

Investor Report

To: Security Trustee, Finco, Bond Trustee and each Rating Agency

From: Security Group Agent

General Overview

This overview deals with key announcements and developments since the issuance of the previous investor report and is issued by Eversholt Rail (UK) Limited on behalf of the Security Group of Eversholt Investment Limited.

Industry update

The following section discusses key rail industry related events that took place in the 7 months ended 31 July 2012.

Usage statistics

The most recent statistics published by the Office of Rail Regulation show that total number of franchised passenger kilometres increased by 5.3% in the 12 month period to March 2012, an increase of 9.2% on a year earlier, continuing the upward trend. The total amount of freight moved for the same period increased by 9.5%, higher than a year earlier.

HLOS announcements

On 16th July the DfT made its announcement of the contents of its “high level output specification” (HLOS) for railway Control Period 5 (CP5). This process is designed to communicate a clear picture of what the Government’s required strategic outputs for CP5 from the railways are as a whole.

Key messages in the statement were:

- Electrification of the Midland Main Line to be completed by 2019;
- Extended electrification of the Great Western Main Line from Cardiff to Swansea and to include the Welsh Valleys;
- Completing the “Northern Hub” capacity enhancement scheme and associated Trans-Pennine electrification that will link identified northern cities, including Newcastle, Liverpool, Manchester, Leeds and Sheffield;
- Increased rail capacity for commuters, with over £700 million to be invested on the most congested routes in London;

- A new £500m rail link between the Great Western Main Line and Heathrow;
- Investment in electrification of freight routes from major ports to the Midlands.

Inter-City Express programme

On 25 July the Secretary of State for Transport approved a £4.5bn contract for Agility Trains to supply Britain with the next generation of intercity trains. Agility Trains, a consortium made up of Hitachi and John Laing, has been awarded the contract to build and maintain the trains under the Intercity Express Programme (IEP), the project to replace Britain's Intercity 125 trains with new higher capacity modern trains. 596 railway carriages will be built at a brand new train factory in Newton Aycliffe, County Durham. Construction is expected to begin in 2013 and will be fully operational by 2015.

The IEP train fleet will be comprised of electric and bi-mode trains, some five vehicles long and others nine vehicles. The first IEP trains will enter revenue-earning service on the Great Western Main Line in 2017 and on the East Coast Main Line by 2018.

Business update

The following section discusses key business related events which took place in the 7 months ended 31 July 2012.

Leases

New 29-month leases for Eversholt's Class 315 and 321 EMU fleets with Abellio commenced on the Greater Anglia Franchise as planned on 5th February 2012.

Great Western

On the 27th of July the DfT issued the Great Western Invitation to Tender (ITT) to the four shortlisted Great Western bidders. The bids are due on the 25th of October 2012 with the winner announced in February/March 2013. The Great Western franchise will commence on the 21st of July 2013.

Essex Thameside

Essex Thameside Invitation to Tender was published on the 2nd of July to four shortlisted bidders.

Intercity West Coast (ICWC)

In August the DfT declared First Group as preferred bidder for ICWC. First Group was selected from a short list of four bidders.

Whilst Eversholt has no rolling stock leased to any of these three franchises, Eversholt is in discussions with the bidders to explore opportunities to lease rolling stock into these franchises.

Intercity East Coast (ICEC)

The DfT published the ICEC franchise consultation document on 26th June 2012, with responses due by 18th September 2012. Its content proved to be largely as expected, except for a further reduction in the franchise duration to between 10 and 12 years, albeit with a DfT option to extend by up to 2 more years. Eversholt leases its IC225 to this franchise and will be offering these units to the bidders.

Supplier contracts

No significant changes in supplier contracts.

Fleet utilisation

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

Historic business developments

Since the date of the last report there has been a change to the board of directors of Eversholt Investment Group Sarl., the holding company of Eversholt Investment Limited with Martijn Bosch replacing Stefan Koch in January 2012. There have been no changes in the directors or senior management of other Group companies since the last report. On 29th February 2012 European Rail Finance Holdings Ltd (ERFH) formed a new subsidiary European Rail Finance (2) Ltd (ERFL 2). On the 13 of March 2012 ERFL 2 acceded to the finance documents and became a member of the security group, following which ERFH sold its entire investment in the shares of European Rail Finance Ltd to ERFL 2.

Historical regulatory developments

No member of the group is regulated.

Historical capital expenditure

The group has not entered into any contracts for new rolling stock but continues to invest in enhancing its existing fleet during the course of the Relevant Period. The total capital investment for the Obligor group in the period across all assets was £14.5m.

Historical Financing

Senior debt outstanding as at 30th June 2012 were as follows (excluding accrued interest)

- | | |
|--------------------------------|----------------------------|
| • Facility A 4 year facility | Fully repaid and cancelled |
| • Facility B 6 year facility | £409m |
| • Facility C Capex facility | £138m |
| • Facility D Working Cap | £nil |
| • Bond A 10 years | £300m |
| • Bond B 15 years | £400m |
| • Bond C 24 years (amortising) | £400m |

In addition the group had received a loan of £432.7m from its immediate shareholder Eversholt Investment Group (Luxembourg) Sarl. in December 2010. £27.2m of this loan was repaid during 2011 with a further £15.7m being repaid during this period, leaving a balance of £389.8m at 30th June 2012.

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