



Investor Report
1 July 2014 – 30 June 2015

1 GENERAL OVERVIEW

In the 12 months ending 30 June 2015, Angel Trains (the “**Group**”) delivered an increase in EBITDA of £4.9m on the previous 12 month period. The Group won a contract to procure and lease 150 new vehicles to Stagecoach South West Trains (“**SSWT**”). The Group also entered into new senior and junior debt facilities, the proceeds of which were used to prepay existing senior and junior bank debt well ahead of contracted maturities and to provide liquidity for future growth. Standard & Poor’s reaffirmed the Group’s credit rating as BBB/Stable.

The intense period of refranchising activity continued during the year, with six short term extensions (as a result of the Department for Transport’s (“**DfT**”) Single Tender Action (“**STA**”) process) and four new leases entered into, accounting for 50.0% of the entire portfolio. Between 2015 and 2019 a further 62.0% of the Group’s assets will be due for re-lease. However, a significant amount (c.55.6%) of the Group’s un-contracted capital rent is protected by Section 54 undertakings until 2019, with a proportion continuing beyond that until 2025. The percentage of assets on lease at the end of the period was 99.9% of the entire fleet.

The third *Long Term Rolling Stock Strategy* for the rail industry was published in March 2015. The report, produced by a cross-industry group comprising Angel Trains and the other ROSCOs, the Association of Train Operating Companies (“**ATOC**”) and Network Rail, outlines the best way to meet rising passenger demand over the next thirty years and also how to maximise the potential benefits of the increased capacity that will be provided on the existing network and HS2. Projections for the quantities of new rolling stock that will be delivered in the next five years have been revised upwards because of the growth in passenger demand. The report also acknowledges that rolling stock owners and operators have become increasingly innovative at adapting and extending the lives of older vehicles. For Angel Trains, this report provides continued confidence in the underlying demand for rolling stock and the long term sustainability of the ROSCO market.

2 SIGNIFICANT BUSINESS DEVELOPMENTS

2.1 New significant business developments for the 12 months ending 30 June 2015

New Trains

The remaining 16 Siemens Class 350/3 vehicles for London Midland were delivered on schedule by August 2014 and are all now in passenger service.

In September 2014, Angel Trains was announced as the preferred financier for the supply and lease of 150 new Desiro City Class 707 vehicles, being built by Siemens, for lease to SSWT. The Desiro City is a second generation Electric Multiple Unit (“**EMU**”) commuter train designed to carry more passengers and to have a significantly reduced whole life, whole system cost, meaning each unit costs less to maintain, uses less power and has a lesser impact on the infrastructure. The total value of this deal is £226.2m and the vehicles are due to be delivered from July 2017.

Refurbishment Projects

Angel Trains has engaged with the supply chain to ensure that modification programmes are in place to make sure all its fleets will comply with PRM (Persons of Reduced Mobility) regulations by the deadline of 31 December 2019. Some of these programmes involve large amounts of capital expenditure, as detailed in section 4.1, but this investment will ensure these vehicles can continue in service for years to come.

2.2 Re-leasing activity and current fleet utilization

As at 30 June 2015 Angel Trains owned 4,602 rolling stock vehicles, with a fleet utilisation of 99.9%.

The following leases were extended during the period, on existing or improved terms, as the result of STAs and extensions;

- A total of 630 vehicles have been extended with First Great Western:
 - 46 x Class 150 leased to between August 2017 and March 2019
 - 9 x Class 153 leased to May 2017
 - 151 x Class 165/6 leased to March 2019
 - 25 x Class 180 leased to December 2016
 - 399 x HST will be leased from Sept 2015 to August 2017, 175 will then be transferred to Abellio Scotrail (see below)
- 40 Class 350 vehicles with London & Birmingham Railway, extended with the franchise until September 2015
- A total of 286 vehicles (Class 465 and 466) with London & South Eastern Railway, extended with the franchise until June 2018
- A total of 300 vehicles (Class 317 and 360) with Abellio Greater Anglia, extended with the franchise until March 2015 for 8 vehicles, and October 2016 for the remaining 292 vehicles.
- A total of 160 vehicles (Class 314, 156 and 158) with First Scotrail, extended with the franchise until March 2015
- 574 Class 390 vehicles with Virgin Trains West Coast for 3 years until March 2017

The following new leases were entered into on existing or improved terms following the award of new franchises;

- 30 Class 442 vehicles with Govia Thameslink Railway Limited until January 2019, 90 Class 442 vehicles until January 2016 and 48 Class 317/3 vehicles until December 2019 (includes vehicles currently with Southern)
- 112 Class 357/2 vehicles with National Express Essex Thameside for 15 years until November 2029
- 271 vehicles have been leased with Abellio Scotrail:
 - 76 x Class 156 leased from April 2015 to March 2025
 - 20 x Class 156, 16 Class 158 and 48 Class 314 leased from April 2015 to Dec 2018
 - 175 x HST will be transferred from First Great Western and leased to Scotrail from September 2017 to March 2025, with a Section 54 until 2030

The following leases were extended or entered into during the period outside of the refranchising process;

- 32 Class 317/7 and 24 Class 317/8 vehicles with London Overground for 3 years until December 2018

New build assets delivered during the period were as follows;

- 16 Class 350/3 vehicles on lease to London Midland

During the period, two Class 508 vehicles were converted to translator vehicles and were leased to DB Schenker Rail until October 2015.

The following table summarises the Angel Trains' fleet by lease counterparty at 30 June 2015:

Fleet by Lease Counterparties					
FRANCHISE OWNER	TOC	TOTAL VEHICLES	LEASE END DATE	VEHICLES LEASED	FRANCHISE (F) / OPEN ACCESS (OA)
Arriva plc¹				4.80%	
	Arriva Trains Wales/Trenau Arriva Cymru Ltd	153	Oct-18	3.32%	F
	Grand Central Railway Company Limited	49	Dec-16	1.06%	OA
	XC Trains Limited	19	Mar-16	0.41%	F
DB Schenker¹				8.26%	
	Chiltern Railway Co.	97	Dec-21	2.11%	F
	DB Schenker Rail (UK)	283	Oct-15	6.15%	N/A
First / Keolis				0.87%	
	First / Keolis Transpeninne Express	40	Mar-16	0.87%	F
First Group plc				14.12%	
	Hull Trains Company Limited	20	Dec-19	0.43%	OA
	First Greater Western Limited	630	Sept-15	13.69%	F
Govia (Go-Ahead plc 65% / Keolis 35%)				13.47%	
	Thameslink Railway Limited	168	Dec-16	3.65%	F
	London & Birmingham Railway Limited	166	Mar-16	3.61%	F
	London & South Eastern Limited	286	Jun-18	6.21%	F
MTR / DB Schenker¹				1.56%	
	London Overground Rail Operations	72	Nov-16	1.56%	F
National Express Group				2.43%	
	C2C Rail Limited	112	Nov-29	2.43%	F
Serco / Abellio				22.40%	
	Northern Rail Limited	428	Mar-16	9.30%	F
	Merseyside Passenger Transport Services Ltd	177	Dec-18	3.85%	F
	Abellio Greater Anglia Ltd	268	Oct-16	5.82%	F
	Abellio ScotRail Ltd	158	Mar-25	3.43%	F
Stagecoach Group				19.52%	
	East Coast Mainline Company Limited	119	Dec-18	2.59%	F
	East Midlands Trains Limited	46	Oct-15	1.00%	F
	Stagecoach South Western Trains Ltd	733	Feb-17	15.93%	F
Virgin Rail Group (Virgin 51% / Stagecoach 49%)				12.47%	
	Virgin West Coast Trains	574	Mar-17	12.47%	F
Off lease				0.09%	
	Off Lease	4		0.09%	
Grand Total		4,602		100.00%	

¹ Subsidiaries of Deutsche Bahn AG

2.3 Significant Board/Management changes for the 12 months ending 30 June 2015

In November 2014, the shareholders appointed **Tom Smith**, formerly Managing Director of Go-Ahead Group plc and ex-chairman of ATOC, as Angel Trains Group Limited's new non-executive Chairman. Tom took up the post on 2 January 2015.

Len Porter, former Chief Executive of the Rail Safety & Standards Board, joined the board of Angel Trains Group Limited as a non-executive director in April 2015. Len replaced **Professor Dame Julia King** whose term as a non-executive director had come to an end.

3 REGULATORY / GOVERNMENTAL DEVELOPMENTS

3.1 Significant announcements/publications by any regulator or relevant government department for the 12 months ending 30 June 2015

An updated refranchising programme was published by the DfT in October 2014. This timetable includes a series of franchise extensions and/or STAs (i.e. without a competitive tendering process) with existing operators until new long term arrangements can be put in place, further prolonging the commencement of the long term franchise in some cases. The table below summarises these extensions and STAs:

Franchise	Original Franchise Expiry Date (incl. contractual extension options)	New Expiry Date	Duration of short-term arrangement
Essex Thameside	May 2013	September 2014	16 months (now re-let)
East Coast	February 2015	February 2015	N/A (now re-let)
Northern	April 2014	February 2016	22 months
TransPennine Express	April 2015	February 2016	10 months
Great Western	October 2013	Sept 2015 then extended to March 2019	65 months
Greater Anglia	July 2014	October 2016	27 months
West Coast	November 2014	April 2017	29 months
London Midland	April 2016	June 2017	14 months
East Midlands	October 2015	October 2017	24 months
South Eastern	October 2014	June 2018	45 months
South Western	February 2017	April 2019	26 months
Cross Country	October 2016	October 2019	36 months

The impact of the above announcements on Angel Trains is broadly beneficial, particularly for the DMU portfolio, which now has later lease expiry dates than previously envisaged.

The terms of most of the new long term franchises are yet to be announced and will be determined by the circumstances and size of each franchise. However, it is expected that the majority will have an initial term of seven to ten years, with a pre-contracted continuation term of between three and five years, subject to agreed criteria being met by the operator.

4 CAPITAL EXPENDITURE

4.1 *Material matters of capital expenditure including future commitments made during the relevant period*

During the period the Group made capital expenditure payments of £151.7m, all of which were funded using internal cash resources:

- Stage payments of £14.0m and payments for spares and tools of £6.7m were made for the 80 new Class 350 vehicles
- Stage payments of £95.1m and payments for spares and simulators of £3.6m were made for the 150 new Class 707 vehicles

The remaining £32.3m relates to several enhancement and refurbishment projects including: £5.3m relating to modifications for the Class 444 and 450 on lease with SSWT, £4.6m relating to Return to Service works for the Class 317/7, £2.4m London Office Move, £2.0m Merseyrail Continued Service Operation (“CSO”) works, £2.2m relating to Class 150 PRM/CSO, £1.8m Class 317 CSO, £1.9m relating to Class 156 PRM/CSO and £1.8m relating to Class 317 CSO works.

The Group had total capital commitments of £251.6m as at 30 June 2015:

- £128.9m represents the stage payments for the new Class 707 Desiro City vehicles for SSWT
- £46.2m relating to PRM/CSO modifications for the Class 465/466 on lease to London & South Eastern Railway as part of the STA
- £17.0m relating to PRM/CSO modifications for the Class 150 on lease to Great Western, Northern and London Midland
- £14.5m relating to PRM modifications for the Class 165 on lease to Great Western and Chiltern

The remaining £45.0m relates to various enhancement and refurbishment projects, including Merseyrail CSO spend in accordance with the lease extension to 2018 (signed in 2013), Northern Class 156 PRM/CSO, and Abellio Class 317 CSO works.

5 FINANCING

5.1 *Refinancing*

In November 2014, the Group signed a new suite of debt documents to provide £125m of junior debt and £1,035m of senior bank debt. The facilities were used to prepay existing senior and junior bank debt well ahead of contracted maturities and also provide liquidity for future growth.

The senior debt was provided by an enlarged group of 13 banks and is split into five facilities with maturities of up to 15 years. This will, in conjunction with the existing bonds issued, reduce future refinancing concentrations and extend the maturity profile of the committed facilities.

The junior debt, which is subordinated to the senior debt, has a maturity of seven years and was placed on a US private placement basis.

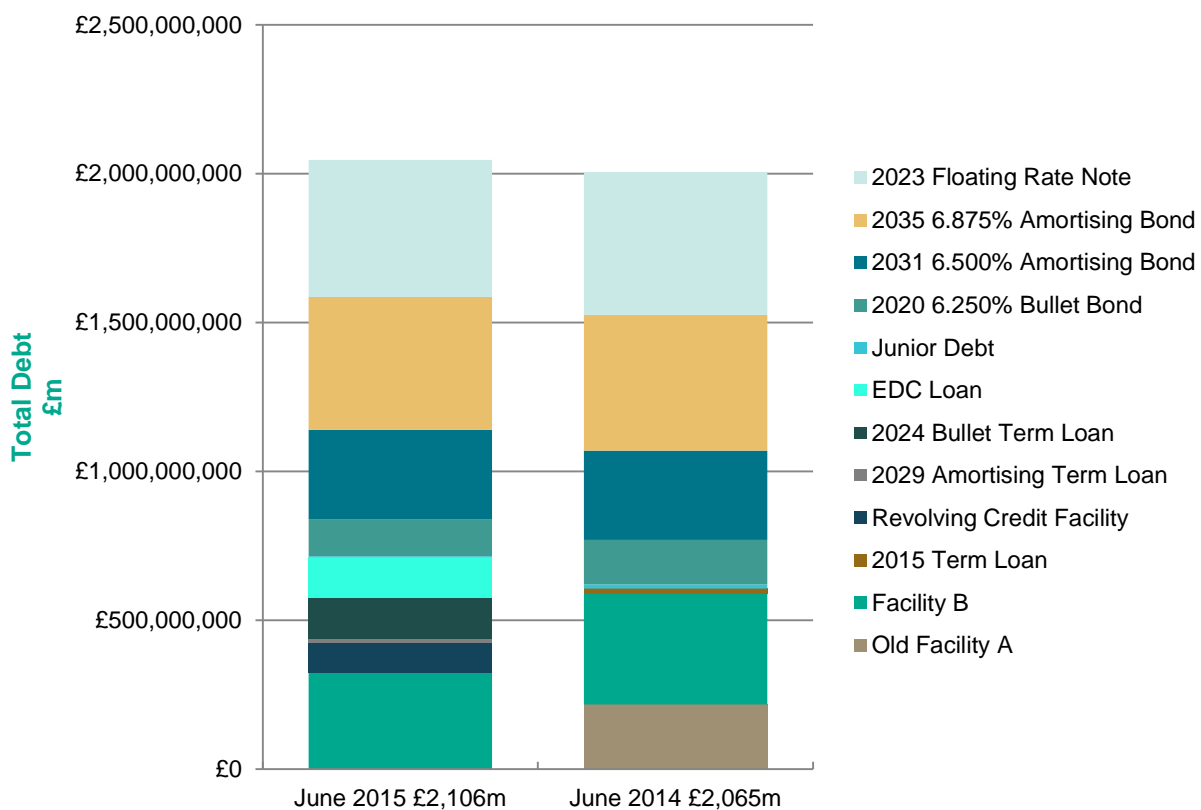
5.2 Total debt outstanding at 30 June 2015

Total Debt Outstanding £				
Debt Facility	Group Entity	Balance Outstanding*	Issue/Facility Limit	Maturity Date
1-yr Term Loan	The Great Rolling Stock Company PLC	100,000,000	100,000,000	Nov-15
4-yr Amortising Debt	The Great Rolling Stock Company PLC	325,000,000	325,000,000	Apr-18
Revolving Credit Facility	The Great Rolling Stock Company PLC	11,800,000	325,000,000	Nov-21**
15-yr Amortising Debt	The Great Rolling Stock Company PLC	137,500,000	137,500,000	Nov-29
10-yr Bullet Debt	The Great Rolling Stock Company PLC	137,500,000	137,500,000	Nov-24
EDC Loan	Locomotive Operating Leasing Partnership	3,047,570	3,047,570	Oct-15
Junior Debt	Willow Holdco 1 Limited	125,000,000	125,000,000	Nov-21
10-yr Bullet Bond	The Great Rolling Stock Company PLC	300,000,000	300,000,000	Jul-20
25-yr Amortising Bond	The Great Rolling Stock Company PLC	446,200,000	446,200,000	Jul-35
20-yr Amortising Bond	The Great Rolling Stock Company PLC	460,400,000	460,400,000	Apr-31
Floating Rate Note	The Great Rolling Stock Company PLC	60,000,000	60,000,000	Aug-23
Grand Total		2,106,447,570	2,419,647,570	

* Gross of capitalised fees

** Assumes exercise of option for additional two years

5.3 Debt structure: June 2014 v June 2015



6 HISTORICAL FINANCIAL PERFORMANCE AND RATIOS

6.1 Update on financial performance for the period including ratios

EBITDA for the period, the Group's key measure, was £384.6m. This was in line with the budget and was a 1.3% increase on the previous 12 months' results. Turnover for the period was £495.8m (2014: £461.3m) and Profit Before Tax was £70.2m (2014: £58.2m). Staff and overhead costs were £23.4m (2014: £21.6m).

The Group's total debt at 30 June 2015 was £2,106m, compared to £2,065m at 30 June 2014. The net increase of £41.2m was financed by an additional £150.3m drawn from the new facilities as part of the refinancing (net of the old bank facilities refinanced), which has been offset by £109.1m of contractual bond and bank repayments. The Revolving Credit Facility balance was £11.8m at 30 June 2015 thereby providing committed liquidity of £313.2m.

All senior floating rate debt and foreign exchange exposures remained hedged and no speculative derivatives were executed. As part of the refinancing the existing credit breaks on the hedging derivative portfolio were extended for an additional five years to 2019.

The Senior Interest Cover ratio for the 12 months ending 30 June 2015 was **2.3**, compared to the financial covenant requirement of **at least 1.5:1**.

The Senior Leverage ratio for the 12 months ending 30 June 2015 was **5.1**, compared to the financial covenant requirement of **no greater than 8.5:1**.

6.2 Credit ratings

Standard & Poor's ("S&P") issued a summary credit report on Willow Bidco Limited, the Group's holding company for senior debt purposes, on 15 April 2015. The report again affirmed the Group's credit rating as **BBB/Stable** and made reference to the *"defendable and stable position in the UK rail rolling stock leasing sector"* and *"predictable long-term contractual cash flows."* S&P also commented that the Group *"benefits from strong political support...and strong support from the DfT in the event of lessee insolvency."*

7 OTHER MATTERS

7.1 Other financial and business matters

Angel Trains' London office moved into new premises on 3 November 2014. This move was brought about by the decision of the landlord of Portland House to redevelop the building into residential accommodation in the near future.

The Group undertook its externally run annual employee survey in November 2014, returning another good response rate of 93% (2013: 95.3%). The results themselves were again positive, with an overall "engagement rating" of 84.4% (2013: 86.1%) compared to the national benchmark of 69.8% (2013: 62.7%), and an overall satisfaction rate of 8.0 out of 10 (2013: 7.9).

In December 2014, the Group's Quality (ISO 9001) and Environmental (ISO 14001) Management Systems were audited by LRQA and were re-certified for a further three years.

In March 2015 those ultimate shareholders in Angel Trains represented by Arcus European Infrastructure Fund (“**Arcus**”) announced their intention to explore a possible disposal of their interests. Following a due diligence process, on 17 August 2015 the entire interest held by Arcus was acquired by two of the other existing shareholder groups, namely PSP Investments and AMP Capital Investors.

Angel Trains, 21 August 2015
