
Helix Acquisition Limited

Investor Report – 30 September 2019

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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 2019. 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

- Strong financial performance with earnings before interest, tax, depreciation and amortisation (“EBITDA”) of £49.3m (Sep 2018: £47.3m)
- Train paths billed increased 0.2% year on year at 37,496 (Sep 2018: 37,408)
- Strong cash flow generation demonstrating stable revenues with robust contractual arrangements
- Consolidated net external borrowings of £1,840.9m (Sept 2018: £1,850.5m)
- The moving annual average (“MAA”) Fatalities and Weighted Injuries Index decreased to 0.021 (Sep 2018: 0.032)
- Robust operational performance, the average delay per train path from HS1’s infrastructure has decreased to 0.72 seconds (Sep 2018: 7.26 seconds). The MAA has decreased by 7.52 seconds since March 2019
- The percentage of trains greater than 5 minutes delayed due to HS1 is 0.4% (Sep 2018: 0.1%) vs. 15% three-month Concession Agreement trigger
- St Pancras International was voted number 2 Station in the UK by the Spring 2019 National Passenger Survey (Spring 2018: No 1)

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 Billed	6mths to 30 Sep 2019	6mths to 30 Sep 2018	Variance
Domestic	28,058	28,061	(3)
International	9,438	9,347	91
Total	37,496	37,408	88

Train paths billed were up 0.2% YoY. Domestic train paths were broadly flat. International train paths were up 1.0% YoY driven by Eurostar’s third daily direct service from London to Amsterdam launched in June 2019.

2.2. EBITDA Performance

HS1 has converted to IFRS service concession accounting for the year ended 31 March 2019. HS1 now records its concession as part financial asset (for the domestic underpinned income) and part intangible asset, for the remainder of the concession value. In effect this means the majority of IRC track access income from the domestic train paths is now recorded as capital repayment of the financial asset on the balance sheet, reducing EBITDA but not cashflows.

EBITDA (£m)	6mths to 30 Sep 2019	6mths to 30 Sep 2018*	Variance
Investment Recovery Charge ("IRC")	34.3	32.9	1.4
Net Operations, Maintenance and Renewals Charge ("OMRC")	1.7	1.6	0.1
Stations	0.3	0.3	-
Net unregulated income	13.0	12.3	0.7
Total	49.3	47.1	2.2

*Restated to IFRS

EBITDA for the year, one of the Group's key measures, was £49.3m up £2.2m vs. Sep 2018.

IRC representing 69.6% of EBITDA, including payments made under revenue transactions, was up 4.3% year on year ("YoY"). The YoY improvement was mainly driven by contractual Retail Price Index ("RPI") increases.

Net OMRC representing 3.4% of EBITDA was up £0.1m YoY driven by lower HS1 OMRC costs in the period

Stations EBITDA was flat at £0.3m YoY.

Net unregulated income representing 26.4% of EBITDA was up £0.7m YoY. Underlying operational performance of St Pancras retail remains strong.

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

Profit and Loss Account (£m)	6mths to 30 Sep 2019	6mths to 30 Sep 2018*	Variance
Turnover	116.3	113.8	2.5
Other operating expenditure	(91.5)	(91.0)	(0.5)
Operating profit on ordinary activities before interest	24.8	22.8	2.0
Interest receivable and similar income	101.7	95.0	6.7
Finance charges	(83.8)	(76.9)	(6.9)
Profit on ordinary activities before taxation	42.7	40.9	1.8
Taxation on loss on ordinary activities	(6.0)	(4.6)	(1.4)
Profit/(loss) for the financial year	36.7	36.3	0.4

*Restated to IFRS

Reconciliation Between Operating Profit and Consolidated EBITDA (£m)	6mths to 30 Sep 2019	6mths to 30 Sep 2018*	Variance
Operating Profit	24.8	22.8	2.1
Amortisation of intangible asset	24.3	24.2	0.1
Depreciation of RoU asset	0.2	0.2	-
Payments under revenue transactions	-	-	-
Consolidated EBITDA	49.3	47.1	2.2

*Restated to IFRS

The Group's tax charge of £0.4m is cash tax payable in the period, corporation tax has been calculated at the enacted rate of 19% (Sep 2018: £2.8m).

Financing Costs (£m)	6mths to 30 Sep 2019	6mths to 30 Sep 2018*	Variance
Interest payable to parent undertaking	27.1	27.1	-
Interest payable on bank borrowings	11.1	10.8	0.3
Interest payable on other loans	36.3	36.1	0.2
Interest payable on finance leases	12.6	12.4	0.2
Movement in liabilities measured at fair value	(3.3)	(9.5)	6.2
Total	83.8	76.9	6.9

*Restated to IFRS

Finance costs for the 6 months to 30 September 2019 were £83.8m (Sep 2018: £76.9m), up £6.9m YoY.

Interest payable in relation to the fully subordinated unsecured loan from the Group's parent undertaking remained constant at £27.1m (Sep 2018: £27.2m).

Interest payable on bank borrowings increased to £11.1m (Sep 2018: £10.8).

Interest payable on other loans has increased by £0.2m to £36.3m (Sep 2017: £36.1m).

Interest payable on finance leases increased by £0.2m to £12.6m.

The movement of fair value through profit and loss includes 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

The Group continued to benefit from strong conversion of operating profits to cash flows. Consolidated cash flow, one of the Group's key financial targets, was £82.3m (Sep 2018: £82.4m) for the period.

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), during the 6 months to 30 September 2019 has decreased to 0.72 seconds (Sep 2018: 7.26 seconds). The MAA has improved since March 2019 by 7.52 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 2019 is 0.4% (Sep 2018: 0.1%).

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 September 2019 (Sep 2018: 0.032). Safety performance remains a key business priority with a target to become an injury free business.

3.4. There were a number of changes to the board of HS1 during the period. The current Directors list as at 30 September 2019 is as follows:

- J Curley
- S Jones
- K Ludeman
- A Pitt
- S Springett
- M Woodhams
- D Harding
- A Leness
- P Robson

3.5. In relation to customers and potential new operators:

3.5.1. Refer to section 4.1 for the Department for Transport ("DfT") announcement on its rail franchising programme and the resulting impact on HS1 customers (London and South Eastern Railway ("LSER"), East Midlands Trains ("EMT"), East Midlands Railway ("EMR") and Govia Thameslink Railway ("GTR")).

3.5.2. Eurostar has reported continuing growth in passenger numbers in quarter 3 this year as well as its busiest ever August with over 1 million customers travelling at that time. Passenger volumes over the three months to 30 September 2019 were up by 4% year-on-year (2019: 3.1m 2018: 3.0m) and sales revenues grew by 3% to £254m (2018: £247m) over the same period.

3.5.3. Eurostar launched a third daily direct service from London to Rotterdam and Amsterdam in June 2019, in response to strong customer demand for the route to the Netherlands, which launched in April 2018.

4. Significant announcements/publications by the Regulator/Government by or relating to the Security Group

- 4.1. Control Period 3, will commence on 1 April 2020 for 5 years. The Periodic Review 2019 (“PR19”) is currently taking place for the route and stations, and the regulatory authorities targeted publication of a final determination on 31 August 2019 for stations and 7 January 2020 for route.
- 4.2. HS1 submitted the PR 19 consultation documents for Control Period 3 on 28 February 2019, and its final submissions on 31 May 2019.
- 4.3. The ORR issued its draft route determination on 30 September 2019. The DfT issued the station final decision on 17 October 2019.
- 4.4. The rail franchising programme, a series of franchise extensions and/or directly awarded franchises, impacts on the Security Group’s key domestic train operator, LSER. The current LSER Direct Award was originally due to end on 24 June 2018 but has been extended to 1 April 2020. HS1 is supporting LSER on its bid to further extend the franchise beyond 1 April 2020.
- 4.5. The East Midlands franchise was awarded to Abellio in April 2019, and the franchise East Midlands Railway (“EMR”) began operations in August 2019. HS1 supported the mobilisation of the new franchise, ensuring a smooth transition, from the prior franchise operator East Midlands Trains (“EMT”).
- 4.6. The Thameslink, Southern and Great Northern (“TSGN”) 7-year franchise has been operated since 14 September 2014 by GTR (a joint venture between Go-Ahead and Keolis). The section through St Pancras is branded ‘Thameslink’. For further detail of the rail franchise schedule refer to the link below: <https://www.gov.uk/government/publications/rail-franchise-schedule>.
- 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 2019*	Balance Outstanding 31 September 2018*	Maturity Date
Nominal Bonds	610.0	610.0	01 Nov 38
Index Linked Bonds	290.9	283.5	01 Nov 38
7 Year Bank Debt (tranche A)	66.3	78.0	31 Mar 22
US Private Placement tranche A	340.0	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	178.7	184.0	31 Mar 39
US Private Placement tranche F	130.0	130.0	31 Dec 39
Total	1,840.9	1,850.5	

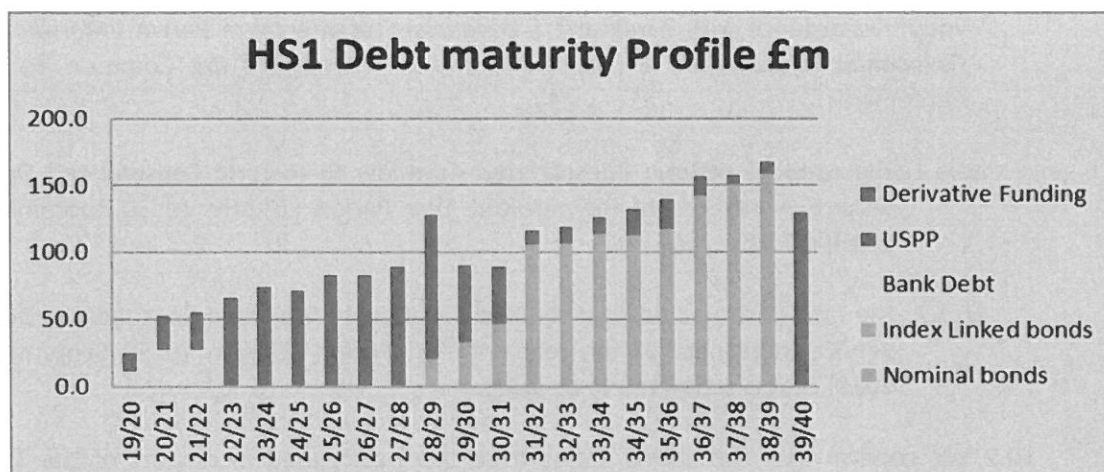
*Gross of capitalised fees/issuance discounts/premiums

During the six-month period, the Group made capital repayments of £11.7m for tranche A bank debt and £5.3m for tranche E US private placement debt.

At 30 September 2019, the Group had drawn down £23.0m of the working capital facility (Sept 2018: £24.0m).

5.2. Debt Maturity

The HS1 debt maturity profile.



The 2019/20 payments relate only to H2.

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 £1,840.9m of senior debt issued as at 30 September 2019, 93% is fixed rate debt with only the £58m US Private Placement tranche C and the £66.3m term loan floating with GBP 6mth London Interbank Offered Rate ("LIBOR").

7. Capital Expenditure

Total capital expenditure for the period to 30 September 2019 was £3.2m (Sep 2018: £1.2m) of which £2.5m (Sep 2018: £1.1m) was funded through Escrow accounts.

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 2018/19 full year compliance certificate on 11 June 2019 and as such, on 27 June 2019 was permitted to pay £38.2m to shareholders. £28.2m was in respect of accrued interest on subordinated loans from the parent company. In addition, a £10.0m dividend was paid to the parent company.

10. Ratios

10.1. We confirm that in respect of this Investor Report dated 30 September 2019, 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 30 September 2019) is 1.76x; and

10.1.2. the ratio of Projected Consolidated Cashflow to Projected Consolidated Debt Service in respect of the relevant Test Period (12mths to 30 September 2020) is or is estimated to be 1.59x.

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

