



Investor Report for the period from 1 January to 30 June 2017

To: Security Trustee, Eversholt Funding plc (Finco), Bond Trustee and each Rating Agency

From: Security Group Agent

14 September 2017

General Overview

This overview deals with key announcements and developments since the issue of the previous Investor Report and is issued by Eversholt Rail (UK) Limited on behalf of the Security Group of Eversholt UK Rails (Holding) Limited.

Franchising

In this period the Department for Transport (DfT) has announced the following:

- First MTR South Western Trains Limited has been awarded the South Western Franchise, which will run for 7 years from 20 August 2017. (No impact on Eversholt Rail)
- The shortlisted bidders for the East Midlands Franchise, South Eastern Franchise and West Coast Partnership Franchise competitions
- The launch of the South Eastern franchise public consultation

Eversholt Rail is currently in discussions, where relevant, with the bidders, the DfT, Transport for London and Transport for Wales with regard to the new franchise competitions. It is also exploring potential additional rolling stock opportunities within existing franchises.

Business Update

As part of an on-going restructuring process in order to simplify and consolidate the Group, on 22 May 2017 a newly incorporated UK company, Eversholt UK Rails (Holding) Limited ("EURHL"), was incorporated and is the direct owner of Eversholt Investment Limited, European Rail Finance (2) Limited, European Rail Finance (GB) Limited ("ERFGB") and Eversholt Finance Holdings Limited continue to be wholly owned subsidiaries of European Rail Finance Holdings Limited.

ERFGB continues to be the direct owner of Eversholt Rail Holdings (UK) Limited ("ERH"). On 31 May 2017 ERFGB acquired ERH's interests in Eversholt Depot Finance (UK) Limited, Eversholt Rail (UK) Limited and Eversholt Rail (365) Limited ("365Co") such that they are all wholly owned subsidiaries of ERFGB, although 365Co remains outside the Security Group. Eversholt Rail (380) Limited remains a wholly owned subsidiary of ERHL.

EURHL is a wholly owned subsidiary of a newly incorporated UK company, Eversholt UK Rails Limited, which is in turn ultimately owned by CK Hutchison Holdings Limited.

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Lease Extensions

During the period there have been no lease extensions or direct awards.

Financing

In April 2017, Eversholt Rail drew down the remaining £100m of its £200m 2016 US private placement. In addition, the group raised new finance of £400m through a public bond issue. The funds were drawn on 7 August 2017 at a fixed interest rate of 3.529% and a final maturity of 2042 (25 year bond amortising from 2034).

Debt management

Eversholt Rail's bonds are rated by Fitch and S&P. In the period S&P raised their credit rating by one notch to BBB+ reflecting the credit rating and support of its ultimate parent. Fitch's rating remained unchanged at A-. Eversholt Rail expects to maintain credit metrics commensurate with these ratings in 2017.

Supplier Contracts

Currently, Eversholt Rail has substantial rolling stock maintenance contracts in place with most of the key rail suppliers, including; Wabtec, Bombardier, Alstom, Hitachi, and Siemens.

Fleet Utilisation

Fleet utilisation was marginally below 100% during the period as a maximum of three C321 units were off-lease at any one time.

Historic Business Developments

As part of the on-going restructuring process directors were appointed for Eversholt UK Rails (Holding) Limited

Appointments (22 May 2017)

Mary Kenny

Andrew Course

Andrea Wesson

LDC Securitisation Director no.3 Limited

All the other company directorships remain as per the previous period.

Historic Regulatory Developments

No member of the Group is regulated.

Historic Capital Expenditure

The Group continued to invest in enhancing its existing fleet. The total capital investment for the Obligor Group in the period across all assets was £103.3m of which £59.6m related to the recent new build contracts.

Historic Financing

As at 30 June 2017, £600m revolving credit facility is fully undrawn and Senior debt outstanding (excluding accrued interest) is:

<u>Current Facilities</u>	<u>£m</u>
Revolving credit facility (2021+1+1)	0
Bond A 10 years (2020)	300
Bond B 15 years (2025)	400
Bond C 24 years (amortising 2021-2035)	400
Private Placement (amortising 2028-2036)	150
Private Placement (2030)	90
Private Placement (2026-2031)	100
Private Placement (2037)	100
Total	<u>1,540</u>

Confirmation of Accuracy

We confirm that to the best of our knowledge, having made due and careful enquiry, this Investor Report is accurate in all material respects.

No personal liability shall attach to or be incurred by any director of the Security Group Agent in respect of the giving of this Investor Report.



Director
Eversholt Rail (UK) Ltd
Security Group Agent



Director
Eversholt Rail (UK) Ltd
Security Group Agent