



## Investor Report for the period from 1 July to 31 December 2015

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

From: Security Group Agent

25 February 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.

### **Office of Rail and Road**

Latest statistics from the Office of Rail and Road (ORR) show that the total number of passenger journeys has more than doubled in the past two decades. 1.4 billion train trips were made in 2014-15; 4.5% higher than previous year.

### **Franchising**

The key announcements and events for this period are:

- In September the Department for Transport (DfT) reached agreement with Stagecoach for them to continue to operate train services on the East Midland franchise until February 2018.
- In October, DfT confirmed that the work to electrify the Transpennine and Midland Mainline Railways would resume following its earlier decision to suspend electrification.
- In December, DfT awarded the Northern Franchise to Arriva, and the Transpennine Express (TPE) to First Group. Both franchises are due to start on 1 April 2016 with the Northern franchise due to run for 9 years and the TPE for 7 years. Both franchises have callable extensions at DfT's discretion.
- Also in December the DfT directly awarded London Midland to continue to run passenger rail services on the West Midland franchise until October 2017.

### **Business Update**

#### **Investment in new Rolling Stock**

On 21 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.

The order is made up of 31x3-car and 12x4-car Electric Multiple Units, and 25x2-car and 30x-3car Diesel Multiple Units, with all vehicles scheduled to enter service by December 2019.

On 29 July 2015, Eversholt Rail signed a contract with First Great Western to purchase and lease 173 new AT300 vehicles worth £361 million. The fleet will comprise 22 five-car and 7 nine-car trains, and is scheduled to enter service by December 2018.

### **Debt management**

Eversholt Rail's bonds are rated by Fitch and S&P and the ratings remain unchanged at 31 December 2015 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**

On 31 December 2015 the Group underwent an internal restructure which resulted in moving the central management and control of European Rail Finance Limited to the UK and thereafter it entered into a finance lease to lease its rolling stock assets to European Rail Finance (GB) Limited. In addition, Eversholt Rail (380) Limited's transferred its trade and assets to European Rail Finance (GB) Limited.

As a consequence of the restructure there were the following changes to the directorships of European Rail Finance Ltd:

#### **Resignations** (with effect from midnight of 30 December 2015)

Christopher Cullen  
Brian Hayden  
Michael Walsh

#### **Appointments** (31 December 2015)

Mary Kenny  
David Stickland  
Andrew Course

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 £117m.

### **Historic Financing**

In November, Eversholt Rail raised £90m through a private placement with New York Life. In addition the business extended its revolving credit facility to £600m and repaid its Facility A term loan.

As at 31 December £20m was drawn down on the revolving credit facility, leaving £580m undrawn. Senior debt outstanding (excluding accrued interest) as at 31 December 2015 is now as follows:

<u>Current Facilities</u>	<u>£m</u>
Facility A 5 year term loan	Nil (Repaid November )
Facility B 5+1+1 year revolving credit facility	20
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>1,360</u>

A portion of the Group's interest rate swaps were unwound in November to ensure on going compliance with hedging policy.

### **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

