Helix Acquisition Limited

Investor Report – 30 September 2023

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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 several 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. Readers should not place undue reliance on forward-looking statements, which apply 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.

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.

This Investor Report is not intended as an offer for sale or subscription of, or solicitation of any offer to buy or subscribe, any security of HSRF (1) or HSRF or any other member of the Security Group nor should it or any part of it form the basis of, or be relied on in connection with, any contract or commitment whatsoever.

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 2023. 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 2023, the Group has seen further signs of recovery in the International and Retail revenue streams, but performance is not yet at pre-Covid levels.

1.2 Earnings before Interest, Tax, Depreciation and Amortisation for the six months ended 30 September 2023 was £40.4m (Sep 2022: £31.8m), with the increase primarily driven by higher RPI and increased train paths.

1.3 International paths have continued to grow, with Eurostar increasing train paths by 1,257 (17%) compared to the six months ending September 2022. Forward working timetable ("FWT") paths made up 74% of all trains for the six months ended 30 September 2023 (Sep 2022: 55%), 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 reduced domestic services. In the period to 30 September 2023 domestic services were at 82% of pre-Covid levels.

1.5 Retail income has performed well, with a 20% year on year increase.

1.6 Operational performance is the Group's primary performance KPI. The moving annual average ("MAA") delays per train path from the HS1 infrastructure has increased to 9.38 seconds at September 2023 (Sep 2022: 5.8 seconds). The increase is due to several infrastructure related issues and trespass events. Network Rail High Speed ("NRHS") has developed a performance improvement plan in conjunction with HS1 to improve outcomes.

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 16 September 2023 is 0.63% (Sep 2022: 0.47%)

1.8 The moving annual average ("MAA") Fatalities and Weighted Injuries index, our key safety measure, has increased from 0.011 at September 2022 to 0.145 at September 2023. This is due to an isolated injury in the station caused by an assault. British Transport Police are leading new initiatives to reduce workplace violence in the future, in collaboration with other stakeholders.

1.9 The current Directors list at 30 September 2023 is as follows:

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

3.5 On 10 November 2023, HS1 Ltd announced CEO of London City Airport, Robert Sinclair, as the company's new CEO. Mr Sinclair will take up his role as CEO in March 2024 and will replace Dyan Perry (neé Crowther) OBE, who has taken the decision to retire at the end of the year.

1. 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 (highspeed1.co.uk)

2.1 Train Paths

Train Paths Billed	6 months to 30-Sep-23	6 months to 30-Sep-22	Variance
Domestic	26,968	26,767	201
International	8,563	7,306	1,257
Total	**35,531**	**34,073**	**1,458**

2.1.1 Domestic train services, run by SET, have continued to operate below the contractual underpin level. SET train paths billed has remained broadly consistent with the equivalent comparative period, illustrating sluggish recovery of paths post pandemic. HS1 continue to be protected by the DUA agreement.

2.1.2 International train paths billed continue to increase, with an 17% increase versus the six months ending September 2022. FWT paths booked in advance now make up 74% of all trains (Sep 2022: 55%), evidencing an improving confidence in the market post-pandemic. The excess demand has continued to be met through spot bids.

2.1.3 Strike action continues to negatively impact train path numbers, footfall, and retail sales. There have been 12 days of train driver and RMT (the Rail, Maritime and Transport union) strikes in the 6 months to 30 September 2022. The NRHS element of the RMT is no longer striking, therefore HS1 are no longer liable to compensate Train Operators for the impact of industrial action, which in any case remains protected by the DUA.

2.2 EBITDA Performance

EBITDA (£m)	6 months to 30-Sep-23	6 months to 30-Sep-22	Variance
Investment Recovery Charge ("IRC") *	26.3	23.2	3.1
Net Operations, Maintenance and Renewals Charge ("OMRC")	2.2	(1.9)	4.0
Stations	0.4	0.1	0.4
Net unregulated income	11.5	10.4	1.1
Total	**40.4**	**31.8**	**8.6**

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

2.2.1 EBITDA for the period was £40.4m, up £8.6m from September 2022. This was driven by higher IRC and OMRC income from higher international train paths.

2.2.2 IRC, which represents 65% of EBITDA, was up 13.4% year on year, driven by the increase in EIL trains billed and higher inflation in the year.

2.2.3 Net OMRC was up £4.0m year on year due to increased train paths billed, and lower Departmental Costs.

2.2.4 Net unregulated income has increased by £1.1m year on year, driven by strong rental income, sales performance, and inflation.

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

Profit and Loss Account (£m)	6 months to 30-Sep-23	6 months to 30-Sep-22	Variance
Turnover	139.4	105.2	34.2
Other operating expenditure	(123.4)	(97.8)	(25.6)
Operating profit on ordinary activities before interest	**16.0**	**7.4**	**8.6**
Interest receivable and similar income	109.8	112.7	(2.9)
Finance charges	(88.6)	(100.3)	11.7
Profit before taxation	**37.2**	**19.8**	**17.4**
Taxation on loss on ordinary activities	2.5	10.1	(7.6)
Profit/(loss) for the financial year	**39.7**	**29.8**	**9.8**

2.3.1 Turnover increased by £34.2m due to increased international train paths in combination with the impact of inflation. Electricity income has increased due to rising prices versus the equivalent period last year, and increasing footfall has seen recovery in retail income in St Pancras.

2.3.2 Other operating expenses have increased by £25.6m, driven by electricity price rises since prior year. Electricity costs are recharged in full to the relevant station tenant/train operator so the impact of these rises are offset in full.

Reconciliation Between Operating Profit and Consolidated EBITDA (£m)	6 months to 30-Sep-23	6 months to 30-Sep-22	Variance
Operating Profit	**15.8**	**7.4**	**8.4**
Amortisation of intangible asset	24.2	24.2	0.0
Depreciation of RoU assets	0.2	0.2	0.0
Consolidated EBITDA	**40.2**	**31.8**	**8.4**

2.3.3 The Group's cash tax charge is Nil in the period (Sep 2022: Nil).

2.3.4 The amortisation charge is driven by the service concession asset which is amortising over time until 2040.

Financing Costs (£m)	6 months to 30-Sep-23	6 months to 30-Sep-22	Variance
Interest payable to parent undertaking	31.2	30.2	0.9
Interest payable on bank borrowings	10.1	10.9	(0.8)
Interest payable on other loans	44.9	53.7	(8.8)
Interest payable on finance leases	13.4	13.7	(0.3)
Movement in liabilities measured at fair value	(11.0)	(8.3)	(2.7)
Total	**88.6**	**100.2**	**(11.6)**

2.3.5 Finance costs for the period were £88.6m (Sep 2022: £100.2m), the decrease is driven by the RPI uplift on indexed linked Bonds. This was £13.9m for the period (Sep 2022: £23.0m). Although inflation has risen, it has not increased at the same speed as the prior year meaning the uplift on the index-linked bond is lower. This is offset by the increased interest costs on the upstream loan.

2.3.6 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 £66.2m (Sep 2022: £54.6m), an increase of £11.7m. 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. 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.

3.3 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. ORR published its Approach to Periodic Review 24 in January 2023. HS1 will submit its draft submission at the end of February 2024 for consultation with relevant stakeholders.

3.4 There have been no recent announcements on Rail Reform of the UK mainline network. While there should not be a direct impact on HS1 and the Concession, HS1 remains engaged with the Great British Railways Transition Team who are planning to put forward proposal for Government to consider.

3.6 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.

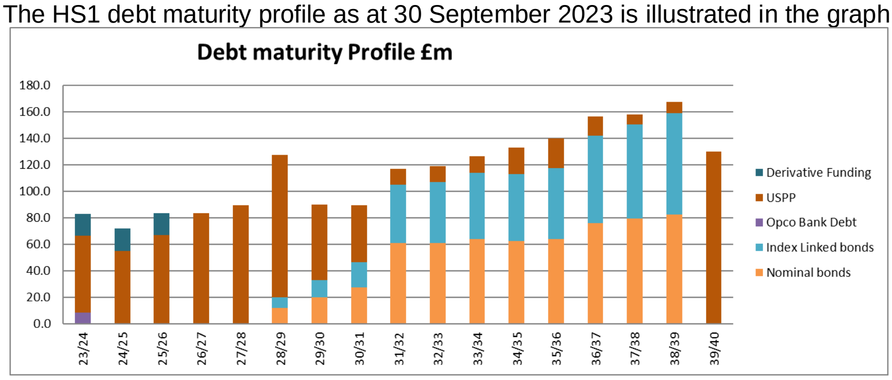
4. Other Industry Updates

4.1 The Group has published its revised Sustainability Strategy with updated targets and KPIs in 2023. Since the inception of this strategy in 2020, the focus has been on baselining HS1's position and driving sustainable improvements across the business and supply chain. As projects are implemented and completed the benefits are being realised such as energy savings and recycling rate improvements. The climate change study has assisted the Group to plan for the next control period and a detailed Carbon Footprint Analysis is supporting the Groups transition to net-zero carbon emissions.

5. Financing

5.1 Debt Maturity

The HS1 debt maturity profile as at 30 September 2023 is illustrated in the graph below:



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

Debt Facility (£m)	Balance Outstanding 30 September 2023*	Balance Outstanding 30 September 2022*	Maturity Date
Nominal Bonds	610.0	610.0	01-Nov-38
Index Linked Bonds	375.6	341.4	01-Nov-38
7 Year Bank Debt (tranche A)	4.3	13.0	28-Mar-24
US Private Placement tranche A	255.6	305.9	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	159.5	162.6	31-Mar-39
US Private Placement tranche F	130.0	130.0	31-Dec-39
Total	**1,759.9**	**1,788.0**	

*Gross of capitalised fees/issuance discounts/premiums

5.2 During the twelve-month period from 30 September 2022, the Group made scheduled capital repayments of £50.3m on tranche A US private placement debt, £3.6m on tranche E US private placement debt and £8.7m on tranche A Bank Debt. At 30 September 2023, the Group had drawn down £49m of the working capital facility (Sep 2022: £40m).

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 £1,759.4m of senior debt issued at 30 September 2023, 96% is effectively fixed rate debt with only underlying floating rate debt being the £58m US Private Placement tranche C and the £4.3m term loan against 6mth Sterling Overnight Index Average ("SONIA").

7. Capital Expenditure

7.1 Capital expenditure for the year to 30 September 2023 was £6.2m (Sep 2022: £5.7m). This was entirely funded through Escrow.

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 2022/23 full year compliance certificate on 16 June 2023 and as such, on 29 June 2023 and 28 September 2023 was permitted to pay £48.4m and £13.5m 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 2023, 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 2023) is 1.47x; and
- the ratio of Projected Consolidated Cashflow to Projected Consolidated Debt Service for the relevant Test Period (12 months to 30 September 2024) is or is estimated to be 1.49x.

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

Patrick Robson
Patrick Robson (Dec 8, 2023 12:28 GMT)
……………………………………… Director

M.Farrer
Mark Farrer (Dec 8, 2023 08:45 GMT)
………………………………………………………….. Chief Financial Officer

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