Helix Acquisition Limited

Investor Report – 31 March 2022

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This Investor Report contains forward looking statements that reflect the current judgement of the management of the Obligors regarding conditions that it expects to exist in the future. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions which could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements. Statements contained in this Investor Report regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. The Obligors do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should not place undue reliance on forward-looking statements, which speak only as of the date of this Investor Report.

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 2022. 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

- COVID-19 has had a significant impact on the UK and Global Economy. Domestic and international travel were significantly impacted by travel restrictions throughout the year.
- Earnings before interest, tax, depreciation and amortisation ("EBITDA") of £20.5m (Mar 21: £55.1m). Lower EBITDA was predominantly due to the continued impact of Covid-19. Train income was lower as HS1 lapped a higher Eurostar timetable booked pre-covid. This has been slightly offset by stronger performance this year in the unregulated income space, as tenants have shown resilience and HS1 surrendered land in Stratford for a fee.
- From December 2021 Eurostar have returned to booking a forward working timetable ("FWT") equivalent to 45% of pre-covid paths. Eurostar continue to react to incremental demand by booking spot bid train paths.
- Due to lower Eurostar bookings, and the domestic timetable remaining well below pre-covid levels, HS1 called on the Underpin from the DfT and executed a volume reopener to ensure it recovered fixed operations and maintenance costs.
- Operational performance remains strong, the average delay per train path from HS1's infrastructure remains low at 4.2 seconds (March 2021: 2.9).
- The moving annual average ("MAA") Fatalities and Weighted Injuries Index, our key safety measure has decreased to 0.021 (March 2021: 0.028).
- The Group has developed it's 2030 Sustainability vision and KPIs which it is delivering and there will be an external update in the HS1 Annual ESG Report.

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 (highspeed1.co.uk).

2.1. Train Paths

Train Paths Billed	12 mths to 31 Mar 2022	12 mths to 31 Mar 2021	Variance
Domestic	53,654	55,902	(2,248)
International	5,530	13,966	(8,436)
Total	**59,184**	**69,868**	**(10,684)**

Trains paths invoiced decreased by 15% YoY due to calendar year 2020/21 benefitting from the advance bookings carried over from before the pandemic began.

Both train operators continued to be impacted by Covid-19 travel restrictions throughout the year, and Government policies discouraging business travel. Demand for international travel showed resilience, bouncing back quickly when restrictions were removed.

Eurostar operated to a minimal FWT, servicing excess demand by booking spot bid train paths. Eurostar train paths billed reduced by 60% YoY, with the prior year being partly protected by pre-pandemic advanced bookings. Eurostar train paths operated increased by 93% YoY, reaching c.50% of pre-pandemic levels by 31 March 2022. Eurostar is returning to a forward booked timetable and from mid-December 2021 and have booked an FWT reflecting 45% of pre-covid levels.

In relation to domestic services, Southeastern Trains ("SET") booked a FWT for the whole financial year but kept services to a minimum. This level sits approximately 14% below the underpin level. Therefore HS1 exercised the underpin agreement in FY23 and the DfT has been compensating HS1 for this difference.

2.2. EBITDA Performance

EBITDA (£m)	12 mnths to 31-Mar-22	12 mnths to 31-Mar-21	Variance
Investment Recovery Charge ("IRC")	17.7	53.9	(36.2)
Net Operations, Maintenance and Renewals Charge ("OMRC")	(15.5)	(3.2)	(12.3)
Stations	0.2	0.8	(0.6)
Net unregulated income*	18.1	3.6	14.5
Total	**20.5**	**55.1**	**(34.6)**

**Includes £6.0m of land surrender income*

EBITDA for the year, one of the Group's key measures, was £20.5m, down £34.6m vs. March 2021. This was driven by lower IRC and OMRC income from lower train paths, offset by increased unregulated performance.

IRC, which represents 83% if EBITDA, was down 67% YoY driven by the 60% reduction in Eurostar trains billed.

Net OMRC was down £12.3m YoY because of the reduced trains billed.

Net unregulated income (including land sale) has increased by £14.5k YoY. This is partly driven by the increased rental income from tenants with the lifting of lockdowns improving footfall and performance at St Pancras. The £6.0m Land Sale income drove the remaining increase.

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

Profit and Loss Account (£m)	12 mnths to 31-Mar-22	12 mnths to 31-Mar-21	Variance
Turnover	149.7	191.8	(42.1)
Other operating expenditure	(178.0)	(185.5)	7.5
Operating profit on ordinary activities before interest	**(28.3)**	**6.3**	**(34.6)**
Interest receivable and similar income	229.8	214.4	15.3
Finance charges	(176.0)	(160.8)	(15.2)
Profit on ordinary activities before taxation	**25.5**	**59.9**	**(34.4)**
Taxation on loss on ordinary activities	4.6	(8.2)	12.8
Profit/(loss) for the financial year	**30.1**	**51.7**	**(21.3)**

Reconciliation Between Operating Profit and Consolidated EBITDA (£m)	12 mnths to 31-Mar-22	12 mnths to 31-Mar-21	Variance
Operating Profit	**(28.3)**	**6.3**	**(34.6)**
Amortisation of intangible asset	48.4	48.4	0.0
Depreciation of RoU assets	0.4	0.4	0.0
Consolidated EBITDA	**20.5**	**55.1**	**(34.6)**

The Group's tax charge has Nil of cash tax payable in the period (March 2021: Nil)

Financing Costs (£m)	12 mnths to 31-Mar-22	12 mnths to 31-Mar-21	Variance
Interest payable to parent undertaking	57.9	54.2	3.7
Interest payable on bank borrowings	20.2	20.6	(0.4)
Interest payable on other loans	82.7	63.9	18.8
Interest payable on finance leases	26.0	25.6	0.4
Movement in liabilities measured at fair value	(10.8)	(3.5)	(7.3)
Total	**176.0**	**160.8**	**15.2**

Finance costs for the year ending 31 March 2022 were £176.0m (March 2021: 160.8m), up £15.2m YoY, largely driven by a £22.5m inflation bond RPI uplift.

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

Covid-19 continues to impact the Group's cash flows at both an operating profit and cash flow level. Net cash from operating activities was £27.0m (March 2021: £28.1m) which is a £1.1m YoY reduction.

3. Business Update

3.1. Operational performance of the infrastructure remained strong despite the complexity of managing the railway, while remaining compliant with Covid-19 restrictions. The average delay per train path from HS1's Infrastructure (the Group's primary operational KPI) at 31 March 2022 was 4.2 seconds (March 2021: 2.9 seconds) which remains significantly below management's target of 6.8 seconds.

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 mainly due to HS1 attributable incidents. The annual threshold is 13% and three-month threshold is 15%. The three-month position at March 2022 is 0.32% (Mar 2021: 0.09%)

3.3. Based on the industry standard accident definition of Fatalities and Weighted Injuries per 1,000,000 hours worked, the accident rate was 0.021 at Mar '22, (Mar '21: 0.028). Safety performance remains a key business priority with targets maintained to be an injury free. An annual safety plan has been developed for functions within NR(HS) and will be monitored by HS1 as implemented.

3.4. The current Directors list as at 31 March 2022 is as follows:

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

3.5. In relation to customers and potential new operators:

3.5.1. Further to 2.1, Eurostar's traffic was impacted by travel restrictions within the year and showed recovery when restrictions were removed. Eurostar have booked an FWT at an annualised 45% of pre-covid levels for the period May to December 2022. They continue to book spot bids to meet incremental demand. Eurostar is not stopping at Ebbsfleet or Ashford station until 2023.

3.5.2. Eurostar has merged with Thalys (owned by SNCF France and SNCF Belgium) to form Greenspeed. Eurostar will continue to be the company that operates on HS1. The merged entity has appointed a new executive team, with the CEO of Eurostar taking up the permanent CEO of the combined entity.

3.5.3. Southeastern Trains "SET", (formerly London and South Eastern Railway Limited "LSER") have pre-booked a timetable throughout COVID-19 and continue to do so. HS1's cash flows are partly 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 for 2021/22, ensuring HS1 remained the first railway to operate as fully renewable.

3.5.5. HS1 hosted a workshop at the World Climate Summit Investment Conference of Parties ("COP") during the year, which presented High Speed Railways as an integral part of a decarbonised transport network.

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 1st April 2020, and are effective until 31 March 2025. Due to changes in the fixed timetable from EIL and SET due to Covid impacts, HS1 has and will execute an annual "Volume Reopener" for the remainder of CP3 to adjust these OMR charges and ensure fixed OMR costs are recovered.

4.2. The Domestic Underpin Agreement continues to be utilised as domestic train paths continue to operate at under this level. DfT are paying the shortfall between the booked timetable and the baseline services in the Underpin agreement.

4.3. In October 2021, the Government's Operator of Last Resort ("OLR") took over the running LSER which ran the domestic services on HS1 following identification of over £25 million of funding not returned to the Government. HS1 Ltd is not involved or connected to this matter. All contracts and operations on HS1 have been smoothly passed to SET, which retained a large proportion of LSER's staff but is overseen by the OLR.

4.4. In May 2022, the Government announced the Transport Bill which creates the Great British Railways ("GBR") - a single body responsible for the overall strategic direction of the railway. The Bill gives GBR the necessary powers and it must work within a mandate, goals and budgets set by the Government who will reserve powers of direction. The aim is to have GBR in place by 2024. Under GBR, infrastructure and the awarding of Passenger Service Contracts will replace the franchising system. Although there should not be a direct impact on HS1 and the Concession a number of items, 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.

4.5. Other than as disclosed above or in the News and Investors sections of the Group's corporate website (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)

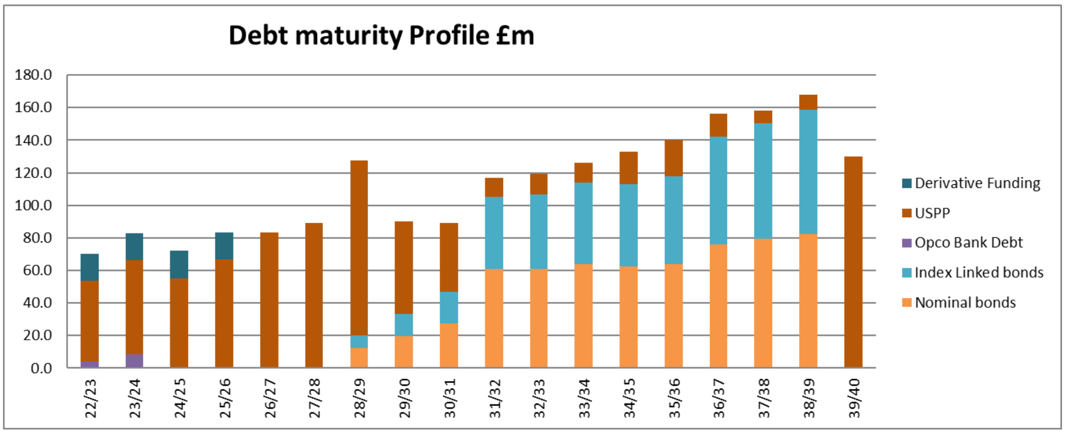
Debt Facility (£m)	Balance Outstanding 31 March 2022	Balance Outstanding 31 March 2021	Maturity Date
Nominal Bonds	610.0	610.0	01-Nov-38
Index Linked Bonds	318.5	295.9	01-Nov-38
7 Year Bank Debt (tranche A)	13.0	13.0	28-Mar-24
US Private Placement tranche A	330.2	340.0	30-Mar-28
US Private Placement 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	163.0	164.5	31-Mar-39
US Private Placement tranche F	130.0	130.0	31-Dec-39
Total	**1,789.7**	**1,778.4**	

*Gross of capitalised fees/issuance discounts/premiums

During the twelve-month period, the Group made scheduled capital repayments of £9.8m on tranche E US private placement debt and £1.5m on tranche E US private placement debt.
At 31 March 2022, the Group had drawn down £54m of the working capital facility (2021: £50m).

5.2. Debt Maturity

The HS1 debt maturity profile as at 31 March 2022.



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 £1,789.7 m of senior debt issued as at 31 March 2022, 96% is effectively fixed rate debt with the only underlying floating rate debt being the £58m US Private Placement tranche C and the £13.0m term loan against 6mth Sterling Overnight Index Average ("SONIA").

7. Capital Expenditure

Capex for the year to 31 Mar 2022 was £14.3m (Mar 2021: £20.7m). This was entirely funded through Escrow.

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 2021/22 half year compliance certificate on 16 June 2022 and as such, on 30 June 2022 was permitted to pay £11.9m 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 2022, 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 2022) is 1.24x; and

10.1.2. the ratio of Projected Consolidated Cashflow to Projected Consolidated Debt Service in respect of the relevant Test Period (12mths to 31 March 2023) is or is estimated to be 1.47x.

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

………………………………………………………	………………………………………………………
Director	Chief Financial Officer

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