



Investor Report for the period from 1 July to 31 December 2017

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

From: Security Group Agent

29 March 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

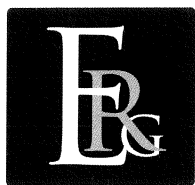
In this period the Department for Transport (DfT) has announced the following:

- A consortium of Abellio, Japan Railways East and Mitsui, trading as West Midlands Trains, has been awarded the West Midlands Franchise, which will run for 8.25 years from 10 December 2017.
- Current Virgin Trains East Coast Franchise will be terminated in 2018 replaced by new interim arrangement pending a new public private partnership planned from 2020 onwards.
- The publication of the South Eastern Invitation to Tender
- The Great Western Franchise will be extended to at least 31 March 2020, securing the Group's C802 fleet on lease for an additional year. A further Direct Award extension to at least 2022 is also anticipated

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 opportunities within existing franchises.

Eversholt Rail Limited
First Floor
210 Pentonville Road
London N1 9JY

T: +44 (0) 20 7380 5040
E: london.office@eversholtrail.co.uk
www.eversholtrail.co.uk



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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.

In relation to the four new fleets, all design reviews were successfully completed in 2017 and delivery dates are expected to be in line with respective Manufacturer Supply Agreements. As at 31 December 2017, 115 Class 802 vehicles, 14 Class 195 vehicles, 15 Class 331 vehicles and 25 Class 397 vehicles were in production. Of these, three Class 802 trains had been delivered to the UK for network testing.

In 2017 the Group delivered several heavy maintenance projects across a number of the Group's fleets, providing mileage based and time based overhauls in line with planned maintenance programmes for c 500 vehicles. In addition, the Group undertook strategic upgrades to rolling stock to ensure that its fleets continue to meet regulatory requirements and the current and future demands of its customers.

Lease Extensions

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

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 whilst they were being converted into C320/4 for Abellio ScotRail.

Corporate Structure

On 2 October and as part of an on-going restructuring process to simplify and consolidate the Group the following entities changed their registered trading names:

- Eversholt Rail (UK) Limited to Eversholt Rail Limited
- European Rail Finance (GB) Limited to Eversholt Leasing Limited
- Eversholt Depot Finance (UK) Limited to Eversholt Depot Finance Limited

In November 2017, Ian Bowden resigned as director of Eversholt Investment Limited. There were no other directorship changes in current period.

No other changes were made to the Group structure.

Historic Regulatory Developments

No member of the Group is regulated.



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Historic Capital Expenditure

The Group continued to invest in enhancing its existing fleet. The total capital investment (including existing and new fleets) for the Obligor Group in the six month period across all assets was £145.2m.

Historic Financing

On 7 August 2017, the Group raised new finance of £400m through a public bond issue. The funds were at a fixed interest rate of 3.529% with a final maturity of 2042 (25-year bond amortising from 2034).

As at 31 December 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 (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>

Credit Ratings

The Group's bonds are rated by Fitch and S&P. In the year S&P raised their credit rating by one notch to BBB+ reflecting the credit rating and support of the Issuer's ultimate parent. Fitch's rating remained unchanged at A-. The Group expects to maintain credit metrics commensurate with these ratings in 2018.



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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.

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Director
Eversholt Rail Limited
Security Group Agent

A handwritten signature in black ink, featuring a large 'O' and several loops.

Director
Eversholt Rail Limited
Security Group Agent