Helix Acquisition Limited

Investor Report – 31 March 2024

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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 twelve months to 31 March 2024. 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

1.01 In the year, the Group has shown further recovery in the International and Retail revenue streams, with performance close to pre-Covid levels. Earnings before interest, tax, depreciation, and amortisation ("EBITDA") of £100.9m (2023: £65.8m) has increased mainly due to higher RPI and additional international paths with a return in demand and footfall.

1.02 International train services have continued to recover from the Global Pandemic. Eurostar ("EIL") has returned to booking a full forward working timetable ("FWT"), with a FWT for May 2024 – December 2024 that reflects 93% of pre-Covid levels.

1.03 Domestic train services, run by Southeastern Trains Limited ("SETL"), have continued to operate below the contractual underpin level set out in the UK Government domestic underpinning agreement ("DUA"). The DUA has continued to insulate the Group from the reduced timetable.

1.04 Retail income has performed well in the year, driven by the recovery in international passengers, and sales have exceeded pre-covid levels.

1.05 Operational performance of the infrastructure is the Group's primary operational KPI. The moving annual average ("MAA") delays per train path from the HS1 infrastructure has increased to 11.8 seconds at March 2024 (2023: 7.3 seconds) driven by a small number of isolated incidents that have caused significant disruption including the Thames Tunnel Flood on 30th December. We continue to work with Network Rail High Speed ("NRHS") to limit the impact of these events in future and prevent future incidents. We note that the level remains well within the concession agreement limits. Following a formal request from HS1, NRHS has introduced improvement plans for signalling, telecoms resilience and trespass.

1.06 On 30 December 2023, the Thames Tunnel was closed in both directions due to flooding from water off HS1 land flowing into the tunnel. The flood halted all services for a full day. This had an adverse impact on the operational performance of the infrastructure, which is a key performance indicator ("KPI") for the Group, as discussed in the KPI section of the Strategic Report. Detailed reviews of the root cause, the tunnel water management and operational response were conducted. Enhanced pumping was installed in early 2024. A technical investigation has been completed and the recommendations arising from this are being addressed. Investigations on the source of the water are continuing.

1.07 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 31 March 2024 position is 0.76% (2023: 0.40%).

1.08 Safety performance remains a key business priority with the target of a zero-harm business. The MAA Fatalities and Weighted Injuries (being a railway industry weighted measure of accidents per 1,000,000 hours worked) has reduced to 0.055 at 31 March 2024 (2023: 0.151). Safety performance remains a key business priority and an annual safety plan for functions within NR(HS) is monitored by HS1.

1.09 There were no strikes impacting staff within HS1's supply chain within the year. However, ongoing industrial action impacted train operators which was disruptive to our passengers and impacted the number of customers using our stations.

1.10 Robert Sinclair joined HS1 as CEO in March 2024, following Dyan Perry's retirement. Mark Farrer, CFO, resigned from the Board on 19 April 2024. Claire Howling, previously Head of Finance, was appointed as Finance Director while a search was conducted for the new CFO.

2. Financial Summary

This section should be read in conjunction with the audited Group accounts, available in the Investors section of the Group's website highspeed1.co.uk.

2.1 Train Paths

Train Paths Billed	31-Mar-24	31-Mar-23	Variance
Domestic*	54,505	53,368	1,137
International	16,597	14,509	2,088
Total	**71,102**	**67,877**	**3,225**

**Note, Domestic billed paths represent underpin paths, plus any spots run by SETL.*

Performance during the year to 31 March 2024 has improved with a recovery towards pre-Covid levels. There were 71,102 train paths billed in the year (2023: 67,877), a 4.8% increase.

EIL has increased its paths operated by 2,088 in the year, to 16,597 with FWT paths making up 82% of all billed paths (2023: 52%). The excess paths have been through spot bids.

Domestic train services, run by SETL, have continued to operate below the contractual underpin level and the DUA continues to be utilised. DfT are paying the shortfall between the booked timetable and the baseline services in the Domestic Underpin agreement.

2.2 EBITDA Performance

EBITDA (£m)	12mnths to 31-Mar-24	12mnths to 31-Mar-23	Variance
Investment Recovery Charge ("IRC")	65.4	49.7	15.7
Net Operations, Maintenance and Renewals Charge ("OMRC")	10.4	(5.4)	15.8
Stations	1.0	0.4	0.6
Net unregulated income	24.1	21.1	3.0
Total EBITDA	**100.9**	**65.8**	**35.1**

**EBITDA does not capture IRC related to the underpin. This is included within interest receivable in 2.3.*

EBITDA for the year, one of the Group's key measures, was £100.9m (2023: £65.8m), driven by IRC and OMRC income from higher train paths.

IRC, which represents 65% of EBITDA, was up 32%, driven by the increase in Eurostar trains. Higher inflation in the year also gave rise to higher IRC.

Net OMRC was up £15.8m year on year due to increased train paths billed, inflation, and the volume reopener mechanism.

Net unregulated income has increased by £3.0m, driven by strong sales performance due to returning footfall.

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

Profit and Loss Account (£m)	12mnths to 31-Mar-24	12mnths to 31-Mar-23	Variance
Turnover	299.7	230.5	69.2
Other operating expenditure	(247.8)	(213.5)	(34.3)
Operating profit on ordinary activities before interest	**51.9**	**17.0**	**34.9**
Interest receivable and similar income	221.0	222.8	(1.8)
Finance charges	(171.6)	(194.5)	22.9
Profit on ordinary activities before taxation	**101.3**	**45.3**	**56.0**
Taxation on loss on ordinary activities	0.2	(8.3)	8.5
Profit/(loss) for the financial year	**101.5**	**37.0**	**64.5**

Reconciliation Between Operating Profit and Consolidated EBITDA (£m)	12mnths to 31-Mar-24	12mnths to 31-Mar-23	Variance
Operating Profit	**51.9**	**17.0**	**34.9**
Amortisation of intangible asset	48.6	48.4	0.2
Depreciation of RoU assets	0.4	0.4	(0.0)
Consolidated EBITDA	**100.9**	**65.8**	**35.1**

The Group's tax charge has Nil of cash tax payable in the period (2023: Nil).

Financing Costs (£m)	12mnths to 31-Mar-24	12mnths to 31-Mar-23	Variance
Interest payable to parent undertaking	61.4	61.1	0.3
Interest payable on bank borrowings	20.5	19.9	0.6
Interest payable on other loans	82.9	104.4	(21.5)
Interest payable on finance leases	26.7	26.5	0.2
Movement in liabilities measured at fair value	(19.9)	(17.4)	(2.5)
Total	**171.6**	**194.5**	**(22.9)**

Finance costs for the year ended 31 March 2024 were £171.6 (2023: £194.5m). The decrease was driven by indexed linked Bonds, as inflation was higher in 2022/3 than 2023/4. The lower inflation has decreased this by £21.5m in the year.

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

Operational cash flow is mainly generated from track access income from EIL and SETL based on contracted prices and timetabled volumes received in advance, with some additional cashflow generated by the retail and car parking operations. Net cash from operating activities, supported by the increase in train paths, was £93.2m (2023: £84.0m). The prior year operating cashflow has been restated, with £32.3m of cash received for future renewals being reclassified into financing activities. This has been no change to overall cashflows.

3. Significant regulator and Government announcements for the Security Group

3.1 HS1's regulatory charges for Control Period 3 ("CP3") commenced on 1 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 OMRC and ensure fixed OMR costs are recovered through the control period, despite lower paths than initially forecast.

3.3 HS1 has published its 5 Year Asset Management Plan (5YAMS) which sets out HS1's proposed plans and access charges for the HS1 railway and stations for the next control period April 2025 to March 2030. This is a key milestone in the regulatory process overseen by the ORR. The ORR will consider HS1's 5YAMS and consult stakeholders on its draft determination on access charges by end September 2024. ORR will then determine the final outcome in early 2025.

3.4 A Draft Rail Reform Bill was published in February 2024 and is undergoing parliamentary scrutiny. While there should not be a direct impact on HS1 and the Concession, HS1 continues to monitor the process and implications for the Concession. HS1 will continue to respond to the consultations on the long-term strategy and legislation as they arise.

3.5 In line with contractual agreements with EIL and SETL, the Group executed its third "Volume Reopener" of the Control Period to amend the allocation of Control Period Three charges and ensure the fixed Operation, Maintenance and Renewal Charge ("OMRC") costs were recovered.

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

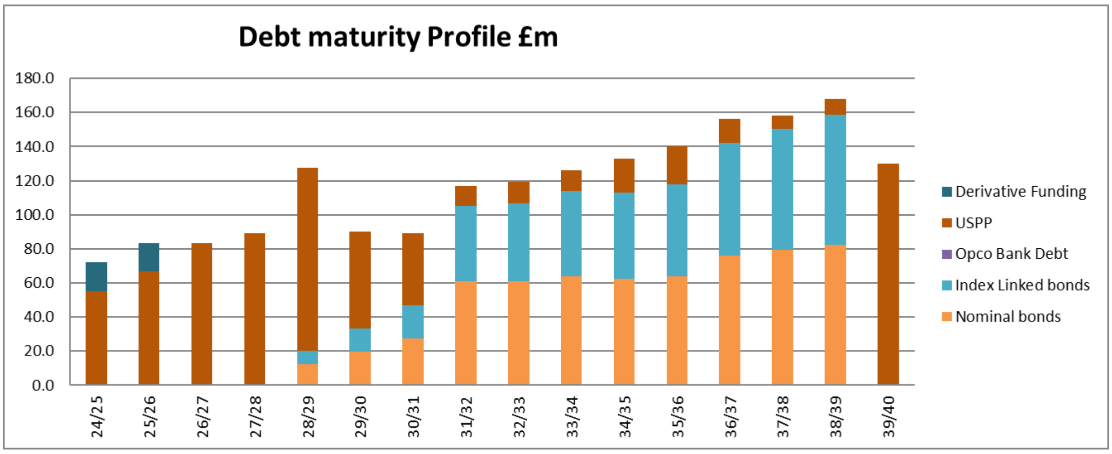
4.1 An electronic visa Entry / Exit system ("EES") is planned for implementation in October 2024 for the Schengen Area. HS1 is working with EIL to finalise operational processes within St Pancras International and optimise the customer experience.

4.2 Several companies have expressed an interest to run international train services on HS1. HS1 welcomes competition and will work with operators as they investigate the opportunity. We are considering their needs and the potential for much greater foot traffic at St Pancras Station as we develop longer-term asset plans.

4.3 HS1 offers strong sustainability credentials and continues to deliver against the published sustainability strategy, which was updated in 2023. HS1's strategy is to become the green gateway to Europe, based upon providing a more sustainable alternative to air travel. The Group is publishing an in-depth Task Force for Climate-Related Financial Disclosure ("TCFD") report this year and will be published as part of our annual Environmental, Social and Governance ("ESG") report.

5. Financing

5.1 HS1 Debt Maturity at 31 March 2024



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

Debt Facility (£m)	Balance Outstanding 31 March 2024*	Balance Outstanding 31 March 2023*	Maturity Date
Nominal Bonds	610.0	610.0	01-Nov-38
Index Linked Bonds	383.3	361.7	01-Nov-38
7 Year Bank Debt (tranche A)	0.0	8.7	28-Mar-24
US Private Placement tranche A	229.4	281.7	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	156.7	162.2	31-Mar-39
US Private Placement tranche F	130.0	130.0	31-Dec-39
Total	**1,734.4**	**1,779.3**	

**Gross of capitalised fees/issuance discounts/premiums*

During the twelve-month period, the Group made capital repayments of £8.7m on the 7 Year Bank Debt, including a £4.3m voluntary prepayment in February 2024. The Group also made scheduled capital repayments of £52.3m on tranche A US private placement debt, £5.5m on tranche E US private placement debt.

At 31 March 2024, the Group had drawn down £37m of the working capital facility (2023: £15m).

6. Hedging Position

6.1 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.

6.2 Of the £1,734.4m of senior debt issued as at 31 March 2024, 97% is effectively fixed rate debt with the only underlying floating rate debt being the £58m US Private Placement tranche C against 6mth Sterling Overnight Index Average ("SONIA").

7. Capital Expenditure

Capital expenditure for the year to 31 March 2024 was £16.6m (2023: £14.1m). Of this, £15.8m (2023: £13.9m) was funded through Escrow, with the rest funded by HS1 directly.

8. Acquisitions and Disposals

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

9. Restricted Payments

The Security Group submitted its 2023/24 half year compliance certificate on 08 December 2023 and as such, on 22 December 2023 and 27 March 2024 was permitted to pay £14.0m and £13.5m, respectively, 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 2024, 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 (12mths to 31 March 2024) is 1.51x; and
- the ratio of Projected Consolidated Cashflow to Projected Consolidated Debt Service in respect of the relevant Test Period (12mths to 31 March 2025) is or is estimated to be 1.50x.

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:

- 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

Mike Osborne
Mike Osborne (Jun 12, 2024 17:50 GMT+1)
....
Director

Claire Howling (Jun 12, 2024 17:44 GMT+1)
....
Finance Director

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