



Investor Report for the period from 1 January to 30 June 2016

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

From: Security Group Agent

27 September 2016

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 Investment Limited.

Rolling Stock Strategy Steering Group (RSSSG)

In March the RSSSG published the fourth annual update of its passenger rolling stock strategy for the next 30 years which suggests that the national fleet will be expanded by between 51% and 99% to meet growing demand. The strategy predicts between 13,000 and 20,000 new electric coaches will be needed between now and 2045.

Franchising

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

- Direct Award to First group to continue to run the Great Western Franchise until April 2019
- Direct Award to London Midland to continue to run passenger rail services on the West Midlands franchise until October 2017
- Launched franchise competition for South Western (to run from June 2017), and the consultation for the Intercity West Coast franchise due to commence in April 2018.

Business Update

Investment in new Rolling Stock

In January 2016, Eversholt Rail signed contracts with Arriva North Limited and Construcciones y Auxiliar de Ferrocarriles to purchase and lease 281 new vehicles worth £490m for the new Northern rail franchise.

In May, Eversholt Rail won its third new train competition in the past ten months when it signed contracts with FirstGroup and CAF to purchase and lease 60 new vehicles worth £120m. The trains are scheduled to enter service by April 2019 on intercity west coast services from Manchester to Scotland.

Lease Extensions

In April, Eversholt Rail signed new leases with Arriva to retain C158 (10 units) to 2025 and C321 (8 units) until 2019, and with First Group to retain the entire C185 fleet until at least March 2020 with handback options thereafter.

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Debt management

Eversholt Rail's bonds are rated by Fitch and S&P and the ratings remain unchanged at 30 June 2016 at A- and BBB respectively. Eversholt Rail expects to maintain credit metrics commensurate with these ratings in 2016.

Supplier Contracts

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

Fleet Utilisation

100% of passenger fleet was on lease during the period.

Historic Business Developments

There has been no changes to the company directorships during the period of this report.

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 £192m of which £157m related to the recent new build contracts.

Historic Financing

As at 30 June £100m was drawn down on the revolving credit facility, leaving £500m undrawn. Senior debt outstanding (excluding accrued interest) as at 30 June 2016 is now as follows:

<u>Current Facilities</u>	<u>£m</u>
Facility B 5+1+1 year revolving credit facility	100
Bond A 10 years	300
Bond B 15 years	400
Bond C 24 years (amortising)	400
Bond D 24 years (amortising)	150
Bond E 15 years	<u>90</u>
Total	<u>1,440</u>

Subsequent events


On 20 July 2016, Andrea Wesson was appointed Chief Financial Officer and took over the directorships previously held by David Stickland.

On 2 August 2016 the Group signed contracts with First Greater Western Limited and Hitachi Rail Europe Limited to purchase and lease seven bi-mode Intercity Express Trains.

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

