m)	6mnths to 30 Sep 2021	6mnths to 30 Sep 2020	Variance
Investment Recovery Charge ("IRC")	5.8	34.3	(28.5)
Net Operations, Maintenance and Renewals Charge ("OMRC")	(8.5)	0.3	(8.8)
Stations	0.2	0.4	(0.2)
Net unregulated income	3.7	1.8	1.9
Total	**1.2**	**36.8**	**(35.6)**

EBITDA for the period, one of the Group's key measures was £1.2m, down £(35.6)m from Sep 2020. This is mainly driven by a reduction in the track access income as a result of the prolonged impact of Covid-19.

The reduction in IRC, is driven by a £(25.3)m reduction in international train access income and £(3.2)m reduction in domestic train access income.

The reduction in Net OMRC is driven by the Volume Reopener ("VR"), which allocated the CP3 OMRC charges over a lower number of trains, see s4.2. With the forecast recovery in Eurostar, income in the period is lower with the difference expected to be made up by the end of the control period.

Net unregulated income was up period on period driven by £1.0m of additional car park income and £0.9m of retail net margin, with an improved recoverability of minimum guaranteed rent.

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

Profit and Loss Account (£m)	6mths to 30 Sep 2021	6mths to 30 Sep 2020	Variance
Turnover	64.8	103.5	(38.7)
Other operating expenditure	(88.0)	(91.2)	3.2
Operating profit on ordinary activities before interest	**(23.2)**	**12.3**	**(35.5)**
Interest receivable and similar income	111.4	107.0	4.4
Finance charges	(99.5)	(85.6)	(13.9)
Profit on ordinary activities before taxation	**(11.3)**	**33.7**	**(45.0)**
Taxation on loss on ordinary activities	2.8	(3.1)	5.9
Profit/(loss) for the financial year	**(8.5)**	**30.6**	**(39.1)**

Reconciliation Between Operating Profit and Consolidated EBITDA (£m)	6mths to 30 Sep 2021	6mths to 30 Sep 2020	Variance
Operating Profit	**(23.2)**	**12.3**	**(35.5)**
Amortisation of intangible asset	24.2	24.3	(0.1)
Depreciation of RoU asset	0.2	0.2	-
Consolidated EBITDA	**1.2**	**36.8**	**(35.6)**

The Group's tax charge has £0m of cash tax payable in the period (Sep 2020: £0m)

Financing Costs (£m)	6mths to 30 Sep 2021	6mths to 30 Sep 2020	Variance
Interest payable to parent undertaking	28.7	27.2	1.5
Interest payable on bank borrowings	10.1	11.6	(1.5)
Interest payable on other loans	40.3	31.9	8.4
Interest payable on finance leases	13.1	12.8	0.3
Movement in liabilities measured at fair value	7.3	2.1	5.2
Total	**99.5**	**85.6**	**13.9**

Finance costs for the 6 months to 30 September 2021 were £99.5m (Sep 2020: £85.6m), up £13.9m YoY.

Interest payable on other loans has increased by £8.4m driven by an RPI uplift on the UK floating bond.

The £5.2m movement of fair value through profit and loss includes fair value movement of the concession asset and the ineffective portion of the term loan and RPI swaps.

2.4. Cash Flow

Covid-19 has continued to impact the Group's cash flows at both an operating profit and cash flow level. Net cash from operating activities was £5.1m (Sep 2020: £14.8m) which is a £9.8m YoY reduction.

3. Business Update

3.1. Operational performance of the infrastructure remains robust, the average delay per train path from HS1's infrastructure (the Group's primary operational KPI), at 30 September 2021 has decreased to 3.36 seconds (Sep 2020: 4.35 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 2021 is 0.09% (Sep 2020: 0.3%).

3.3. Based on the industry standard accident definition of Fatalities and Weighted Injuries per 1,000,000 hours worked, the accident rate has remained low at 0.030 at September 2021 (Sep 2020: 0.021). Safety performance remains a key business priority with a target to become an injury free business.

3.4. The current Directors list as at 30 September 2021 is as follows:

- J Curley
- S Jones
- K Ludeman
- A Pitt
- D Harding
- A Leness
- P Robson
- A Deacon
- O-M Racine

3.5. In relation to customers and potential new operators:

3.5.1. Further to 2.1, while Eurostar's traffic has declined significantly because of Covid-19, there are positive signs that the market is starting to recover. EIL have seen a 102% quarter-on-quarter increase in trains ran during the period. Eurostar have committed to a limited forward booked timetable to start in December 2021.

3.5.2. The LSER direct award was not extended in October 2021 and the Government's Operator of Last Resort, Southeast Trains Limited, has taken over the service, see s4.4.

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 30 March 2025.

4.2. The reduction in train path volumes driven by Covid-19 triggered a charging review event of the HS1 charging model in December 2020 in accordance with the provisions of the regulatory regime governing HS1's track access charges. All parties agreed to the train paths to be included in the Volume Reopener provisions to re-allocate the expected operations, maintenance and renewals costs for the 2020-2025 Control Period between the train operators based on their expected use of the infrastructure in the period. The agreement included a clarification of the billing for the train paths volumes on paths not committed through a forward booked timetable. Given the further variance in train path numbers from forecast, the parties will be conducting a similar exercise in December 2021 based on updated information.

4.3. Another impact of the significant volume reduction was the use of the UK government minimum traffic guarantee under the Domestic Underpin Agreement. Starting in May 2021, LSER fell below the minimum level set out in the Agreement. The DfT has been making up the shortfall in domestic train path revenue (fixed costs and IRC only) from the train operator up to the underpinned level. This provision applies in any timetable year of the concession when domestic train path volumes fall below the underpin level.

4.4. LSER were negotiating an extension of its direct award contract which was due to expire on 17 October 2021. On 28 September 2021 the Government announced it would take over the operations of the LSER route. The operation of the route transferred to Southeast Trains Limited (SETL) under the control of the Operator of Last Resort (OLR). The OLR takes over a service when a rail franchise contract has terminated, as the Government is required to maintain continuity of passenger rail travel. This is not expected to impact HS1 operationally or financially.

4.5. In May 2021 the Government released its long-awaited plan for rail form, known as the Williams-Schapps Plan for Rail – the package of reform is visionary in nature seeking to introduce Great British Railways (GBR) as a sector wide body responsible for infrastructure, route planning and management of operator contacts. A GBR Transition Team has been set up to take this vision forward and HS1 has been working closely with our representatives in the team. The timeline for implementation is not until 2024 and currently the scope of GBR excludes HS1.

4.6. During the year both rating agencies reaffirmed their credit ratings of the HS1 Operating Group at BBB+ (Negative outlook) by S&P in May 2021 and A- (Stable outlook) by Fitch in August 2021.

4.7. 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 2021	Balance Outstanding 30 September 2020*	Maturity Date
Nominal Bonds	610.0	610.0	01 Nov 38
Index Linked Bonds	305.8	293.5	01 Nov 38
7 Year Bank Debt (tranche A)	13.0	41.0	28 Mar 24
US Private Placement tranche A	335.1	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	163.8	168.9	31 Mar 39
US Private Placement tranche F	130.0	130.0	31 Dec 39
Total	**1,782.7**	**1,808.4**	

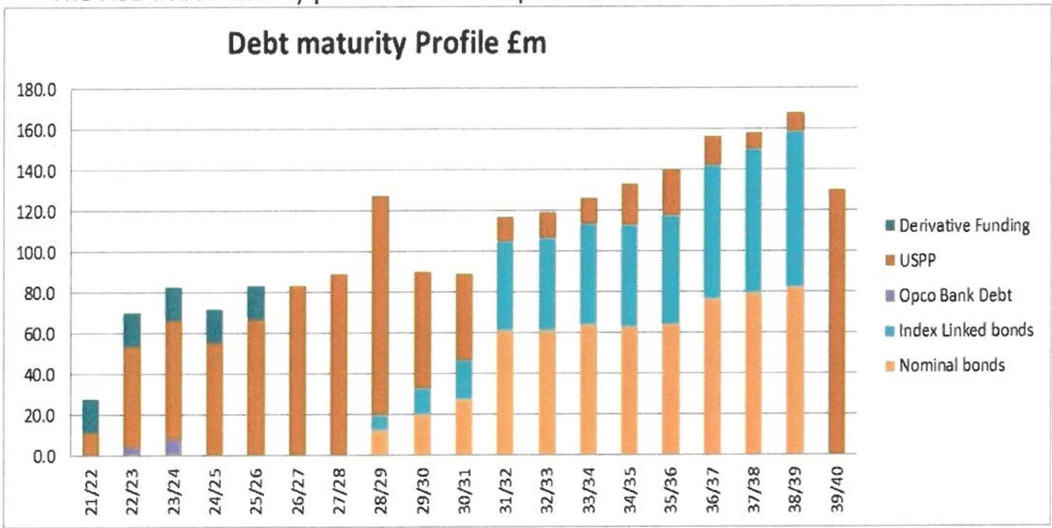
*Gross of capitalised fees/issuance discounts/premiums

During the six-month period, the Group made capital repayments of £4.9m for tranche A US private placement debt and £0.7m for tranche E US private placement debt.

At 30 September 2021, the Group had drawn down £56.9m of the working capital facility (Sept 2020: £40.0m).

5.2. Debt Maturity

The HS1 debt maturity profile as at 30 September 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 £1,782.7m of senior debt issued as at 30 September 2021, 97% is fixed rate debt with only the £58m US Private Placement tranche C floating with GBP 6mth London Interbank Offered Rate ("LIBOR") and the £13.0m term loan floating with GBP 6mth compounded Sterling Overnight Index Average ("SONIA").

7. LIBOR Transition

The working capital facility, 7 year bank debt and liquidity facility have all been transitioned away from LIBOR to SONIA. The US Private Placement tranche C and several swaps are currently in the process of being transitioned to SONIA are on track to be completed well before the next interest reset date on 31 March 2022.

8. Capital Expenditure

Total capital expenditure for the period to 30 September 2021 was £4.4m (Sep 2020: £8.0m) of which £4.4m (Sep 2020: £8.6m) was funded through Escrow.

9. Acquisitions and Disposals

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

10. Restricted Payments

The Security Group submitted its 2020/21 full year compliance certificate on 10 June 2021 and as such, was permitted to pay £14.5m on 24 September 2021 out of the Security Group to is Parent entity in respect of accrued interest on subordinated loans from the parent company.

11. Ratios

11.1. We confirm that in respect of this Investor Report dated 30 September 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:

11.1.1. the ratio of Historic Consolidated Cashflow to Historic Consolidated Debt Service in respect of the relevant Test Period (12mths to 30 September 2021) is 1.23x; and

11.1.2. the ratio of Projected Consolidated Cashflow to Projected Consolidated Debt Service in respect of the relevant Test Period (12mths to 30 September 2022) is estimated to be 1.35x.

11.2. 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.

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

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

11.3.2. 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

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

12. Policy

We confirm that:

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

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

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

Yours faithfully

....	M. Farne ....
Director	Chief Financial Officer

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