Investor Report

1 July 2019 – 30 June 2020

1 GENERAL OVERVIEW

Angel Trains Group (the "Group") performed strongly during the period with EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) of £429.1m (2019: £412.1m).

The Group has maintained metrics consistent with the Baa2 credit rating throughout the period, confirmed by the Moody's credit update, which also highlighted reduced leverage and the successful re-leasing of key fleets.

At 30 June 2020, the Group owned 4,265 vehicles which was lower than 30 June 2019, as 276 life-expired vehicles were disposed of during the period, which were in part offset by 120 new build vehicle acceptances. During the period, new leases were entered into with nine franchisees (including three franchise extensions) and all vehicles with an economic value are leased. The group has 183 vehicles which are off-lease but these have no economic value and are expected to be scrapped or retained for spares.

The Group shares the Government's vision for transport decarbonisation and its net zero target by 2040. In July 2019, the Rail Industry Decarbonisation Taskforce published its 'Final Report for The Minister for Rail'. The study was commissioned in response to the challenge to remove 'all diesel only trains off the track by 2040', and is also linked to the UK Government's wider target (set by law) of net zero carbon by 2050 (as recommended by the Climate Change Commission). Additionally, it is noted that the Scottish government has greater aspirations and is intending to achieve zero carbon by 2045 with Transport Scotland due to publish its rail decarbonisation action plan during the summer of 2020. These targets will accelerate demand for, and innovation in, new technology self-powered multiple units, electric/battery bi-mode multiple units and further electric multiple units.

2 SIGNIFICANT BUSINESS DEVELOPMENTS

2.1 New significant business developments to 30 June 2020

New Trains

There were no new train procurements during the period. However, project management continued with regards to the following new trains:

- 19 x 5-car Hitachi AT300 bi-mode intercity trains (Class 802), leased to First TransPennine Express, a subsidiary of First Group plc; and
- 5 x 5-car Hitachi AT300 bi-mode intercity trains (Class 802), leased to Hull Trains Company Ltd, a subsidiary of First Group plc.

All of the TransPennine Express and Hull Trains Company Ltd trains were accepted during the period.

Refurbishment Projects and Future Developments

The Group continued to engage with the supply chain to ensure the successful completion of modification programmes on all fleets, operating beyond 31 December 2019, in order to comply with Persons of Reduced Mobility regulations by that deadline. Approximately, 97% of the required units have been successfully completed.

The remaining units have received dispensation to continue passenger service and are expected to complete works during 2020. This investment will ensure that these vehicles are capable of continuing in passenger service beyond 2020.

In general, our suppliers continue to perform well and have not been materially affected by the Coronavirus pandemic. The Group continues to monitor the supply base in ensuring that their continued focus remains on quality and delivery of our projects.

Progress continues with the Group's innovative self-charging hybrid research and development project in partnership with Magtec Limited and Chiltern Railways to convert an existing Diesel Multiple Unit (DMU) to a Hybrid, using battery technology. The comprehensive conversion works are currently being undertaken on the Class 165 trial unit with performance testing targeted for winter 2020/21 with the expected benefits being significant reduction in CO_2, NO_x, Particulate Matter and noise, coupled with an estimated fuel saving of 25% for train operators.

2.2 Re-leasing activity and current fleet utilisation

As at 30 June 2020, Angel Trains owned 4,265 rolling stock vehicles and 183 of these are presently off-lease and are expected to be scrapped or held for spares. Some of the units on short-term leases as described below are forecast (and have always been forecast) to be retired from passenger service in the near future.

The following leases were extended during the year, as a result of short-term franchise awards/extensions;

- London & South Eastern Railway Ltd – The franchise was extended from March 2020 to October 2021, extending the lease of 200 Class 465 and 86 Class 466 vehicles. In addition, 150 Class 707 vehicles will cascade into the franchise in September 2020 from First MTR South Western Trains Ltd.
- Great Western Railway Ltd – The franchise was extended from March 2020 to March 2023, extending the lease of 41 HST vehicles, 6 Class 150, 88 Class 165 and 63 Class 166 vehicles.
- Cross Country Trains Ltd – The franchise was extended from October 2019 to October 2020, extending the lease of 19 HST vehicles. In addition, a lease for a further 2 HST vehicles was entered into in February 2020.

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

- Abellio East Anglia Ltd – 216 Class 317 vehicles were extended from various dates in 2019 up to various dates through to December 2020.
- Arriva Rail North Ltd – 48 Class 142 vehicles were extended from December 2019 to December 2020.
- Arriva Rail North Ltd – 10 Class 153 vehicles were extended from December 2019 to various dates in 2020 and ultimately until December 2020.
- Keolis Amey Wales Cymru Ltd – 30 Class 142 vehicles were extended from December 2019 to June 2020 and then again to December 2020.
- First MTR South Western Trains Ltd – 150 Class 707 vehicles were extended from March 2020 to August 2020.

The following new leases were entered into following the award of new franchises;

- The West Coast franchise was awarded to First Trenitalia West Coast Rail Ltd; a joint venture between FirstGroup plc and Trenitalia UK Ltd, from December 2019 to March 2026. The incumbent Class 390 Pendolino fleet consisting of 574 vehicles was leased for the initial franchise period until March 2026.

- The East Midland franchise was awarded to Abellio East Midlands Ltd from August 2019 to August 2027. All incumbent fleets were leased on short-term leases as well as 84 Class 360 vehicles which will be cascaded from the East Anglia franchise in September 2020 for the full franchise duration. Additionally, 20 Class 180 vehicles were cascaded from the Hull Trains Company Ltd in February 2020 on a short-term lease to December 2022. The details of the fleets leased are:

    - 10 Class 153 vehicles to December 2020
    - 8 Class 156 vehicles to December 2021
    - 32 Class 158 vehicles to December 2021
    - 20 Class 180 vehicles to December 2022
    - 24 HST vehicles to December 2020
    - 84 Class 360 vehicles to August 2027
    - Additionally, 68 HST vehicles were cascaded from London North Eastern Railway in January 2020, with a lease to December 2020.

In October 2019, the Secretary of State announced that Arriva Rail North Ltd would cease to operate the Northern franchise from 1 March 2020, due to underperformance and non-achievement of its franchise commitments. Under the operational control of the Operator of Last Resort (OLR), the franchise was renamed Northern Trains Limited and all existing leases were migrated, on the existing terms and expiry dates, to the new legal entity.

The table below summarises the Angel Trains fleet by lease counterparty at 30 June 2020.

Fleet by Lease Counterparties

Franchise Owner	TOC	Total Vehicles		Lease End Dates	Vehicles Leased		Franchise Type
Abellio							
	Abellio East Anglia Ltd	300		Aug-20 / Dec-20	7.03%		Franchise
	Abellio East Midlands Ltd	162		Dec-20 / Dec-21 / Dec-22 / Aug-27	3.80%		Franchise
	Abellio ScotRail Ltd	266		Mar-22	6.24%		Franchise
			728			**17.07%**	
Abellio, JR East and Mitsui							
	West Midlands Trains Ltd	216		Mar-26	5.06%		Franchise
			216			**5.06%**	
Arriva							
	Chiltern Railways Ltd	97		Dec-21	2.27%		Franchise
	Grand Central Railway Company Ltd	50		Dec-26	1.17%		Open Access
	XC Trains Ltd	21		Oct-20	0.49%		Franchise
			168			**3.94%**	
First Group							
	Great Western Railway Ltd	198		Mar-23	4.64%		Franchise
	First Transpennine Express Ltd	95		Mar-23	2.23%		Franchise
	Hull Trains Company Ltd	25		Dec-22 / Dec-29	0.59%		Open Access
			318			**7.46%**	
First Group / MTR							
	First MTR South Western Trains Ltd	973		Aug-20 / Aug-24	22.81%		Franchise
			973			**22.81%**	
GB Railfreight							
	GB Railfreight Ltd	4		May-25	0.09%		Freight
			4			**0.09%**	
Govia (Go-Ahead plc 65% / Keolis 35%)							
	London & South Eastern Railway Ltd	286		Oct-21	6.71%		Franchise
			286			**6.71%**	
Keolis / Amey							
	Keolis Amey Wales Cymru Limited	153		Dec-20 / May-22 / Oct-22	3.59%		Franchise
			153			**3.59%**	
Rail Operations Group							
	Rail Operations Group Ltd	5		Jul-24	0.12%		Hauler
			5			**0.12%**	
Serco / Abellio							
	Merseyside Passenger Transport Ltd	177		May-23	4.15%		Franchise
			177			**4.15%**	
Trenitalia							
	Trenitalia C2C Ltd	112		Nov-29	2.63%		Franchise
			112			**2.63%**	
Department for Transport							
	Northern Trains Limited	368		Dec-20 / Mar-25	8.63%		Franchise
			368			**8.63%**	
First Group / Trenitalia							
	First Trenilalia West Coast Rail Ltd	574		Mar-26	13.46%		Franchise
			574			**13.46%**	
	Off lease with no future rent expectations	127			2.98%		*
	Marked for disposal	56			1.31%		**
			183			**4.29%**	
GRAND TOTAL		**4,265**					

* All off lease vehicles are life expired but opportunities are being explored
****** Off lease, life expired with no future identifiable opportunities to release

2.3 Board/Management changes for the period ending 30 June 2020

The following changes to the directors and officers in the Angel Trains Group of companies took place during the period, as below:

N McBreen (appointed 23 July 2019)
M Prosser (appointed 23 July 2019)
M Brown (resigned 23 July 2019)
M Hicks (resigned 23 July 2019)
Q Li (appointed 27 February 2020)
R Vidanaarachch (resigned 27 February 2020)

3 REGULATORY / GOVERNMENTAL DEVELOPMENTS

3.1 Significant announcements / publications by any regulator or relevant government department

On the 23 March 2020, the government announced the introduction of emergency measures to support and sustain necessary rail operations as train franchise operators faced significant revenue uncertainty as a result of the coronavirus pandemic. The Department for Transport has temporarily suspended normal franchise agreements and transferred all revenue and cost risk to the government for an initial period of six months. All franchise train operators have temporarily transitioned onto Emergency Measures Agreements, enabling greater flexibility and transferring revenue and cost risk to the government, where they will continue to run services day-to-day for a small predetermined management fee. The Group has actively engaged with the Department for Transport and supported all train operators during this challenging and uncertain period for the UK rail industry.

Following the completion of the Williams Rail industry review in December 2019, the Group awaits the government publication of a White Paper on its recommendations with any reforms expected to be implemented as soon as practicable thereafter. The purpose of the Rail Review is to ensure that the United Kingdom's vital rail services continue to benefit passengers and that it supports a stronger economy. The 'root and branch' review will consider all aspects of the industry including greater train and track integration, regional partnerships and value for money.

The Group welcomes the Rail Review and participated in the initial industry-wide request for information. The Group will continue to support the review and believes its approach to embracing competition, fostering innovation and improving the customer experience through the continued deployment of the ROSCO model is consistent with the review's objectives.

As a consequence of the Rail Review, there have been impacts on the franchise programme, with the Department for Transport withdrawing the published Rail Franchise Schedule in July 2019, introducing a high level of uncertainty within the refranchising programme that had previously stabilised over a number of years.

While the future East Midlands Railway and West Coast Partnership Franchises have been awarded during 2019, there has been a hiatus to other ongoing franchise competitions most notably South Eastern and Cross Country resulting in the cancellation of the competitions and the introduction of directly awarded franchises. Furthermore, in many of these direct award franchises a further extension option has been included, which in our view, is likely to be exercised in a number of instances.

The full and long-term impact of the Covid-19 pandemic is still evolving. The Group will continue to work closely with the Department for Transport, customers and suppliers as the macro economic environment develops.

The table below summarises the forthcoming franchise awards:

Franchise	Original Franchise Expiry Date (incl. contractual extension options)	New Expiry Date	Further Extension Option
South Eastern (Direct Award)	March 2020	October 2021	March 2022
Greater Western (Direct Award)	March 2020	March 2023	Up to March 2024
Cross Country (Direct Award)	October 2020	Not confirmed	Up to March 2024
Chiltern	December 2021	Not confirmed	None

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

4 CAPITAL EXPENDITURE

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

During the period the Group incurred capital expenditure of £321.2m, mainly comprising of:

- Stage payments and capitalised interest for 120 Class 802 vehicles.
- Modifications for Class 165/166, Class 390, Class 442, Class 444 and Class 450 vehicles.
- PRM and CSO work on Class 15x vehicles, HSTs and Class 466 vehicles.

The Group had total capital commitments of £368m as at 30 Jun 2020, mainly comprising of:

- Modifications to the Pendolino fleet for First Trenitalia West Coast.
- Modifications for the fleets on the West Midlands franchise.
- Modifications to the class 360 fleet on the East Midlands franchise.
- Modifications across several fleets with various train operating companies (c£56m).

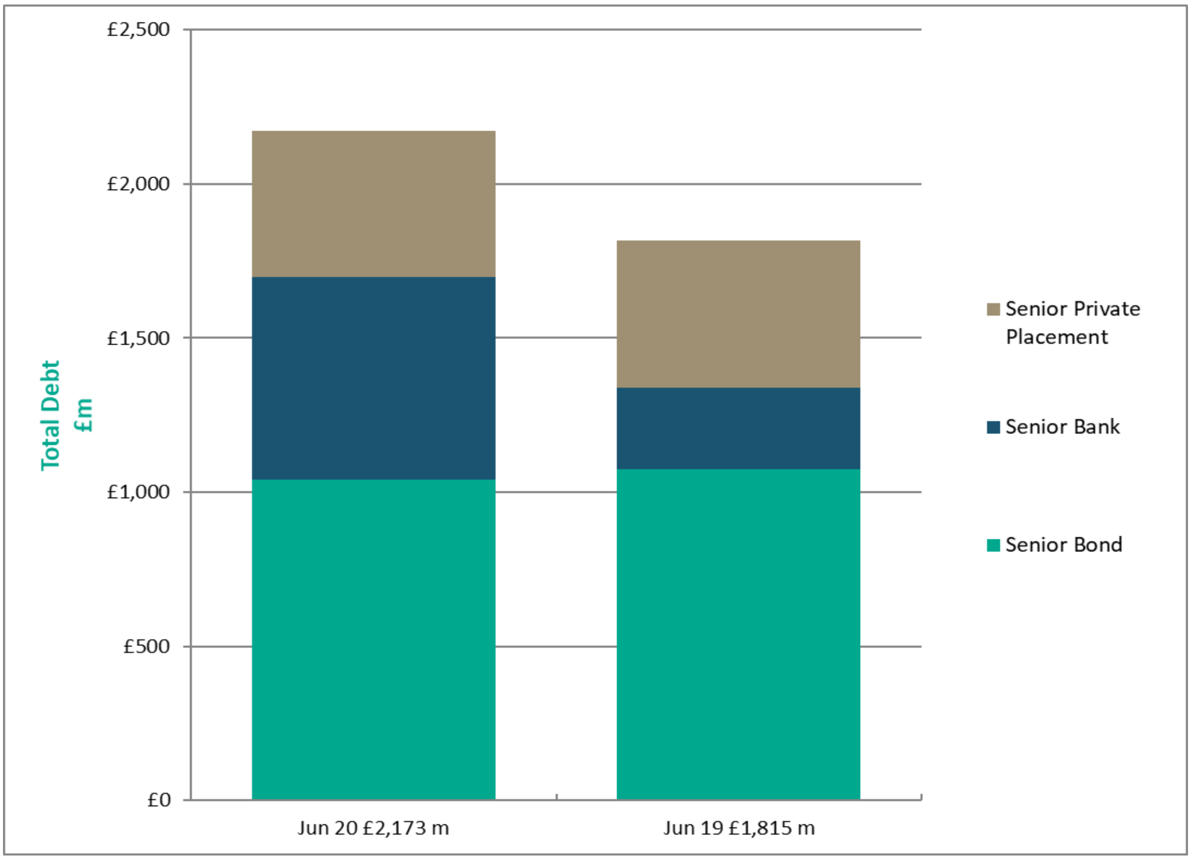
5 FINANCING

5.1 Total Senior debt outstanding at 30 June 2020

Debt Type	Debt Facility	Group Entity	Balance Outstanding	Issue / Facility Limit	Maturity Date
Total Debt Outstanding					
Senior Bond					
	10-yr Bullet Bond	The Great Rolling Stock Company PLC	300,000,000	300,000,000	Jul-20
	20-yr Amortising Bond	The Great Rolling Stock Company PLC	384,100,000	460,000,000	Apr-31
	25-yr Amortising Bond	The Great Rolling Stock Company PLC	355,700,000	500,000,000	Jul-35
	Total for Debt Type		**1,039,800,000**	**1,260,000,000**	
Senior Private Placement					
	Floating Rate Note (EMTN)	The Great Rolling Stock Company PLC	60,000,000	60,000,000	Dec-23
	US Senior Private Placement	The Great Rolling Stock Company PLC	30,000,000	30,000,000	Jun-31
	US Senior Private Placement	The Great Rolling Stock Company PLC	85,000,000	85,000,000	Nov-32
	US Senior Private Placement	The Great Rolling Stock Company PLC	200,000,000	200,000,000	Sep-34
	US Senior Private Placement	The Great Rolling Stock Company PLC	100,000,000	100,000,000	Nov-37
	Total for Debt Type		**475,000,000**	**475,000,000**	
Senior Bank					
	Revolving Credit Facility	The Great Rolling Stock Company PLC	100,000,000	350,000,000	Oct-24
	10-yr Bullet Debt	The Great Rolling Stock Company PLC	137,500,000	137,500,000	Nov-24
	15-yr Amortising Debt	The Great Rolling Stock Company PLC	120,300,000	137,500,000	Nov-29
	15-yr Amortising Debt	The Great Rolling Stock Company PLC	300,000,000	300,000,000	Oct-33
	Total for Debt Type		**657,800,000**	**925,000,000**	
GRAND TOTAL			**2,172,600,000**	**2,660,000,000**	

Debt has increased in the period largely due to holding larger cash balances ahead of the repayment of the £300m10-yr Bullet Bond in July 2020.

5.2 Senior Debt structure: June 2020 v June 2019



6 HISTORICAL FINANCIAL PERFORMANCE AND RATIOS

6.1 Update on financial performance for the year including ratios

EBITDA, the Group's key measure, for the period ending 30 June 2020 was £429.1m (2019: £412.1m). Revenue for the period was £506.4m (2019: £499.7m). The increase from 2019 is mainly due to an increase in capital rentals. The new Class 802s were introduced in to passenger service and a new lease took effect for the Class 390s on the West Coast Franchise. This was offset in part by a reduction in maintenance lease rentals, as a result of a delay on related maintenance performance obligations that will now occur in the future.

The Group's total external senior debt at 30 June 2020 was £2,172.6m, compared to £1,815.4m at 30 June 2019. The net increase of £357.2m was due to £300m Amortising Debt drawn, a £100m increase in the Revolving Credit Facility, partly offset by contractual repayments of £42.8m on bonds and bank debt.

All senior floating rate debt remained economically hedged and no speculative derivatives were executed.

The Senior Interest Cover ratio for the period 30 June 2020 was 3.4, compared to the financial covenant requirement of at least 1.5:1.

The Senior Leverage ratio for the year ending 30 June 2020 was 4.2, compared to the financial covenant requirement of no greater than 8.5:1.

The Group remains insulated from the direct impact of foreign exchange volatility and the senior debt is hedged for interest rates. All of our revenues are generated within the United Kingdom and they are denominated in Sterling.

6.2 Credit ratings

Moody's completed its annual review for 2019 and affirmed the Baa2 credit rating in January 2020 stating that "our current forecast net debt to EBITDA for Angel Trains is currently lower than other Baa2 rated peers" whilst confirming that Angel Trains remains the largest UK ROSCO. Moody's also added that Angel Trains has been successful in re-leasing key fleets and that "Angel Trains has cascaded 16 fleets since 2017, including the placement of older assets (high speed trains to Scotland and Class 442s on South West) that will continue earning revenue beyond that original life expectancy".

During the period, the Group took the opportunity to extend the Revolving Credit Facility to October 2024.

7 OTHER MATTERS

7.1 Other business matters

The Global Real Estate Sustainability Benchmark (GRESB) score has been maintained and Angel Trains was placed in a new European-wide Rail-specific peer group where it is ranked 2nd out of 8 European Private Entity Rail Companies.

The externally run annual employee survey was conducted in October 2019, increasing the already high response rate to 99%. The results were positive and the results in the key areas (engagement, commitment, satisfaction and efficiency) were all above the UK National Benchmark.

The Group has received a new accolade of a 'World-class Workplace' awarded by Effectory - Europe's Leading provider of employee engagement and feedback solutions. Our overall score of 8.5 significantly exceeded the overall global benchmark score of 7.1. We continue to strive for further improvement during 2020.

The Investors in People Gold accreditation, against a new higher standard has been retained and there is an action plan for continued success at the next re-accreditation.

Angel Trains, 25 August 2020