

DECEMBER 2020 LENDER PRESENTATION

HS1 LIMITED

16 DECEMBER 2020

Disclaimer

This presentation has been prepared solely for the use of providing an update to HS1 Limited's (the "Company") secured creditors on 16 December 2020 (the "Presentation"). The Presentation is strictly confidential to the recipient. By viewing this Presentation, you shall be deemed to have confirmed and represented to us that you have understood and agree to the terms set out herein. This Presentation does not constitute or form part of and should not be construed as, an offer to sell or issue or the solicitation of an offer to buy or acquire securities of the Company, its subsidiaries, holding companies and subsidiaries of such holding companies (the "Group") in any jurisdiction or an inducement to enter into investment activity or any transaction. No part of this Presentation, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever.

This Presentation is made to and is directed only at persons in the United Kingdom having professional experience in matters relating to investments who fall within the definition of "investment professionals" in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (the "Order"), and to those persons to whom it can otherwise lawfully be distributed (such persons being referred to as "relevant persons"). The Presentation does not constitute an invitation to the public to subscribe for or purchase securities in any company and is not a prospectus within the meaning of the Regulation (EU) 2017/1129 (the "Regulation") or the national legislation or regulations of any other Member State of the European Union (a "Member State") or the UK. It has not been prepared in accordance with the Regulation on prospectuses or any measures made under the Regulation or the laws of any Member State or European Economic Area ("EEA") treaty adherent state that has implemented the Regulation or those measures. It has not been reviewed, prior to its being issued, by any regulatory authority in the UK or in any other Member State or EEA treaty adherent state. This Presentation may not contain all the information required where a document is prepared pursuant to the Regulation or those laws. The Group has not authorised or approved or taken any action or steps in any jurisdiction in connection with any offer or invitation by any person to the public to subscribe for or purchase any securities.

This Presentation is made to the current holders of private placement notes issued by High Speed Rail Finance PLC, each of whom represents that it is an "Accredited Investor" (as defined in Rule 501(A)(1), (2), (3) or (7) of Regulation D of the Securities Act of 1933 or a "Qualified Institutional Buyer" (as defined under Rule 144A of the Securities Act) and has purchased the said private placement notes for its own account or for the account of one or more Accredited Investors or Qualified Institutional Buyers (the "PP Investors"), and other than to such PP Investors, neither the Presentation nor any copy of it may be taken or transmitted into the United States of America, its territories or possessions, or distributed, directly or indirectly, in the United States of America, its territories or possessions. Any failure to comply with this restriction may constitute a violation of U.S. securities laws. The Presentation is not an offer of securities for sale in the United States. The Company has not registered and does not intend to register any offering of any securities in the United States or to conduct a public offering of any securities in the United States.

Statements, projections and forecasts in this Presentation are made with reference to the facts and circumstance existing as at the time of this Presentation. This Presentation does not purport to identify all of the risks associated with the Company or the Group and there may be material risks that are currently not considered to be material or of which the Company, the Group and their respective advisors or representatives are unaware. This presentation includes forward-looking statements including statements regarding strategies, outlook and growth prospects; future plans and potential for future growth; liquidity, capital resources and capital expenditures; growth in demand for products; economic outlook and industry trends; developments of markets; the impact of regulatory initiatives etc.. The forward-looking statements in this Presentation are based upon various assumptions, many of which are based, in turn, upon further assumptions, including, without limitation, management's examination of historical operating trends, data contained in the Group's records and other data available from third parties. Although the Company believes that these assumptions were reasonable when made, these assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond its control, and the Group may not achieve or accomplish these expectations, beliefs or projections. Neither the Group, nor any of its members, directors, officers, agents, employees or advisers intend or have any duty or obligation to supplement, amend, update or revise any of the forward-looking statements contained in this Presentation.

Projections and forecasts inherently involve the risk of uncertainty and unknown events and developments but in the current Covid-19 circumstances these uncertainties are unprecedented. The full extent of the economic impact of the outbreak of Covid-19 on the economy, rail travel, the business and operations of HS1 and the train operating companies, retailers, suppliers, contractors and operators is unknown as well as the actions and responses of Government and our regulator. This impact, and events and circumstances in the future, could have a material impact on the forecasts included in this Presentation. Nothing contained in this Presentation should be taken as a promise or representation as to the future. No representation or warranty, express or implied, is made or given, and no responsibility is accepted, by or on behalf of the Company or any of its shareholders, affiliates, directors, officers or employees or any other person as to the accuracy, adequacy, usefulness, completeness or fairness of the information or opinions contained in these materials or as to the reasonableness of any assumptions on which any of the information herein is based. The Company shall have no liability to any party for the quality, accuracy, timelines, continued availability, or completeness of any information contained in this document. The Company and the Group do not accept any liability whatsoever for any direct, indirect or consequential losses to any person in relation to the distribution, or possession or reliance on this Presentation and its contents in contract, tort or otherwise.

The Presentation has been prepared on the basis of our reasonable assumptions as at the time of this Presentation and information relating to base case projections provided by our key train operating partner, Eurostar International Limited. Our assumptions are inherently subject to significant uncertainties and contingencies which are impossible to predict and are beyond our control.



Business and Industry Update

Dyan Crowther
CEO

Summary

Although the macro climate remains challenging for the rail sector in the short term, our domestic underpin is invaluable in this context and remains a robust and stable protection for all stakeholders, in particular our lenders

The return to lockdown and continued quarantine restrictions have delayed the forecast recovery of international paths. Our projections for volumes have been prepared on a prudent basis based on available data. The UK and European vaccination programme is a positive development and should this continue it may result in a material improvement in international volumes

HS1 continues to work in partnership with Eurostar in its appeal for further government support. The Company has focussed on facilitating discussions for an accelerated recovery in international train paths, without compromising HS1's right's to cost recovery

Investors remain committed to the business through this period and cash generation and liquidity remain strong

The strength of the HS1 concession is supported by the relative stability of its underlying cashflows. This has been proven despite the unprecedented volatility in travel patterns. Management are focused on the protection of the business and in positioning the company for the best recovery possible

Revised Forecast 20/21 – Financial overview

Revised forecast includes 7,700 paths in calendar year 2021 – this reflects EIL's indicated paths up to April 2021, with recovery expected in Spring 2021

Key Financial Indicators				
	19/20 Actuals £m	20/21 Budget £m	20/21 Reforecast	Variance between Budget and Revised
EBITDA	94.8	71.0	49.0	(31.0)%
CFADS	187.7	176.0	142.1	(19.3)%
DSCR (Security group)	1.58x	1.50x	1.34x	N/A

Annual Train Paths Billed				
	19/20 Actuals	20/21 Budget	20/21 Reforecast	Variance between Budget and Revised
LSEr	55,890	55,491	55,795	+0.5%
Eurostar	18,377	17,778	13,997	(21.3)%
Total	74,267	73,269	69,792	(4.7)%

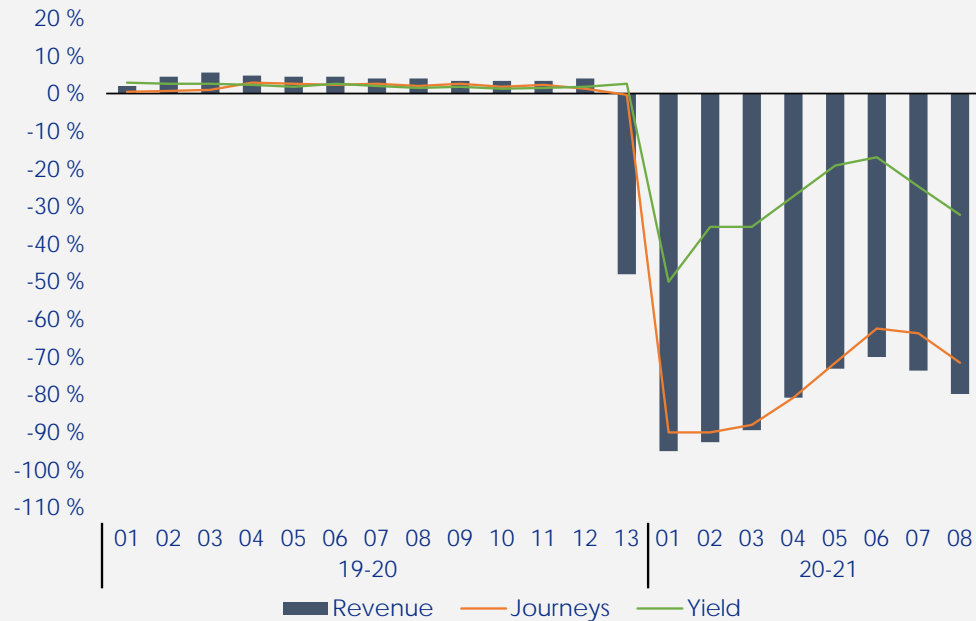
- The original 20/21 budget was produced in May, prior to the Full Year DSCR review and compliance certificate
- Since then a number of assumptions have changed and been incorporated into revised figures. The major variances arise from the impact of quarantine measures delaying the previously forecast rebound in international train paths and improved retail performance

Industry trends

Domestic rail passenger recovery was set back by Lockdown 2, although LSER train paths have been significantly more resilient than passenger numbers. European international air passenger volumes have followed a similar pattern

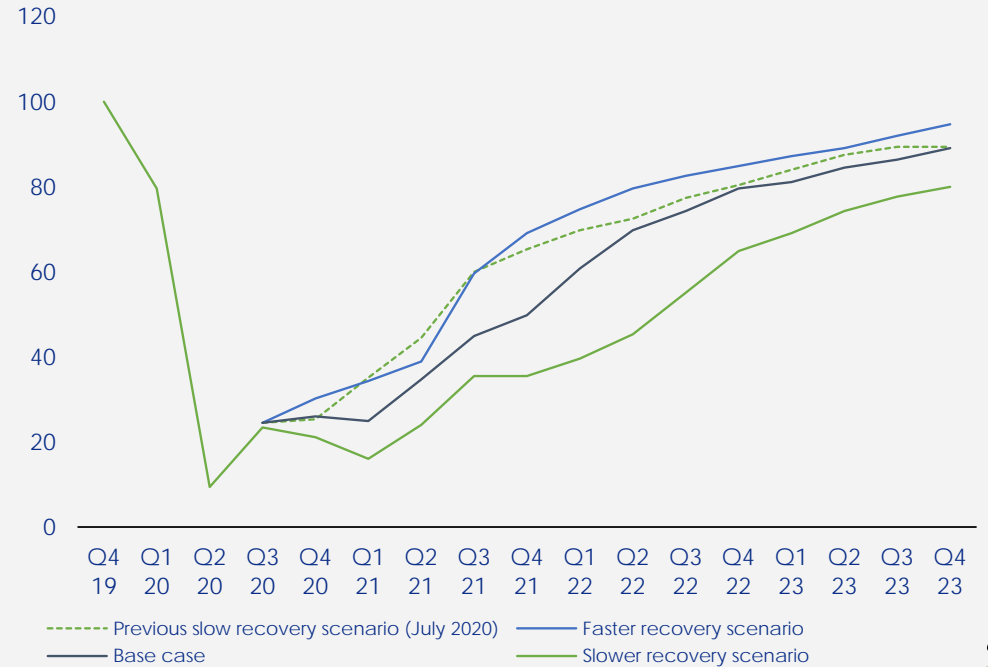
UK Domestic

Fully adjusted Industry Revenue, Journeys and Yield (Year on Year %)⁽¹⁾



European International

Passenger airline recovery still multiyear – projected industry revenue passenger km, indexed to 100 from 2019⁽²⁾

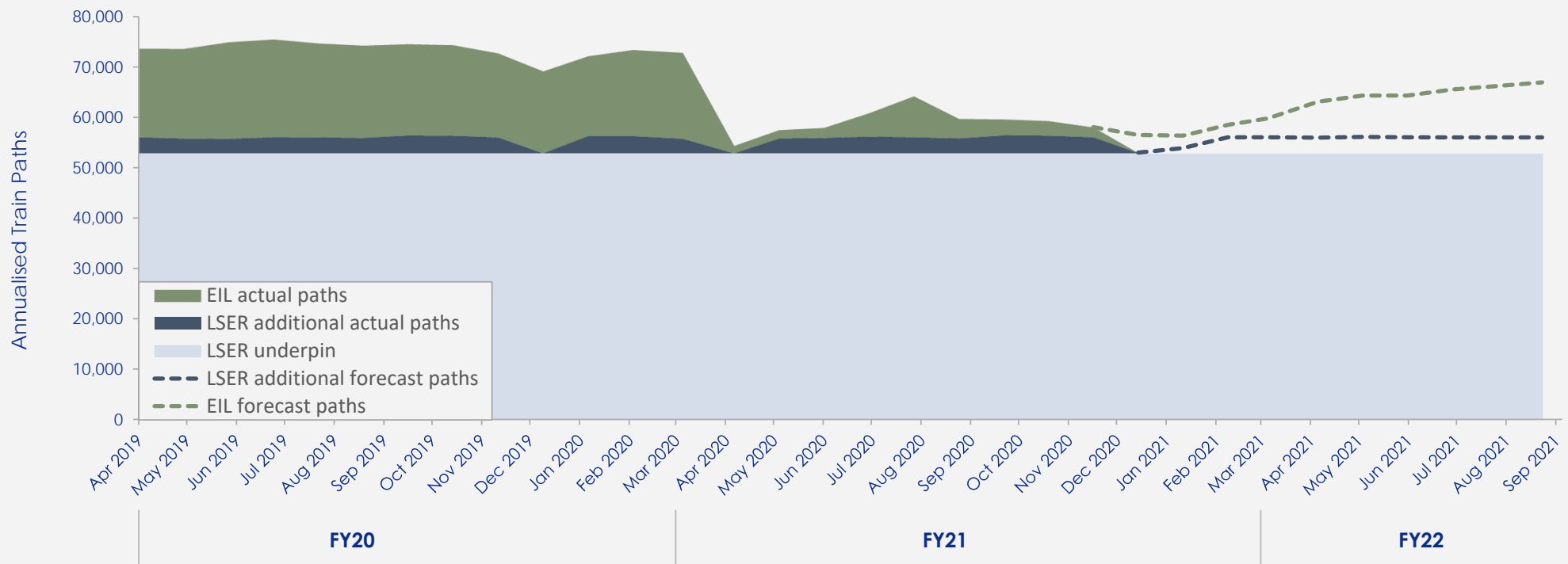


Notes: (1) Rail COVID Forecasting Group (replicated); (2) Moody's Investors Service – European Airports and Airlines, 19 November 2020 (replicated)



Train paths update

LSEr continues to perform in line with expectations providing a stable source of cashflow for debt service. Eurostar have been running significantly fewer trains than the timetable (FWT) and reduced services are expected to continue in the short term



Supporting Eurostar

HS1 has implemented a coordinated influencing strategy emphasising the importance of the cross-Channel link to a Green sustainable recovery, seeking to influence key decision-makers in the French and British Governments

Key messages:

1. Need for a **system approach**, i.e. a support solution that works for both track and trains
2. HS1 supporting Eurostar in appeal for **direct intervention** from the British and French Governments
3. The cross-Channel link is critical to the **economy** and the **green recovery** of the towns and cities it serves
4. Eurostar has successfully raised £400m from banks and £200m from shareholders

Approach:

- Sustained campaign to be heard amongst high number of requests for state support
- Collaborating and building new stakeholder network



Green Gateway to Europe

The importance placed on rail connectivity and delivery of its green benefits by the EU remains forefront in its agenda, with continued comprehensive support and encouragement of trans-Europe high-speed connections across political institutions

Ursula von der Leyen, President of the European Commission's State of the Union Address, Sept 2020:

- "At the heart of it is our mission to become the *first climate-neutral continent by 2050*."
- "The European Green Deal is our blueprint to make that transformation."

Commissioner for Transport Adina Vălean on announcement of 2021 being the Year of the Rail, Mar 2020:

- "There's no doubt that *railway transport means huge benefits in most areas* ...Setting up a coherent and functional network across all Europe is an exercise in political cohesion. The *European Year of Rail* is not a random event. It comes at an appropriate time, when the EU needs this kind of collective undertaking."

German Federal Minister of Transport, Andreas Scheuer, at the launch of Germany Presidency of the Council of Europe, Sept 2020

- "The *railways make Europe even more climate- and environmentally-friendly*. Good services can replace goods vehicle journeys and flights. We intend to further strengthen rail freight and contribute to better connectivity between European agglomerations by operating high-speed and overnight trains. *Our TransEuropeExpress 2.0 strategy focuses on attractive, speedy and direct long-distance services across borders*. On regular interval services for the European railways. *The aim: better rail travel through Europe*."

Retail recovery

Lockdown 2 has impacted the strength of recovery. A lot of work has been done to adapt to the restrictions and position the station retail environment for the changing and lower volume audience

Building back:

- Frequent conversations with tenants and bespoke arrangements continue
- Adapting marketing messages to changing audience profile, restrictions and consumer behaviours
- Not immune to the challenges the industry is facing; we have empty units to backfill
- Positively we also have 1 relocated tenant and have 3 new units opening before Christmas

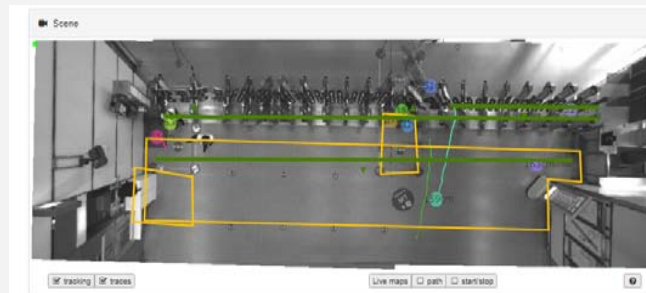


HS1 Leading for the future

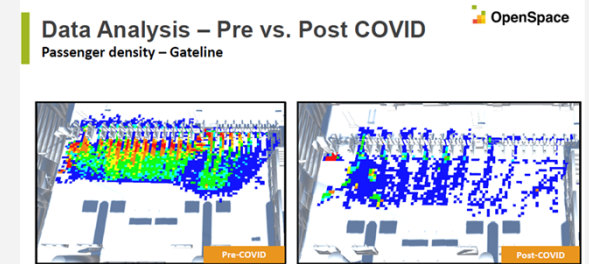
Using a digital twin of St. Pancras station we are starting to integrate existing and new tech into the OpenSpace platform to allow real time safe routing of passenger flows. We are also implementing regenerative braking and remote condition monitoring to improve how we manage our assets.



Digital mapping of the station



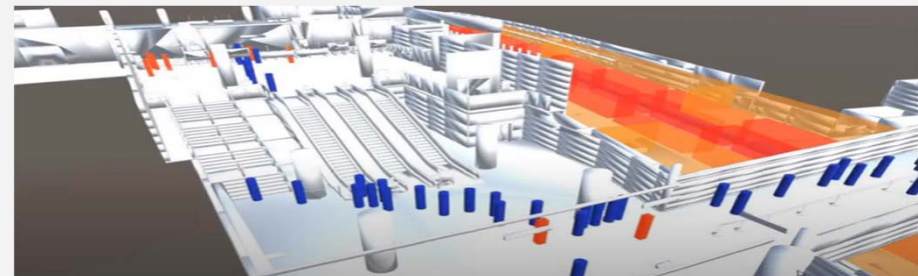
Real time entry points capture



Data analysis of information



Baseline and real time trends for resource planning



Real time passenger movement with social distancing identification

**Financial and
Regulatory
update**

Mark Farrer
CFO



Key messages

LSER's performance remains strong and consistent with expectations, with governmental support extended to the domestic operator. HS1's budget was based on key assumptions about Eurostar's train paths but the impact of the zero booked paths will start from December 2020

Eurostar train paths are strongly linked to UK government restrictions and as a result of measures introduced since July, forecasts have changed further. Eurostar are unable to commit to a fixed level of train paths, but this uncertainty is expected to reduce in 2021 as vaccines are rolled out and government restrictions rolled back

HS1 is preparing for an OMRC "volume reopener" in the context of the zero timetabled train paths to be reflected from December/January so as to ensure full recovery of operations, maintenance and renewals costs

Management is focused on protecting value for all stakeholders and in particular your interests as lenders. Proactive cash management has included a targeted debt prepayment to support credit ratios as part of a balanced response benefiting all stakeholders

HS1 Revised Forecast 20/21 vs. Budget

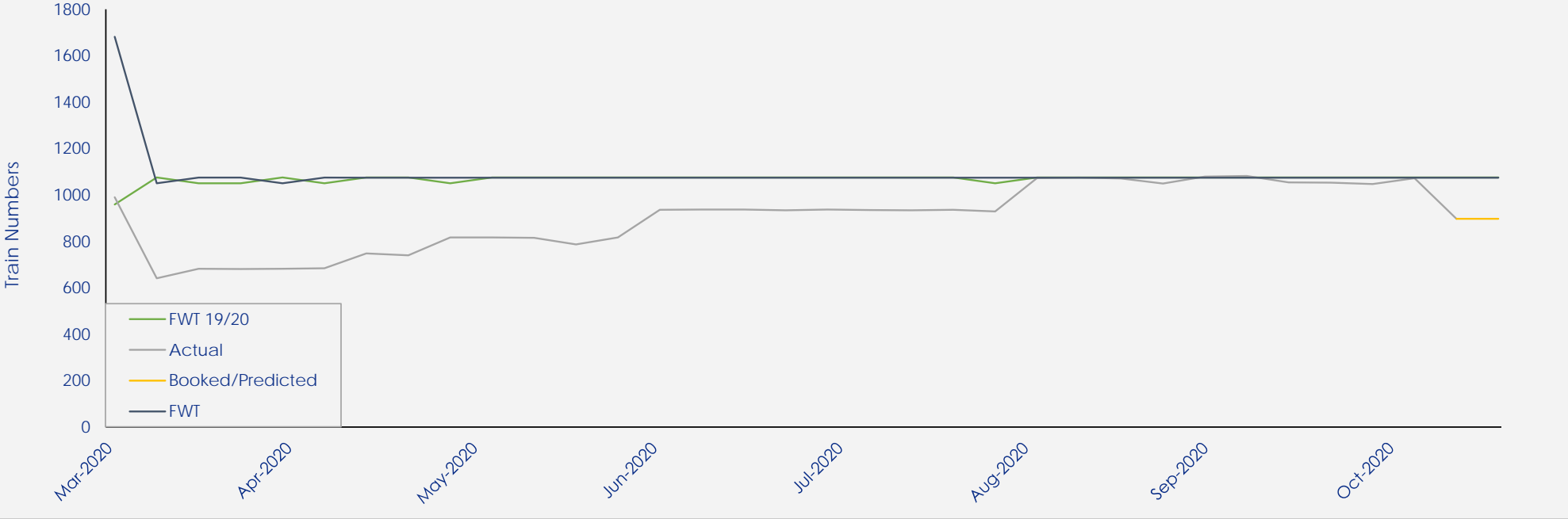
The revised forecast has been developed based on changes to key assumptions regarding Eurostar train path recovery, and a view on retail has been phased in with it. Discretionary capex investment also reduced to help manage cashflows

	Revenue	-	Operating Costs	=	EBITDA	+	Investing Activities	=	CFADS (vs Budget)
Track	Domestic IRC						Underpin Domestic IRC £123m		£174m (-£10m)
	International IRC	£9m			£51m				
	Operations, Maintenance and Renewals Income	£42m							
	Power Charges	£73m		OMRC	£(79)m	£(6)m		£(6)m (-£5m)	
	Stations Charges	£30m		Station Costs	£(29)m	£0m		£0m (-£0m)	
Stations	Retail & Advertising	£10m		Retail Costs	£(8)m	£3m		£3m (-£1m)	
Unregulated Activities	Car Parking	£4m		Car Park Costs	£(2)m	£2m		£2m (-£0m)	
	Other Income	£2m		Other Costs	£(3)m	£(1)m		£(1)m (-£5m)	
Other									
Total		£186m			£137m	£49m	£123m	£172m (-£21m)	
							Capital - UKPN/Capex/Tax		£(22)m (+£2m)
							Working Capital		£(7)m (-£14m)
Cash Flow Available for Debt Service (CFADS)									£142m (-£34m)

Domestic Train paths – LSER

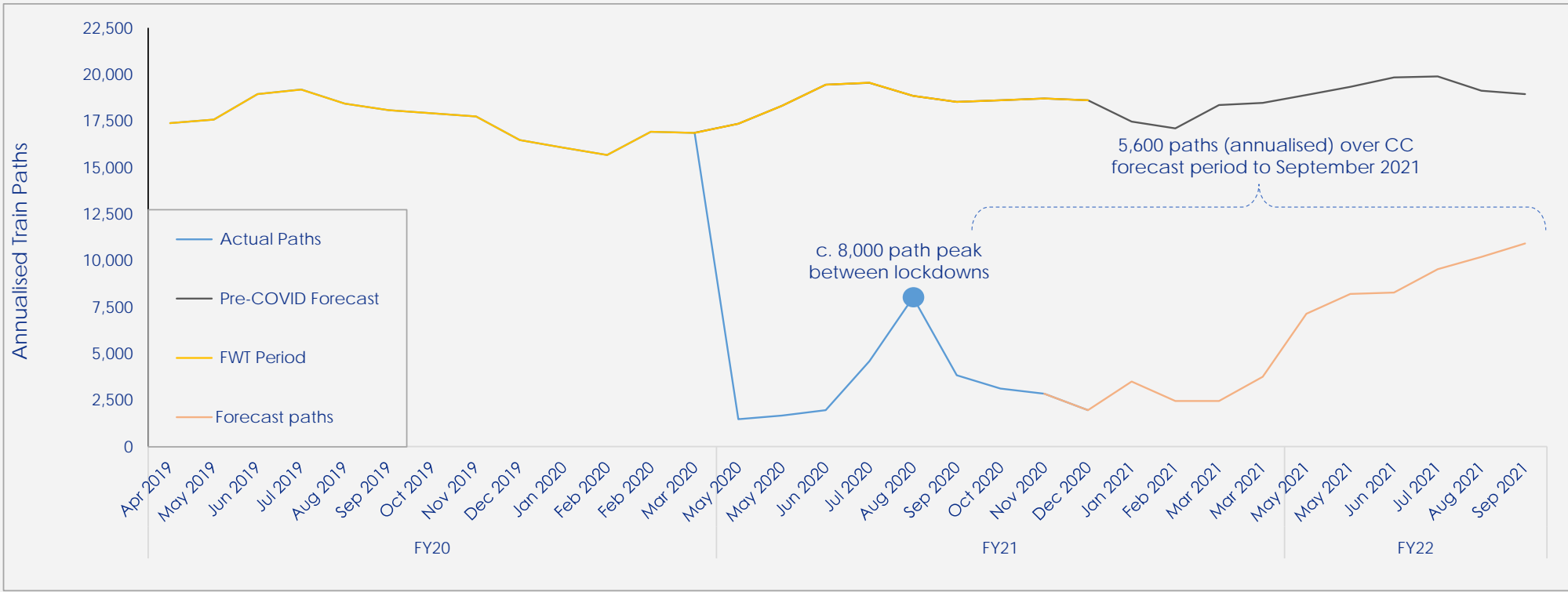
LSER have been operating the vast majority of trains that they booked in the FWT. HS1 are monitoring the data to identify any emerging trends and are working with stakeholders to continue full availability of the infrastructure and maximum utilisation

LSER Weekly Actual Trains vs FWT



European Train paths – Eurostar

HS1 has reduced its expectation of Eurostar train paths in light of actual activity, which is assumed to carry forward into Q1 2021. A recovery is expected from April, albeit with volumes remaining on a conservative basis relative to pre-COVID levels



HS1 Cost Recovery

HS1 Operations, Maintenance and Renewal Charges (OMRC) are set by the ORR in consultation with HS1 and are adjusted through a Volume Re-opener when appropriate. This ensures HS1 fully recovers its fixed costs along with passthrough costs. HS1 remains at risk for variable charges.

- The **Volume Re-opener** is designed to ensure HS1 recovers its fixed OMRC costs (OMRCA2 and OMRCB) and allocates those costs between the different operators. It is triggered at the start of a timetable year if HS1 expects volumes to differ +/- 4% from the volumes used to calculate charges that cover fixed costs
- In **CP3 Eurostar volumes were set at 17,700 paths per annum**. The criteria for a volume re-opener review event have therefore been met
- In order to **execute the volume reopener in January 2021**, HS1:
 - looks backwards at the historic trains that operators have paid for, even if they have not run (not including spot bids)
 - looks forward for the remainder of CP3 to forecast the number of trains we expect to run
- Regardless of the precise recovery path assumed, **EIL paths will now inevitably be more weighted towards the second half of CP3**. This will lead to a working capital impact (c.£6m in FY21) despite full cost recovery over the period as a whole
- Given the likelihood of actual paths deviating by +/-4% from those assumed in January, it is anticipated that a **further Volume Re-opener could occur annually in CP3**

HS1 Cash management

The combined impact of the reduced level of Eurostar train paths expected to run in addition to the move to spot bids, as well as expected lower retail income means that HS1 cashflows are expected to be lower than previously forecast. Management has taken measures to manage this impact

£28m Term Loan Prepayment made

- Gives the **business covenant ratio headroom** given the uncertainty and maximum working capital impact of the changes
- Help **protect the credit rating** by improving headroom under credit ratios
- Term loan debt is scheduled to amortise to maturity over the next 18 month period, so there is limited liquidity impact
- Slight cost saving as cash would otherwise be spent on interest

Other measures

- Business wide **review of HS1 internal costs** to ensure they are appropriate for the business, including reviewing applicable government schemes to manage cashflow
- **Reduction in HS1 discretionary capex spend** to support cash management
- Historically, our **working capital facility is not fully utilised** demonstrating a certain level of cashflow resilience.
 - **£125m liquidity facility** remains in place to provide protection to lenders, but is not forecast to be utilised in any envisaged scenario
- We are **continuously monitoring the business** for opportunities to deliver savings and provide optimal liquidity through this challenging time and expect to have ongoing discussions with our lenders

DSCR Covenants

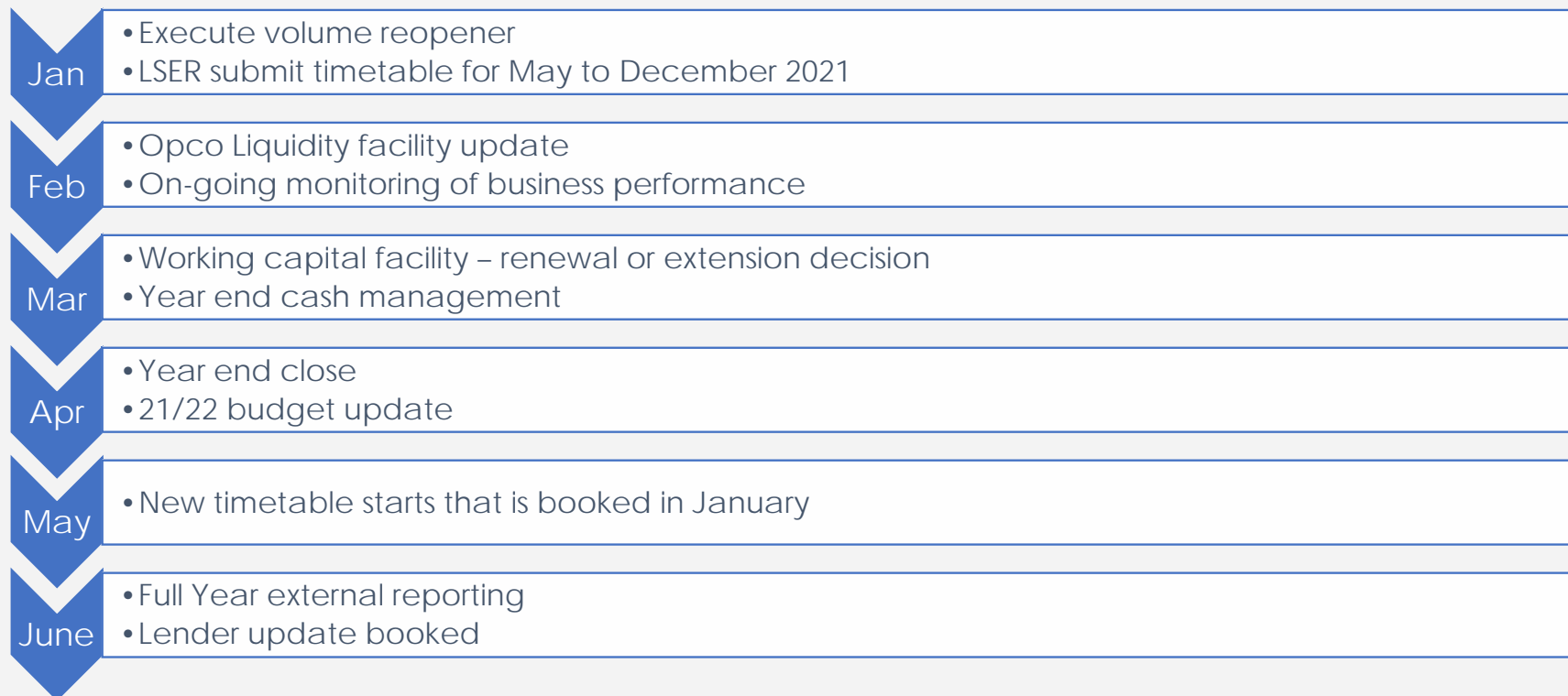
Following the Eurostar movement from FWT to spot and timing of cost recovery, the DSCR ratios have been impacted. We are however above the 'lock up' levels and have material headroom to the 'default' level

Covenant test date	Covenant ratio	Finalised
Sept 20	1.49x – <i>Historic 12m to Sept 20</i> 1.22x – <i>Projected 12m to Sept 21</i>	Dec 20

- While the majority of cash flow remains on timetabled trains, there is lower spot bid income which has a cash impact as outlined
- Cashflow from retailers and car parks is behind budget due to reduced footfall below anticipated levels
- The Base Case being presented is prudent, with a more comprehensive recovery forecast from March 2022 albeit with volumes remaining on a conservative path relative to Pre-COVID levels

Next steps

HS1 will keep lenders up to date with quarterly updates planned for March/April and June/July 2021. HS1 will, as it always does, review the facilities it needs to manage the business and will ensure the business has the appropriate funding mechanisms in place at all times. The headline timetable is below and will be regularly reviewed



Summary

The financial impact of COVID on HS1 remains limited despite the extreme disruption that we have seen to the wider market, highlighting the resilience of the business and strength of the concession

The impact of EIL's move to spot train path bookings from fixed bookings results in a one-off working capital impact to the business. The shift to spot paths has led to exposure to the future recovery profile, but the primary financial impacts of the shift are the timing of cashflows, with full cost recovery expected over the control period

HS1 is preparing to execute a volume reopener at the next contractual date and is in regular contact with stakeholders on the process to agree the train paths to allocate these costs across

Management is focused on protecting value for all stakeholders and in particular your interests as lenders. The decision to prepay the term loan was to support ratios and protect lenders

Wrap up
Dyan Crowther
CEO



Wrap up

In uncertain times communication is fundamental. The management team is committed to achieving the best possible outcome for all stakeholders, in particular you, our lenders.

COVID 19 has presented the business with significant challenges and a number of uncertainties remain, in particular in regards to the number of Eurostar train paths booked

Credit ratios are protected by the strength of the underlying concession

Management has positioned the business to be able to weather a variety of additional challenges in the coming year. The business has already commenced the volume reopener process in order to protect HS1's cost recovery

HS1 continues to monitor its risk register to protect the business and we plan to provide a further update to lenders in Q1

Questions

