Investor Report for the period from 1 January to 30 June 2019

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

From: Security Group Agent

4 September 2019

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.

The UK Rail Review

The independent rail review led by Keith Williams and described in the December 2018 update is continuing as planned, with publication of its report and recommendations expected during the latter part of 2019.

The Group has met with the review team and has contributed its views. It will continue to monitor progress and output as the review nears its conclusion.

Franchising Update

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

- The extension of the East Midlands franchise to 17 August 2019;
- The disqualification of Stagecoach Group from the three franchising competitions in which it was engaged (East Midlands, South Eastern and West Coast Partnership);
- The award of a new East Midlands franchise to Abellio commencing 18th August 2019 for a core period of eight years;
Franchising Update (continued)

- A further extension of the South Eastern franchise to 10\textsuperscript{th} November 2019 with an option to extend to 1\textsuperscript{st} April 2020;
- The cancellation of the South Eastern franchise competition and confirmation that the current franchise will now run until 1\textsuperscript{st} April 2020; and
- The award of the West Coast Partnership franchise to First/Trenitalia from December 2019 to 2031.

The Group is currently in discussions, where relevant, with the bidders, the DfT and Transport Scotland regarding anticipated upcoming franchise competitions. It is also engaging with the DfT, other authorities and train operators to explore potential additional rolling stock deployment opportunities within existing franchises.

Historic Business Developments

Business Review

The Group has a portfolio of contracted new build rolling stock orders for delivery over the period 2019 to 2020. The Group has successfully delivered into service a total of 206 vehicles in the first six months of 2019 across its four new build fleets, including all remaining C802 vehicles. Delivery programmes for the other three fleets remain broadly in-line with plan. See table below for details of the delivery status at 30 June 2019 by fleet:

<table>
<thead>
<tr>
<th></th>
<th>C802</th>
<th>C331</th>
<th>C195</th>
<th>C397</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accepted at 1 Jan 2019</td>
<td>118</td>
<td>-</td>
<td>6</td>
<td>-</td>
<td>124</td>
</tr>
<tr>
<td>Accepted in H1 2019</td>
<td>118</td>
<td>37</td>
<td>46</td>
<td>-</td>
<td>201</td>
</tr>
<tr>
<td>Built and undergoing acceptance testing</td>
<td>-</td>
<td>46</td>
<td>32</td>
<td>60</td>
<td>138</td>
</tr>
<tr>
<td>In construction</td>
<td>-</td>
<td>58</td>
<td>65</td>
<td>-</td>
<td>123</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>236</td>
<td>141</td>
<td>149</td>
<td>60</td>
<td>586</td>
</tr>
</tbody>
</table>

During this period there has been 17 capital investment projects and 10 heavy maintenance projects managed on the legacy rolling stock, all of these have been running in-line with the plans. The Group has also undertaken a number of development and feasibility projects, these look at the opportunities to upgrade and improve legacy fleets for the future franchise and open access markets.

New Leases and Lease Extensions

During the period, Eversholt Rail signed an extended lease for C313 fleet with Govia Thameslink Railway; signed new leases with London & South Eastern Railway for C395, C375, C376 and C465 for the period of the operator’s Direct Award; signed a new lease for the C222 fleet with East Midlands Railway until December 2022; and entered into a new lease with Keolis Amey to lease 15 Mk4 coaches until October 2033.
Eversholt Rail 365 Limited

The Group’s investment in Eversholt Rail (365) Limited was fully impaired at 31 December 2018. Following a deterioration in Class 365’s prospects during 2019, a liquidator was appointed to Eversholt Rail (365) Limited on 19 August 2019. Liquidation is expected to be completed within 12 months of this date. In July, the Group terminated its contracts with Eversholt Rail (365) Limited for maintenance procurement and rolling stock modification services.

Eversholt Rail (365) Limited was subject to a separate financing structure and established prior to privatisation in the 1990s. It has never formed part of the Security Group, albeit it was a wholly owned indirect subsidiary of Eversholt UK Rails Group. Being ringfenced in this way, its current financial situation has no bearing upon any fellow subsidiary or parent undertaking, other than in relation to intercompany receivables.

The withdrawal of the United Kingdom from the European Union ("Brexit")

Since the last report, the Group has continued to monitor the progress of negotiations and parliamentary debates regarding the outcome of Brexit and re-assessed the potential impacts of Brexit under a range of possible outcomes. The position continues to be kept under close review.

The Group carries out its business solely in the UK and its rolling stock and other rail assets are operated and maintained entirely in the UK. The risk to the Group of disruption or increased cost to the supply chain post Brexit has been mitigated where possible.

Credit Ratings

The Group maintains ratings with Moody’s Investors Service ("Moody’s) and Fitch Ratings ("Fitch"). Moody’s rating for the Group and its debt issued under the Group’s MTN programme is Baa2. The Fitch rating for the Group is BBB+ and the bonds issued under its MTN programme are rated A-.

Corporate Structure and Directorships

On 18 July 2019 James Davis and Darren Spence were appointed as directors of Eversholt Rail Limited. There were no other directorship changes in the period nor were there any changes to the corporate structure.

Historic Regulatory Developments

No member of the Group is regulated.

Historic Capital Expenditure

The total capital investment (including existing and new fleets) for the Obligor Group in the six-month period across all assets was £212.3m.
Historic Financing

The Group issued no new debt during the six-month period.

As at 30 June 2019, £75m is drawn down on the revolving credit facility, leaving £525m undrawn. As such, senior debt outstanding (excluding accrued interest) is:

<table>
<thead>
<tr>
<th>Current Facilities</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revolving credit facility (2023+1)</td>
<td>75</td>
</tr>
<tr>
<td>Bond A 10 years (2020)</td>
<td>300</td>
</tr>
<tr>
<td>Bond B 15 years (2025)</td>
<td>400</td>
</tr>
<tr>
<td>Bond C 24 years (amortising 2021-2035)</td>
<td>400</td>
</tr>
<tr>
<td>Bond D 25 years (amortising 2034-2042)</td>
<td>400</td>
</tr>
<tr>
<td>Private Placement (amortising 2028-2036)</td>
<td>150</td>
</tr>
<tr>
<td>Private Placement (2030)</td>
<td>90</td>
</tr>
<tr>
<td>Private Placement (2026-2031)</td>
<td>100</td>
</tr>
<tr>
<td>Private Placement (2037)</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,015</strong></td>
</tr>
</tbody>
</table>

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 Limited
Security Group Agent

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