

Investor Report

for the period from 1 January 2024 to 30 June 2024 (“the Period”)

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

From: Eversholt Rail Limited (as Security Group Agent)

3 September 2024

This Investor Report details the 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 UK Rail landscape under Labour

Labour published its rail policy ‘Getting Britain Moving’ on 25th April 2024. This contained proposals to bring control of the railways under a single directing mind (in a similar vein to the Conservatives’ proposals to establish Great British Railways (‘GBR’)) and to gradually renationalise passenger train services as existing contracts with train operating companies (“TOC’s”) expired. The policy also recognised the continued role of private sector investment and explained that Great British Railways will lease rolling stock from rolling stock leasing companies (“ROSCOs”) when taking on operator contracts.

Labour has since been elected to Government and the King’s speech on 17 July 2024 affirmed that GBR will be created and that rail services will be brought back into public ownership once TOC contracts expire. The former Shadow Secretary of State Louise Haigh has been appointed as the new Transport Secretary, and Lord Peter Hendy, former Chairman of Network Rail, has been appointed Minister of State for Rail. We anticipate engaging with Government over the coming weeks and months as it rolls out its new policy.

Historic Business Developments

Business review

During the Period, the Group focused on delivering heavy maintenance programmes, upgrades to existing fleets and completing fleet and final acceptance milestones of its new build rolling stock programme.

Eversholt Rail Limited

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Heavy maintenance

The Group provides services in relation to the procurement and management of heavy maintenance of rolling stock on behalf of its customers in relation to certain fleets.

During the Period the Group managed contracts delivering heavy maintenance projects on four of its fleets, including mileage-based overhauls on our Class 334, Class 320, Class 318 and Class 320/4 fleets. We are undertaking two time-based overhaul projects on the Class 318 and Class 334 fleets. The Group spent £3.0m during the Period on maintenance related activity.

Investment in existing fleets

The Group undertakes strategic upgrades to rolling stock to ensure that its fleets continue to meet regulatory requirements and the current and future demands of customers. Several upgrade projects were progressed during the Period including interior refresh and energy monitoring modifications agreed as part of leases for Class 375 and Class 395 fleets, and commencement of minor improvements to C331 and C195.

Total expenditure on modification and refurbishment projects totalled £0.9m during the Period.

The Group continues to explore how our self-powered rolling stock fleets can be adapted to support decarbonisation and the delivery of low and/or zero-emissions railway operations. Workstreams have focussed on understanding the fleet environmental performance and the potential technical solutions as well as customer requirements and emerging government policy. During the period a First in Class trial has commenced on a C222 train to introduce intelligent engine management with the objective of improving efficiency and reducing fuel consumption and emissions.

The Group has investigated three retrofittable propulsion technologies to achieve low or zero-emissions train operation: hydrogen fuel cells, batteries, and diesel-battery hybrid power packs. All these technologies enable zero-emissions operations in stations and in built-up areas.

New rolling stock

There was no expenditure on new build rolling stock during the Period. We are expecting to make the final acceptance payment on our Class 331 fleet later in 2024.

Acquisition of new and existing UK rolling stock assets

During the Period the Group has not acquired any new rolling stock assets.

The Group continues to identify and, where appropriate, tender for new trains opportunities to acquire new trains and interests in existing fleets in the UK.

New opportunities are expected to launch later this year with a number of operators.

The Group also continues to monitor emerging opportunities with both current and proposed new open access operators.

The Group is continuing work with operators on the feasibility of deploying hydrogen powered vehicles on non-electrified routes. During the period the Group has continued to progress development work on 'green steam' hydrogen technology and its application to freight locomotives. The project is currently in the detailed design phase with an aspiration to undertake a technology demonstration in 2025 subject to technical feasibility and approvals.

New leases and lease extensions

During the Period, the Group concluded the following extensions:

- C222 lease extended with East Midlands Railway, recognising delays to the introduction of their replacement fleet. The Group continues to re-market this fleet.
- Bedford depot lease with Govia Thameslink Railway extended to 1 April 2028.

Fleet

The average age of the Group's fleet is 20 years. Ages of individual fleets vary from older vehicles, introduced into service in 1986 (Class 318), to the newest fleets introduced into passenger service during 2018, 2019 and 2020 (Class 802, Class 397, Class 331 and Class 195). The weighted average age by income in the Period is 16.4 years.

Eversholt Rail (365) Limited

Since the December 2023 report, the position regarding Eversholt Rail (365) Limited is unchanged. We continue to work with the liquidator, PWC, to conclude the liquidation.

Corporate Structure and Directorships

There were no statutory directorship changes in the Period.

In December 2023 the Group undertook a simplification of its corporate structure and a new holding Company, Eversholt UK Rails Group Limited ("EUKRGL"), was incorporated. Since 1 January 2024 as part of this process:

- On 16 January 2024, European Rail Finance Holdings Limited was dissolved without going into liquidation by way of 'merger by absorption' with Eversholt Investment Limited (under Irish law) and on 16 July 2024, Eversholt Finance Holdings Limited was voluntarily liquidated (under English law). Both companies are subsidiary undertakings of EUKRGL.

Historic Regulatory Developments

No member of the Group is regulated.

Historic Capital Expenditure

The total capital investment on existing and new fleets during the Period was £0.9m.

Historic Financing

The Group issued no new debt during the six-month period. In February 2024 a swap break extension was undertaken to roll mandatory credit breaks on the portfolio of 2049 swaps.

In February 2024, a scheduled loan repayment of £14.3m was made in respect of the 24-year amortising bond maturing in February 2035.

In June 2024, a scheduled loan repayment of £12.8m was made in respect of the 20-year amortising bond maturing in June 2040.

As at 30 June 2024, the £450m revolving credit facility was undrawn and the Group had unrestricted cash at bank of £368.0m.

Unrestricted cash includes £115.8m on deposit with repayment terms either in excess of 90 days or requiring notice to be served. In accordance with the Finance Documents this has been excluded from Net Debt in the calculations presented in the Compliance Certificate.

The contractual amounts of senior debt outstanding (excluding accrued interest) was:

<u>Current Facilities</u>	<u>£m</u>
Bond 15 years (2025)	271.3
Bond 24 years (amortising 2023-2035)	314.3
Private Placement (amortising 2029-2036)	100.0
Private Placement (2030)	90.0
Private Placement (amortising 2029-2036)	50.0
Private Placement (2026-2031)	100.0
Private Placement (2037)	100.0
Bond 25 years (amortising 2034-2042)	400.0
Bond 20 years (amortising 2023-2040)	<u>410.3</u>
Total	<u>1,835.9</u>

Credit Ratings

The Group is committed to maintaining its investment grade credit ratings. Moody's Investor Services' rating for the Group and its debt issued under the Group's MTN programme is Baa2 with a Stable Outlook. Fitch Ratings grading for the Group is BBB and the bonds issued under its MTN programme are rated at BBB+ with Stable Outlooks.

Unaudited financial statements

The Group has published on the Investors area of the Eversholt Rail website the unaudited financial statements for the six months ended 30 June 2024 for Eversholt UK Rails (Holding) Limited (Security Group) and Eversholt Rail Leasing Limited.



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

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