



Investor Report for the period from 1 July to 31 December 2016

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

From: Security Group Agent

13 February 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 Investment Limited.

Franchising

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

- Award of the new East Anglia franchise to Abellio, to run until October 2025
- Direct Award to Arriva to continue to run the CrossCountry franchise until October 2019
- Launch of the franchise competition for East Midlands, due to run from July 2018
- Revisions to its plans for refranchising of Intercity West Coast (ICWC). There will now be a new West Coast Partnership franchise due to commence in April 2019 and which will also include planning for and initial operation of services on High Speed 2 (HS2) from 2026.
- As a consequence of this change the Direct Award to Virgin Trains to continue to run ICWC services has been extended to March 2019.
- Statement of its intention to extend the Direct Award to Govia so that it continues to run the South Eastern franchise until December 2018.
- In addition, Transport for Wales, in partnership with DfT, has launched the competition for the Wales and Borders franchise, due to commence in October 2018.

Business Update

Investment in new Rolling Stock

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.

Lease Extensions

In October, Eversholt Rail signed new leases with Greater Anglia to retain the incumbent 94 C321 units to November 2019 plus a further 10 units which were transferred from GTRL. In addition, Eversholt Rail signed a 5 year lease extension with GB Railfreight for 5 Class 66s, and successfully transferred 17 Class 315 units to Arriva Rail London, who replaced LOROL as operator of London Overground Services.

Eversholt Rail Group
100, Kings Road
2nd Floor
London, W8 5NF
UK
TEL: +44 (0)20 7593 0000
FAX: +44 (0)20 7593 0001

TEL
FAX



Debt management

Eversholt Rail's bonds are rated by Fitch and S&P and the ratings remain unchanged at 31 December 2016 at A- and BBB respectively. 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 suppliers, including; Wabtec, Bombardier, Alstom, Hitachi, and Siemens.

Fleet Utilisation

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

Historic Business Developments

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

On 21 December 2016, the place of central management and control for Eversholt Investment Limited, European Rail Finance Holdings Limited and European Rail Finance (2) Limited was transferred to the UK from Ireland. As a consequence the following changes in directorships took place:

Resignations (with effect from midnight of 19 December 2016)

Christopher Cullen
Brian Hayden
Michael Walsh

Appointments (20 December 2016)

Mary Kenny
Andrew Course
Andrea Wesson
Ian Bowden (Eversholt Investment Limited only)

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 £80m of which £51m related to the recent new build contracts.

Historic Financing

In October 2016, Eversholt Rail completed a US private placement raising £200m. The first tranche of £100m was drawn in November 2016 with the remaining £100m to be drawn in April 2017. In addition the business extended its £600m revolving credit facility by one year to November 2021.

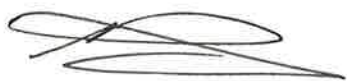
As at 31 December £50m was drawn down on the revolving credit facility, leaving £550m undrawn. Senior debt outstanding (excluding accrued interest) as at 31 December 2016 is:

| <u>Current Facilities</u> | <u>£m</u> |
|--|--------------|
| Revolving credit facility (2021+1+1) | 50 |
| 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) | <u>100</u> |
| Total | <u>1,490</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

