



Investor Report for the period from 1 January to 30 June 2014

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

From: Security Group Agent

27 August 2014

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

In February 2014, the second Long Term Passenger Rolling Stock Strategy was published by a cross-industry group including rolling stock owners, operators and Network Rail.

- Long term conclusions remain largely unchanged, being demand-led with UK passenger fleet forecast to potentially double over the next 30 years.

Network Rail

In March 2014, Network Rail announced a 5-year plan to invest £38bn in rail infrastructure. The plan, which runs from 2014 to 2019, includes:

- Up to 700 more trains a day between major northern cities;
- 20% capacity increase of London's commuter trains;
- 850 miles of track to be electrified;
- Upgrades for stations including Birmingham New Street and Manchester Victoria.

Passenger kilometres and passenger journeys on services run by franchised passenger operators reached record levels in 2013-14, resulting in total revenue generated of £8.2bn.¹

¹ Source: National Rail Trends Quarterly Summary 2013-14

Franchising

The key announcements and events for this period are:

1. In May the Department for Transport ('DfT') awarded the 7-year TSGN franchise to Govia Thameslink Railway Limited.

Eversholt Rail (UK) Ltd
PO Box 68166
210 Pentonville Road
London, N1P 2AR
TEL +44(0)20 7380 8040
FAX +44(0)20 7380 5148

2. In June the DfT awarded c2c, which is owned by National Express, with a 15-year contract to continue to operate and improve passenger services on the Essex Thameside rail franchise.
3. The DfT issued its Invitation To Tender ('ITT') for the Intercity East Coast Franchise. The successful bidder is due to be announced in November.
4. On 7 June the DfT published its contract notice in The Official Journal of the European Union for the TransPennine Express and Northern franchises, which are due to commence in February 2016.
5. In January Transport Scotland ('TS') issued its ITT for the ScotRail Franchise. The successful bidder is due to be announced in October.
6. In May TS unveiled Serco as the operator of the new 15-year Caledonian Sleeper franchise, which will commence on 15 April 2015.

Eversholt Rail is currently in discussions, where relevant, with the bidders, the DfT, TS, and Transport for London ('TfL') with regard to all of the new franchises.

Franchise new rolling stock opportunities

- Essex Thameside
National Express has committed to introduce 68 new EMU vehicles (17 x 4-car units) from 2018.
- TransPennine Express ('TPE')
New Build 110/125 mph EMUs will be required to operate the newly electrified TPE services.
- ScotRail
Bids have been submitted for varying quantities of 100mph 4-car AC EMUs to run on an improved Edinburgh to Glasgow electrified service. A rolling electrification programme of 100 single track kilometres per annum may lead to a small follow-on order. Potential bidders may also be seeking additional new EMUs post 2016/2017.

Additional rolling stock opportunities not linked to refranchising programme

- West Anglia Inner ('WAI') suburban services
TfL has recently announced its intention to procure around 40 x 4-car EMUs to replace the Class 315s and 317s on WAI routes.
- Southern Railway
As previously reported, Southern Railway, owned by Govia, has ordered 116 new Bombardier Class 387 Electrostars (29 x 4-car units) and bids for financing these were submitted in May 2014. Govia's success in winning the TSGN franchise is expected to result in a follow-on option for 108 vehicles to operate Gatwick Express services.

Business Update

Debt management

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

Lease Extensions (2014)

In February, we signed a series of Single Tender or Direct Award (STA) lease extensions with Northern Rail to keep our fleet of 8 Class 321, 5 Class 322s and 10 Class 158s on lease until February 2016.

In April, we signed a lease extension with East Coast Main Line Limited to retain our IC225 fleet on lease until 2019-20.

In June, we signed an STA lease extension with Abellio Greater Anglia to keep our fleets of 61 Class 315s and 94 Class 321s on lease until October 2016.

There have also been a number of freight locomotive and wagon lease extensions with Freightliner and GB Railfreight.

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

Since the date of the last report there has been one change to the directorships. Fred Maroudas, Chief Financial Officer, ceased to be a director of each of the company boards listed below on the following dates:

| | |
|----------------------------------|---------------|
| Eversholt Rail (UK) Ltd | 19 March 2014 |
| Eversholt Finance Holdings Ltd | 20 March 2014 |
| Eversholt Funding plc | 21 March 2014 |
| Eversholt Rail Holdings (UK) Ltd | 19 March 2014 |
| European Rail Finance (GB) Ltd | 19 March 2014 |
| Eversholt Rail (380) Ltd | 19 March 2014 |
| Eversholt Depot Finance (UK) Ltd | 19 March 2014 |
| Eversholt Rail (365) Ltd | 19 March 2014 |

One further change to note is that Keith Ludeman has been appointed Non-Executive Chairman of European Rail Finance (GB) Limited and joined the Board of that company on 22nd July, taking over the role from Graham Love.

Historic Regulatory Developments

No member of the Group is regulated.

Historic Capital Expenditure

The Group has not entered into any contracts for acquisition of any new rolling stock during the period of this report 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 £7m.

Historic Financing

In the period the business drew down a further £19m on its £500m revolving credit facility increasing the total amount drawn to date to £35m, leaving £465m undrawn as at 30 June 2014.

Senior debt outstanding (excluding accrued interest) as at 30 June 2014 is now as follows:

| <u>Current Facilities</u> | <u>£m</u> |
|---|--------------|
| Facility A 5 year term loan | 100 |
| Facility B 5+1+1 year revolving credit facility | 35 |
| Bond A 10 years | 300 |
| Bond B 15 years | 400 |
| Bond C 24 years (amortising) | 400 |
| Bond D 24 years (amortising) | 150 |
| Total | <u>1,385</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