



Investor Report for the period from 1 January to 30 June 2018

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

From: Security Group Agent

17 September 2018

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

General Overview

The Group continued to own and lease rolling stock and other rail assets in the United Kingdom. The Group owns a diverse range of passenger rolling stock including regional, commuter and high speed passenger trains as well as freight locomotives.

Franchising Update

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

- The Intercity East Coast Franchise formerly operated by Virgin Trains East Coast is now under the control of the Government-owned London and North Eastern Railway (LNER) as an interim arrangement pending a competition for a new public-private East Coast Partnership planned to commence in 2020. The lease for the Group's IC225 intercity fleet is unaffected by this change.
- The publication of the Invitations to Tender for the West Coast Partnership and the East Midlands Franchise.
- The extension of the South Eastern Franchise to 31st March 2019.

The Group is currently in discussions, where relevant, with the bidders, the DfT, Transport for London and Transport for Wales about the new franchise competitions. It is also exploring potential additional rolling stock deployment opportunities within existing franchises.

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Historic Business Developments

Business Review

In the year the Group continued to progress its programme of new build rolling stock, management and procurement of heavy maintenance and investments in upgrades to existing fleets.

As at the end of June 2018, three of the four new fleets projects are now in the testing phase. 191 C802 vehicles, 58 C195, 58 C331 vehicles and 35 C397 vehicles were in production. 1 x C195 unit has arrived in the UK being prepared for testing on UK track. The first C802s were accepted on time with further deliveries continuing throughout 2018. Whilst there are challenges with delivery dates all projects plan to be back on track by the end of their programmes.

During the period the Group delivered all mandated time-based and mileage-based heavy maintenance (for circa 420 vehicles).

The Group continues to undertake upgrades to meet the current and future demands of our customers. A number of projects to ensure fleets meet regulatory requirements (compliance to the 'Persons of Reduced Mobility' EU technical specification) are completing in 2018, well ahead of the legal deadline of 1 January 2020.

Credit Ratings

In April 2018, the Group sought a new rating from Moody's Investors Service ("Moody's"). Moody's assigned a rating of Baa2 to the Group and the debt issued under the Group's MTN programme. At the same time, the Group withdrew its Standard & Poor's ("S&P") rating. At the time of the withdrawal of the S&P rating, S&P rated the Group BBB+. The Group continues to maintain a rating with Fitch Ratings ("Fitch"). The Fitch rating of the Group is BBB+ and the bonds issued under its MTN programme A-. These ratings are unchanged.

Corporate Structure and Directorships

On 17 July 2018 Andrew Haines resigned as director of Eversholt UK Rails Limited. There were no other directorships changes in the period nor were there any changes to the corporate structure.

Historic Regulatory Developments

No member of the Group is regulated.

Historic Capital Expenditure

The total capital investment (including existing and new fleets) for the Obligor Group in the six month period across all assets was £74.2m.

Historic Financing


During the six month period, the Group issued no new debt.

As at 30 June 2018, £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 (2022+1+1)	-
Bond A 10 years (2020)	300
Bond B 15 years (2025)	400
Bond C 24 years (amortising 2021-2035)	400
Bond D 25 years (amortising 2034-2042)	400
Private Placement (amortising 2028-2036)	150
Private Placement (2030)	90
Private Placement (2026-2031)	100
Private Placement (2037)	<u>100</u>
Total	<u>1,940</u>

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 Limited
Security Group Agent



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Eversholt Rail Limited
Security Group Agent

