Helix Acquisition Limited

Investor Report – 31 March 2023

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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 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 year, the Group has stabilised and established a new baseline from which to grow. We have seen significant 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 ("EBITDA") of £65.8m (2022: £20.5m) has increased in line with the pandemic recovery, with higher train paths and a return in demand and footfall. Turnover has increased from the prior year due to higher RPI and additional international paths.

1.3 International train services have continued to recover and grew 80% year on year to 14,509 paths. Only 52% was booked in advance. Eurostar ("EIL") have booked a number of spot or ad-hoc paths above the forward booked First Working Timetable ('FWT') submitted.

1.4 Domestic train services, run by Southeastern Trains ("SET"), have continued to operate below the contractual underpin level. The underpin level set out in the UK Government domestic underpinning agreement ('DUA') has continued to partially insulate the Group from the reduction in domestic passenger numbers. Retail income has also performed well in the year, with sales recovering to 96% of pre-Covid levels.

1.5 Operational performance remained strong with the average delay per train path from HS1's Infrastructure (the Group's primary operational KPI) at 31 March 2023 of 7.3 seconds (2022: 24.2 seconds). This is above management's target of 5.4 seconds. The change in the current year was due to an increase in trespass events as has been seen nationally, and several infrastructure faults and several external events linked to the extreme hot weather. The level remains well within the concession agreement limits.

1.6 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 three-month position at 31 March 2023 is 0.42% (2022: 0.29%)

1.7 The moving annual average ("MAA") delays per train path from the HS1 infrastructure has increased to 7.3 seconds at 31 March 2023 (2022: 4.16 seconds). The Fatalities and Weighted MAA Injuries Index for workforce, our key safety measure has remained low at 0.151 at 31 March 2023 (2022: 0.064). Safety performance remains a key business priority and an annual safety plan for functions within NR(HS) is monitored by HS1.

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

2.1.1 Train paths billed increased by 15% YoY following a recovery from the pandemic. Demand for international travel has shown resilience, increasing by 162% from prior year, as shown in the table below.

2.1.2 EIL has increased its paths operated by 8,979 in the year, to 14,509 with FWT paths making up 52% of all billed paths (2022: 20%). The excess demand has been through spot bids. EIL have booked a FWT for May 2023 – December 2023 that reflects 80% of pre-Covid levels, indicating a return to a stable level of operations.

2.1.3 Domestic train services, run by SET, have continued to operate below the contractual underpin level. SET have booked a FWT which is c.19% below the 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.

2.1.4 Revenue recovery has been impacted by 22 strike days by UK TOC drivers, limiting spot bid opportunities on those days as well as retail sales. The strike days did not materially impact the recovery of income from the Domestic Underpin Agreement.

Train Paths Billed	12mnths to 31-Mar-23	12mnths to 31-Mar-22	Variance
Domestic	53,368	53,654	-286
International	14,509	5,530	8,979
Total	**67,877**	**59,184**	**8,693**

2.2 EBITDA Performance

EBITDA (£m)	12mnths to 31-Mar-23	12mnths to 31-Mar-22	Variance
Investment Recovery Charge (“IRC”)*	49.7	17.7	32.0
Net Operations, Maintenance and Renewals Charge (“OMRC”)	(5.4)	(15.5)	10.1
Stations	0.4	0.2	0.2
Net unregulated income	21.1	18.1	3.0
Total	**65.8**	**20.5**	**45.3**

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

2.2.1 EBITDA for the year, one of the Group’s key measures, was £65.8m, up £45.3m vs March 2022. This was driven by IRC and OMRC income from higher train paths.

2.2.2 IRC, which represents 76% of EBITDA, was up 180% YoY, driven by the 162% increase in Eurostar trains billed. Higher inflation in the year also gave rise to higher IRC.

2.2.3 Net OMRC was up £10.1m YoY due to increased train paths billed.

2.2.4 Net unregulated income has increased by £3.0m YoY, driven by strong sales performance and increasing car park income, due to returning footfall and demand.

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

Profit and Loss Account (£m)	12mnths to 31-Mar-23	12mnths to 31-Mar-22	Variance
Turnover	230.5	149.7	80.8
Other operating expenditure	(213.5)	(178.0)	(35.5)
Operating profit before interest	**17.0**	**(28.3)**	**45.3**
Interest receivable and similar income	222.8	229.8	(7)
Interest payable and similar charges	(194.5)	(176.0)	(18.5)
Profit on ordinary activities before taxation	**45.3**	**25.5**	**19.8**
Taxation on loss on ordinary activities	(8.3)	4.6	(12.9)
Profit/(loss) for the financial year	**37.0**	**30.1**	**6.9**

Reconciliation Between Operating Profit and Consolidated EBITDA (£m)	12mnths to 31-Mar-23	12mnths to 31-Mar-22	Variance
Operating Profit	**17.0**	**(28.3)**	**45.3**
Amortisation of intangible asset	48.4	48.4	0.0
Depreciation of RoU assets	0.4	0.4	0.0
Consolidated EBITDA	**65.8**	**20.5**	**45.3**

2.3.1 The Group's tax charge has Nil of cash tax payable in the period (2022: Nil).

Financing Costs (£m)	12mnths to 31-Mar-23	12mnths to 31-Mar-22	Variance
Interest payable to parent	61.1	57.9	3.2
Interest payable on bank borrowings	19.9	20.2	(0.3)
Interest payable on other loans	104.4	82.7	21.7
Interest payable on finance leases	26.5	26.0	0.5
Movement in fair value of liabilities	(17.4)	(10.8)	(6.6)
Total	**194.5**	**176.0**	**18.5**

2.3.2 Finance costs for FY23 were £194.5m (2022: £176.0m), up £18.5m, driven by indexed linked Bonds. The higher inflation has increased this by £21.7m in the year.

2.3.3 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 Operational cash flow is mainly generated from track access income from Eurostar ('EIL') and Southeast Trains Limited ('SET') 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 £116.2m (2022: £27.0m), a £89.2m YoY increase.

3. Regulator and/or Government announcements relating to the Security Group

3.1 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 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 through the control period, despite lower paths than initially forecast. The third annual Volume Reopener of the control period was undertaken for December 2022.

3.2 In July 2022, the regulatory functions for HS1 stations were transferred from DfT to the ORR. HS1 worked with DfT and the ORR to enact the transfer which will benefit the HS1 system by bringing regulation of both route and station assets under the oversight of the rail regulator, who has broad expertise and experience in conducting periodic reviews and monitoring asset management across rail. The ORR has published a Second Regulatory Statement in respect of HS1 stations. There was no change in HS1's risk profile as a result of the transfer.

3.3 ORR published its Approach to Periodic Review 24 (PR24). This sets out the timeline and ORR's focus areas for the c.2-year regulatory process to approve or determine HS1's plans and track access charges for the HS1 network for the next control period April 2025 to March 2029. This followed a period of public consultation to which HS1 responded.

3.4 The Government has reconfirmed its intent to deliver Rail Reform and establish the Great British Railways, a single body responsible for the overall strategic direction of the railway. There should not be a direct impact on HS1 and the Concession. However, HS1 will continue to respond to the consultations on the long-term strategy and legislation to create GBR as they arise and ensure any consequences to the concession are considered.

3.5 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.

3.1 Other Industry Updates

3.6 During the year EIL merged with the Belgian operating company, Thalys to form the Eurostar Group based in Brussels. They also appointed a new CEO, Gwendoline Casenave. on 1 October 2022, replacing Jacques Damas. These changes are not expected to change the risks to HS1.

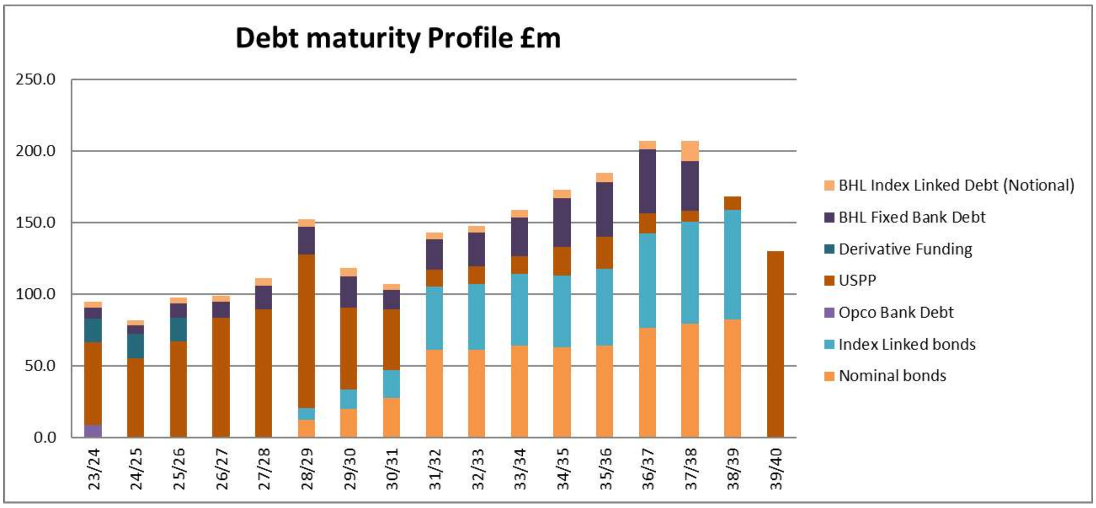
3.7 The Group has reviewed and updated its 2030 Sustainability Strategy and KPIs in 2023 to ensure that published targets are ambitious and achievable. Since the inception of this strategy in 2020, the focus has been on baselining HS1's position and driving sustainable improvements across the business and supply chain. In FY23 HS1 implemented a range of energy reduction initiatives including regenerative braking on the Southeastern fleet, achieved 809 hours of volunteering by members of the HS1 team, completed a full climate change risk assessment and continued to deliver against their 10-year biodiversity action plan.

3.8 The rise in utilities cost does not directly impact HS1 on its route operations, as the cost is pass through to the train operators. HS1's Energy Procurement Strategy has been utilised to take out Corporate Power Purchase Agreements ("CPPA") linked to UK renewable assets until April 2025, helping to fix prices for customers. The first CPPA was contracted in April 2022 and secured renewable energy from October 2022 to September 2032. The second trade from April 2023 is for 10 years for c. 40% of total power volume requirements to commence in October 2024.

4. Financing

4.1 Debt Maturity

The HS1 debt maturity profile as at 31 March 2023.



4.2 Debt Structure excluding working capital facility, accrued interest and derivatives

Debt Facility (£m)	Balance Outstanding 31 March 2023*	Balance Outstanding 31 March 2022*	Maturity Date
Nominal Bonds	610.0	610.0	01-Nov-38
Index Linked Bonds	361.7	318.5	01-Nov-38
7 Year Bank Debt (tranche A)	8.7	13.0	28-Mar-24
US Private Placement tranche A	281.7	330.2	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	162.2	163.0	31-Mar-39
US Private Placement tranche F	130.0	130.0	31-Dec-39
Total	**1,779.3**	**1,789.7**	

*Gross of capitalised fees/issuance discounts/premiums

4.2.1 During the twelve-month period, the Group made scheduled capital repayments of £48.5m on tranche A US private placement debt, £0.8m on tranche E US private placement debt and £4.3m on tranche A Bank Debt.

At 31 March 2023, the Group had drawn down £15m of the working capital facility (2022: £54m).

5. Hedging Position

5.1 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.

5.2 Of the £1,779.3m of senior debt issued as at 31 March 2023, 96% is effectively fixed rate debt with the only underlying floating rate debt being the £58m US Private Placement tranche C and the £8.7m term loan against 6mth Sterling Overnight Index Average ("SONIA").

6. Capital Expenditure

6.1 Capital expenditure for the year to 31 March 2023 was £14.1m (2022: £14.3m). This was entirely funded through Escrow.

7. Acquisitions and Disposals

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

8. Restricted Payments

8.1 The Security Group submitted its 2022/23 half year compliance certificate on 2 December 2022 and as such, on 30 March 2023 was permitted to pay £11.8m in respect of accrued interest on subordinated loans from the parent company.

9. Ratios

9.1 We confirm that in respect of this Investor Report dated 31 March 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 (12mths to 31 March 2023) is 1.46x; and
- 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 1.54x.

9.2 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.

9.3 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).

10.0 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 (Jun 15, 2023 14:24 GMT+1)……
Director

M. Farrer
Mark Farrer (Jun 15, 2023 14:01 GMT+1)………………………..
Chief Financial Officer

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