angel Trains

Rail People
Real Expertise

INVESTOR REPORT

1 July 2020 - 30 June 2021

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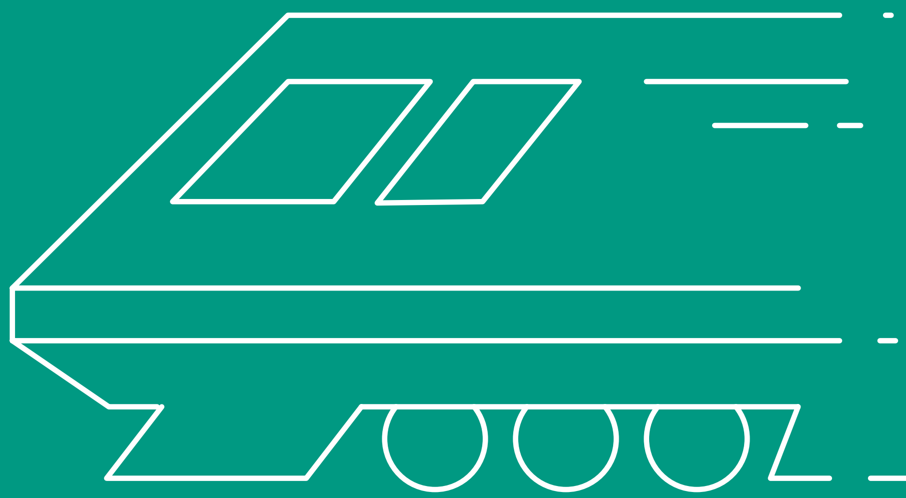


GENERAL OVERVIEW

1. GENERAL OVERVIEW

Angel Trains Group (the "Group") performed strongly during the period with EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) of £462.8m (2020: £429.1m).

The Group has maintained metrics consistent with the Baa2 credit rating throughout the period, confirmed by the Moody's credit update, which also highlighted limited re-lease risk in the medium term.

At 30 June 2021, the Group owned 3,987 vehicles (of which 149 are marked for disposal). This was lower than the 4,265 vehicles owned at 30 June 2020 owing to a number of life-expired vehicles being disposed of, but offset by the acceptance of Class 720 vehicles. During the period, 105 new vehicles were delivered, with a further 560 vehicles in the process of being manufactured and delivered.

The contract to purchase 665 Bombardier Class 720 electric vehicles was migrated into the senior ring-fence during December 2020. The senior corporate structure was also re-organised to simplify the group during the period.

EBITDA 2021

£462.8m

(2020: £429.1M)

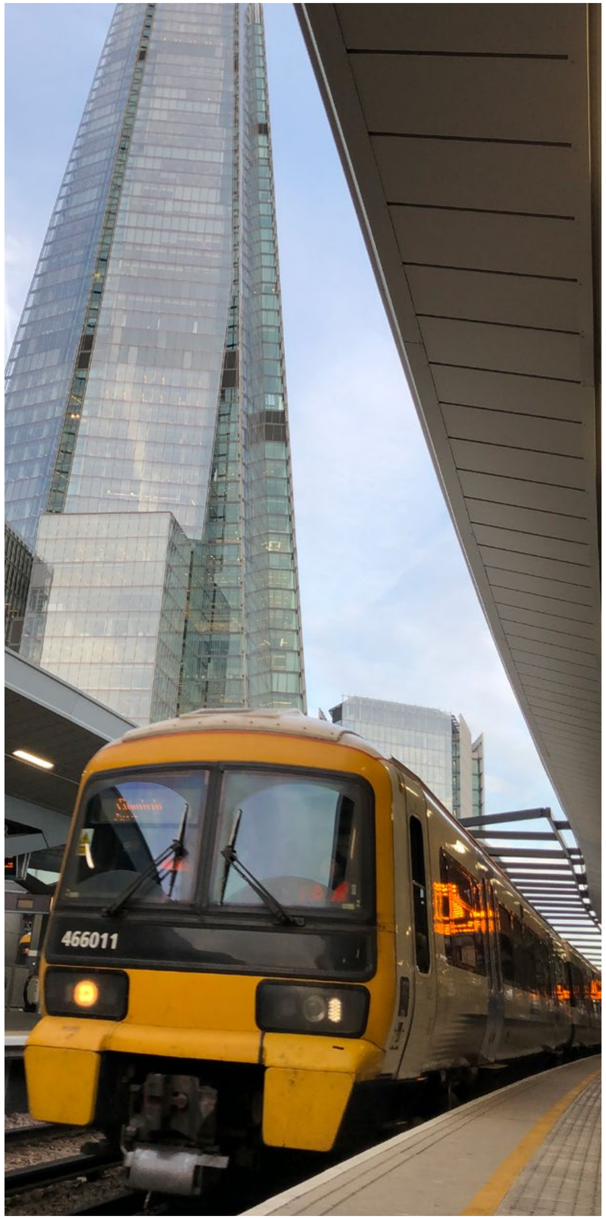
New leases or extensions were entered into with 5 Train Operators and all vehicles with an economic value are leased. In addition to the 149 vehicles marked for disposal, the Group has 7 vehicles which are off-lease but have no economic value and are to be retained for spares if no re-lease opportunity presents itself.

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'.

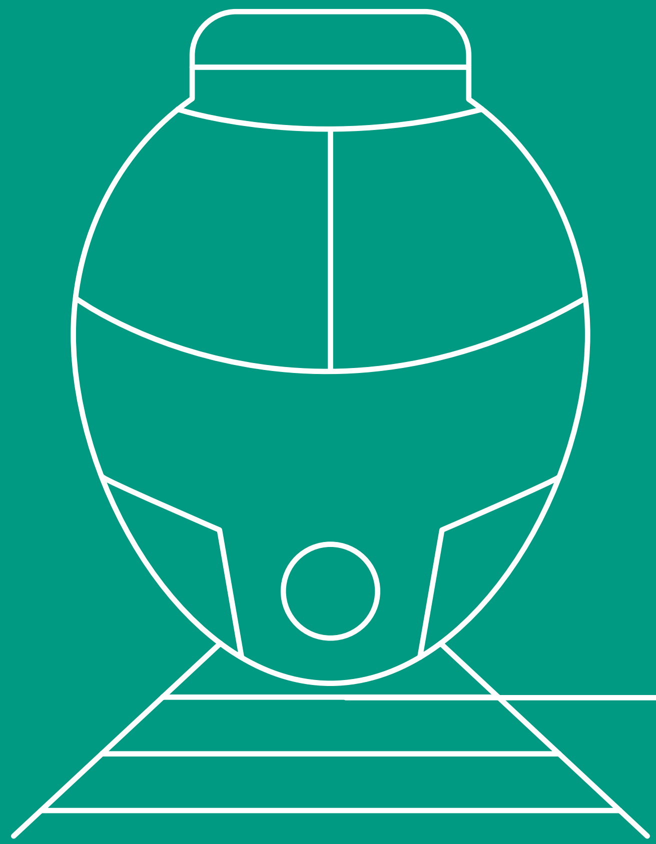
The study was commissioned in response to the challenge to remove 'all diesel only trains off the track by 2040', and is also linked to the UK Government's wider target (set by law) of net zero carbon by 2050 (as recommended by the Climate Change Commission).

Additionally, it is noted that the Scottish government has greater aspirations and is intending to achieve a net zero greenhouse gas emissions target date of 2045, with Transport Scotland publishing its rail services decarbonisation action plan with a target date of 2035 in July 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 to support a wider electrification programme.



"New leases or extensions were entered into with **5 Train Operators** and all vehicles with an economic value are leased."



SIGNIFICANT BUSINESS DEVELOPMENTS

2. SIGNIFICANT BUSINESS DEVELOPMENTS

2.1 New significant business developments to 30 June 2021

NEW TRAINS

On 21 December 2020, the Group acquired Angel Trains Rolling Stock Limited ("ATRSL"), a standalone SPV that was set up to acquire 665 Class 720 Bombardier Aventra vehicles. At 30 June 2021, 105 of the 665 vehicles that were procured for use in the East Anglia franchise had been delivered.

The senior group also signed financing facilities for the new Class 720 procurement, comprising of £430m of fixed rate notes and £397m of bank debt. The debt was not fully drawn and as a consequence of the migration net debt increased by approximately £390m.

The new electric fleet will reduce the proportion of diesel trains that the group owns, reduce the average age of the portfolio and provide a long-term revenue stream.

REFURBISHMENT PROJECTS AND FUTURE DEVELOPMENTS

In general, our suppliers continue to perform well under challenging circumstances and have not been materially affected by the Covid-19 pandemic.

The Group continues to monitor the supply base in ensuring that their continued focus remains on quality and delivery of our projects.

"The new electric fleet will reduce the proportion of diesel trains that the group owns, reduce the average age of the portfolio and provide a long-term revenue stream."

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 a Class 165 trial unit, with performance testing targeted for autumn 2021, with the expected performance benefits of the trial 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

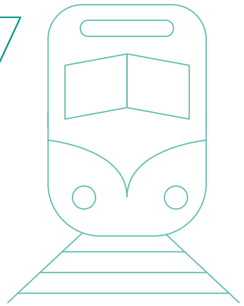
As at 30 June 2021, Angel Trains owned 3,987 rolling stock vehicles and 156 of these are presently off-lease and are expected to be scrapped or held for spares.

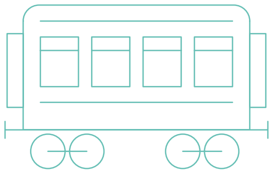
The following leases were extended during the period, as a result of short-term franchise awards/extensions;

- **Cross Country Trains Ltd**
  The franchise was extended from October 2020 to October 2024, extending the lease of 21 HST vehicles.

3,987

rolling stock vehicles owned by Angel Trains





156

of these are presently off-lease and are expected to be scrapped or held for spares

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

- **Abellio East Anglia Ltd**
  184 Class 317 vehicles were extended until various dates in 2021. Additionally, 84 Class 360 that were due to cascade to Abellio East Midlands Ltd in August 2020 were extended until February 2021. They were cascaded to Abellio East Midlands Ltd after this date.

- **Arriva Rail North Ltd**
  10 Class 153 vehicles were extended from December 2020 to May 2021. 3 were later extended to December 2021.

- **Keolis Amey Wales Cymru Ltd**
  4 Class 153 vehicles were cascaded from Abellio East Midlands Ltd; a lease was entered into from November 2020 to July 2021.

- **Great Western Railway Ltd**
  19 additional Class HST vehicles were leased until March 2023.

In March 2021, 9 on-lease and 2 off-lease Class 153 vehicles were sold to Transport for Wales, 90 Class 442 vehicles were sold to South West Railway for disposal and 7 Class 43 HST Power Cars with no future re-lease opportunities were sold privately.

In October 2020, the Welsh government announced Keolis Amey would cease to operate the Wales and Borders rail services from 8 February 2021 and services would be provided by a state owned subsidiary of Transport for Wales Rail Limited. All existing leases have been migrated, on the existing terms and expiry dates, to the new legal entity.

As a result of the Covid-19 pandemic, patronage levels decreased significantly, resulting in a majority of franchise train operators requiring financial assistance from the Government. After an initial period of financial assistance under the original franchise terms, in September 2020, the Government announced that Emergency Recovery Measures Agreements ("ERMAs") would come into effect.

The table below shows the impact of the ERMAs, with the table reflecting the amended expiry dates.

Franchise	Original franchise expiry (Extension option)	Revised expiry date due to ERMA	National Rail Contract period
Trans Pennine	August 2023 (April 2025)	May 2021	2 years' core | 2 year extension option
South Western	August 2024 (June 2025)	May 2021	2 years' core | 2 year extension option
Essex Thameside	November 2029 (June 2030)	July 2021	2 years' core | 2 year extension option
East Anglia	October 2025 (October 2026)	September 2021	3 years' core | 2 year extension option
West Midlands	April 2026 (April 2028)	September 2021	3 years' core | 2 year extension option
West Coast Partnership	April 2031 (April 2034)	March 2022	4 years' core | 2 year extension option
East Midlands	August 2027 (August 2029)	March 2022	4 years' core | 2 year extension option

The table below summarises the Angel Trains fleet by lease counterparty as at 30 June 2021.

Franchise Owner	TOC	Total Vehicles	Lease End Dates	Vehicles Leased	Franchise Type
Abellio	Abellio East Anglia Ltd Abellio East Midlands Ltd Abellio ScotRail Ltd	213 148 259 **Total: 620**	Dec - 22 / Oct - 25 Sep 21 / Dec - 21 / Dec - 22 / Aug - 27 Mar - 22	5.34% 3.71% 6.50% **15.55%**	Franchise Franchise Franchise
Abellio, JR East and Mitsui	West Midlands Trains Ltd	**216**	Mar - 26	**5.42%**	Franchise
Arriva	Chiltern Railways Ltd Ltd Grand Central Railway Company Ltd XC Trains Ltd	97 50 21 **Total: 168**	Dec - 21 Dec - 26 Oct - 23	2.43% 1.25% 0.53% **4.21%**	Franchise Open Access Franchise
First Group	Great Western Railway Ltd First Transpennine Express Ltd Hull Trains	217 95 25 **Total: 337**	Mar - 23 Mar - 25 Dec - 29	5.44% 2.38% 0.63% **8.45%**	Franchise Franchise Open Access
First Group / MTR	First MTR South Western Trains Ltd	**733**	Aug - 24	**18.38%**	Franchise
GB Railfreight	GB Railfreight Ltd	**4**	May - 25 / Jul - 25	**0.10%**	Freight
Govia (Go-Ahead plc 65% / Keolis 35%)	London & South Eastern Railway Ltd	**436**	Oct - 21	**10.94%**	Franchise
Transport for Wales	Transport for Wales Ltd	**118**	May 22 / Oct - 22	**2.96%**	Franchise
Rail Operations Group	Rail Operations Group Ltd	**5**	Jul - 24	**0.13%**	Hauler
Serco / Abellio	Merseyside Passenger Transport Ltd	**171**	May - 23	**4.29%**	Franchise
Trenitalia	Trenitalia C2C Ltd	**112**	Nov - 29	**2.81%**	Franchise
Department for Transport	Northern Trains Ltd	**337**	Dec - 21 / Mar - 25	**8.45%**	Franchise
First Group / Trenitalia	First Trenitalia West Coast Rail Ltd	**574**	Mar - 26	**14.40%**	Franchise
	Off lease with no future rent expectations* Marked for disposal**	7 149 **Total: 156**		0.18% 3.74% **3.91%**	* All off lease vehicles are life expired but opportunities are being explored ** Off lease, life expired with no future identifiable opportunities to release
GRAND TOTAL		**3,987**			

2.3 Significant Board/Management changes for the period ending 30 June 2021

The following significant changes of directors and officers in the Angel Trains Group of companies took place during the period:

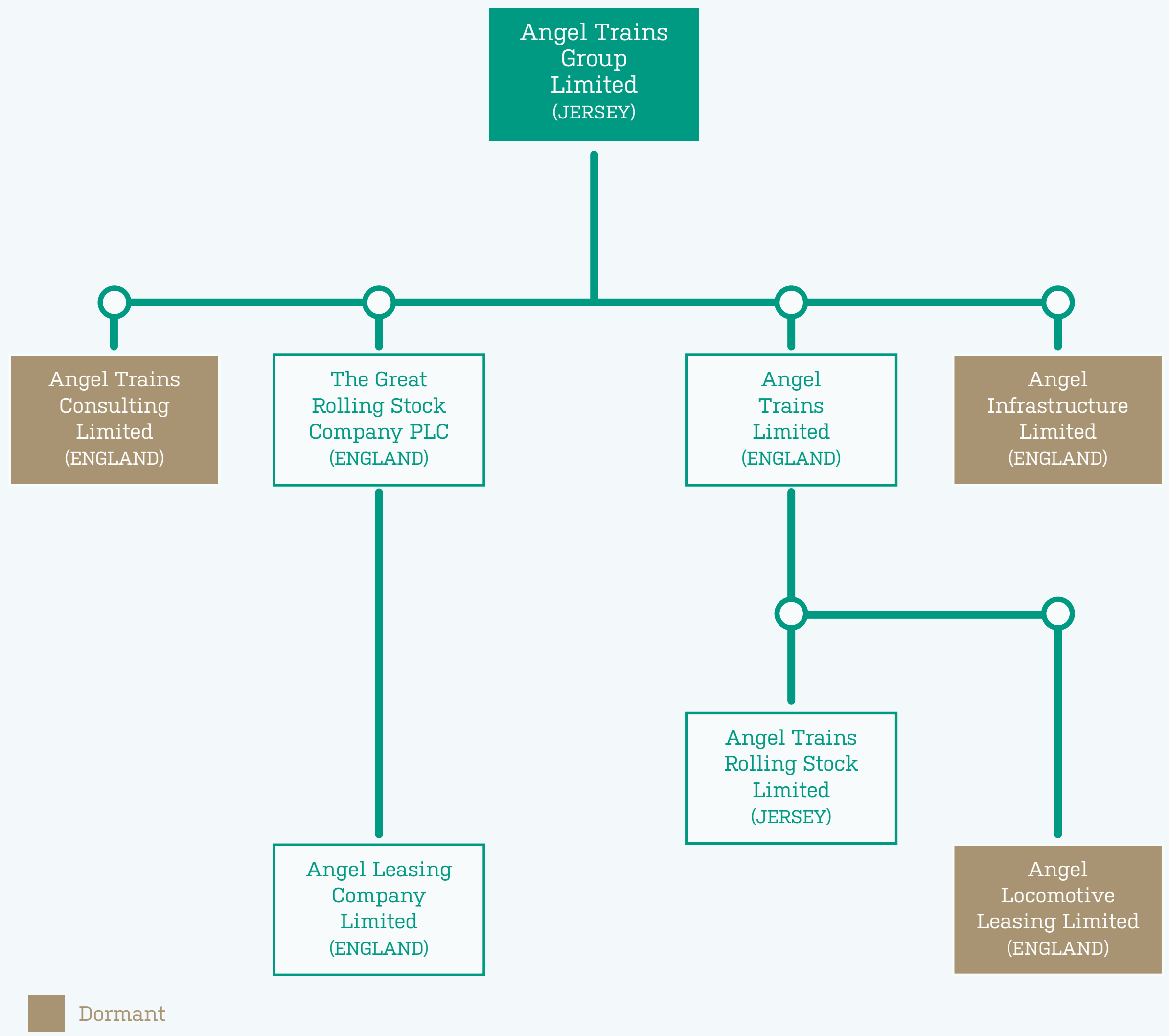
- M Brown (appointed 12 July 2020)
- N Karunatilake (appointed 21 July 2020)
- B Pahari (resigned 21 July 2020)
- K Tribley (resigned 21 July 2020)
- T Smith (resigned on 31 January 2021)
- M Russell (appointed 1 February 2021)
- N McBreen (resigned on 5 March 2021)
- C Riise-Knudsen (appointed on 23 March 2021)
- P Larsen (resigned on 23 March 2021)

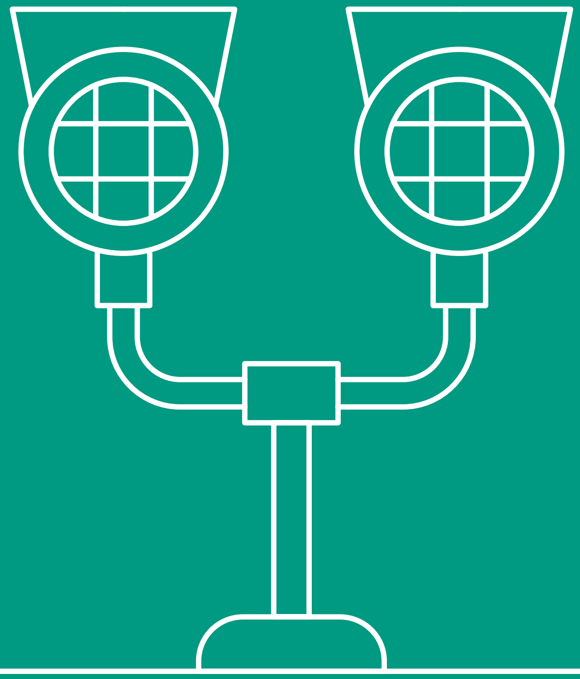
2.4 Corporate Restructure

During the period the Group struck-off a number of dormant companies and simplified the senior ring-fence structure.

The restructure will result in simplified reporting to the lending group and it should be noted that Angel Trains Group Limited is now the senior consolidated company (previously Willow Bidco Limited). The revised senior structure is shown opposite:

The revised senior ring-fence structure:





REGULATORY / GOVERNMENTAL DEVELOPMENTS

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 Covid-19 pandemic.

The Department for Transport temporarily suspended normal franchise agreements and transferred all revenue and cost risk to the government for an initial period of six months. Initially all franchise train operators transitioned onto Emergency Measures Agreements, ("EMAs") enabling greater flexibility where they continued to operate services day-to-day for a small predetermined management fee.

After the initial six-month period of financial assistance under the original franchise terms, in September 2020, the Government announced that Emergency Recovery Measures Agreements ("ERMAs") would come into effect.

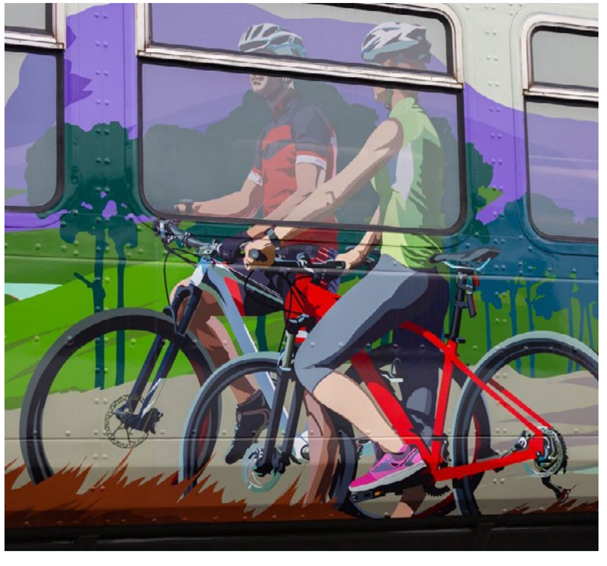
Upon the expiry of the ERMAs, franchise agreements either have already been, or will be, terminated and replaced by National Rail Concessions ("NRCs"). The NRCs provide for a core term, with optional extension dates. The resulting NRC programme provides future clarity and stability for the Group and wider industry. The Group has actively continued to engage with the Department for Transport and supported all train operators during this challenging and uncertain period for the UK rail industry.

On 20 May 2021, the Government released the Williams-Shapps Plan for Rail (the "White Paper"), setting out its proposals for reform and restructuring of the Great British Rail Industry. The White Paper is structured around seven promises, 10 key outcomes and 62 commitments to deliver the 10 key outcomes. **Overall, the White Paper contemplates a raft of reforms across all aspects of the Rail Industry that include significantly:**

- **CREATION OF A NEW PUBLIC BODY:** Great British Railways ("GBR") as a single "guiding mind" to own infrastructure, receive fare revenue, run and plan the network and set most fares and timetables (from a practical perspective, the White Paper anticipates that Network Rail, along with relevant functions of the Rail Delivery Group and Department for Transport will be absorbed into GBR);
- **ESTABLISHMENT OF A NEW, UNIFIED BRAND & IDENTITY:** New, unified brand and identity across the whole system, with national and regional sub-identities;
- **REFORM OF AND UPGRADES TO THE FARES SYSTEM:** With an emphasis on standardisation and simplicity, together with the introduction of new and innovative products such as flexible season tickets;
- **THE END OF THE FRANCHISE SYSTEM:** To be replaced by concessions for the operation of passenger rail services, similar to Transport for London's Overground and bus network contracting systems;
- **INTRODUCTION OF PASSENGER SERVICE CONTRACTS:** Under which revenue risk (generally) is expected to remain with Government, and cost risk to be passed to the operating companies; and
- **OVERHAUL OF TRACK ACCESS REGULATION:** Through new legislation, with the aim of giving GBR powers and duties to plan the use of the network, balance priorities and maximise overall public benefit.

It is acknowledged that implementation of certain reforms may take a number of years (in particular, where new or amending primary legislation is required, and/or to provide time for the expiration of existing 'legacy' commitments). However, the White Paper anticipates that this simpler, more integrated structure could, after five years, deliver savings of around £1.5 billion a year (equivalent to 15% of the network's pre-pandemic fares income).

The Group welcomes the White Paper and participated in the initial industry-wide request for information. The Group supports the proposals for reform and restructuring of the Great British Rail Industry proposals and believes its approach to embracing competition, fostering innovation and improving the customer experience through the continued involvement and participation of the ROSCOs is consistent with the White Paper proposals and objectives.



There has been a hiatus to a number of franchise competitions most notably South Eastern and Cross Country resulting in the cancellation of the competitions and the introduction of directly awarded franchises during 2020.

However, with the advent of ERMAs and subsequent NRCs a significant level of activity is anticipated over the next three years with a majority of the NRCs incorporating extension options, which in our view, are likely to be exercised in the majority 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 contract awards.

Franchise	Contract Commencement Date	Expiry Date	Extension Option
Essex Thameside	25 July 2021	23 July 2023	July 2025
South Western	30 May 2021	28 May 2023	May 2025
Trans Pennine	30 May 2021	28 May 2023	May 2025
East Anglia	October 2021	September 2024	September 2026
West Midlands	October 2021	September 2024	September 2026
South Eastern	October 2021 (or up to March 2022)	18 months to 72 months	None
Chiltern	December 2021	18 months to 72 months	None
East Midlands	April 2022	March 2026	March 2028
West Coast Partnership	April 2022	March 2026	March 2028

CAPITAL EXPENDITURE

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 £133m, mainly comprising of:

- Stage payments and capitalised interest for 665 Class 720 vehicles.
- Modifications for Class 165/166, Class 15x, HSTs, Class 17x, Class 333, Class 390, Class 442, Class 444 and Class 450 vehicles.
- PRM and CSO work on Class 15x, Class 317 vehicles and HSTs.

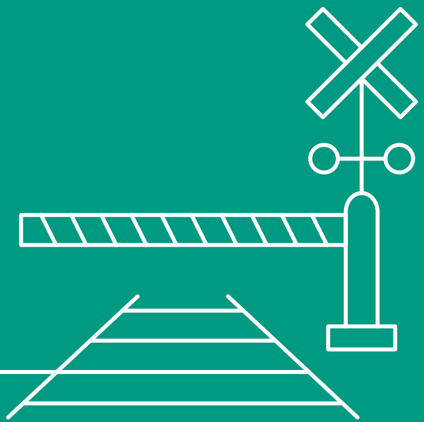
CAPITAL EXPENDITURE

£133m

The Group had total capital commitments of £593.0m as at 30 Jun 2021, mainly comprising of:

- Stage & delivery payments and capitalised interest for 665 Class 720 vehicles.
- Retention payments for 120 Class 802 vehicles.
- Modifications to several fleets including the Pendolino fleet for First Trenitalia West Coast.

FINANCING

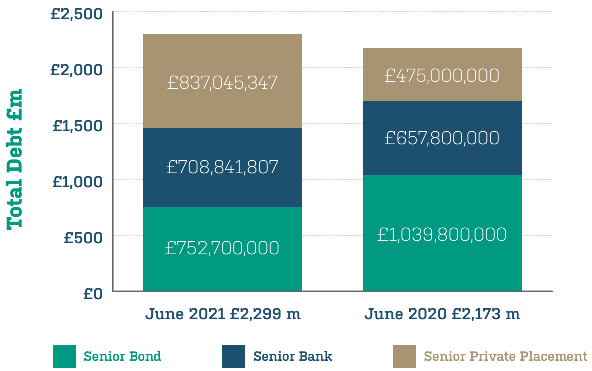


5. FINANCING

5.1 Total Senior debt outstanding at 31 December 2020

The £300m sterling public bond was fully repaid during July 2020. Additionally, the £350m Revolving Credit Facility was extended to October 2025 by the majority of the lenders (one bank opted not to extend and it has a maturity of October 2024).

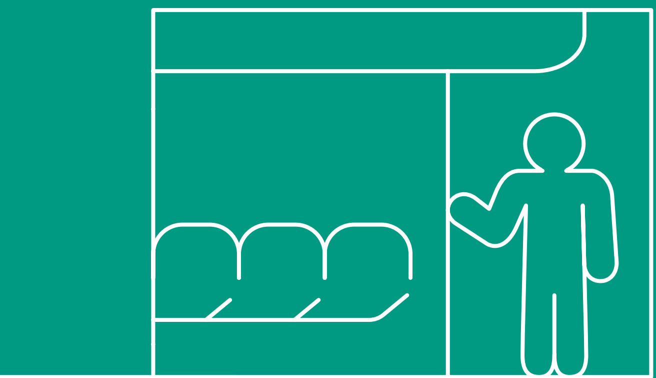
5.2 Senior Debt Facilities: June 2021 v June 2020



Total Debt Outstanding: The Great Rolling Stock Company PLC

Debt Type	Debt Facility	Balance Outstanding	Issue / Facility Limit	Maturity Date
Senior Bond	20-yr Amortising Bond	370,300,000	460,000,000	Apr-31
	25-yr Amortising Bond	332,400,000	500,000,000	Jul-35
	Floating Rate Note (EMTN)	50,000,000	60,000,000	Dec-23
	Total for Debt Type	**752,700,000**	**1,020,000,000**	
Senior Private Placement	US Senior Private Placement	30,000,000	30,000,000	Jun-31
	US Senior Private Placement	85,000,000	85,000,000	Nov-32
	US Senior Private Placement	200,000,000	200,000,000	Sep-34
	US Senior Private Placement	100,000,000	100,000,000	Nov-37
	Senior Private Placement	422,045,347	437,534,052	Nov-27
	Total for Debt Type	**837,045,347**	**852,534,052**	
Senior Bank	Revolving Credit Facility	0	350,000,000	Oct-25
	10-yr Bullet Debt	137,500,000	137,500,000	Nov-24
	15-yr Amortising Debt	113,437,500	137,500,000	Nov-29
	15-yr Amortising Debt	300,000,000	300,000,000	Oct-33
	10-yr Amortising Debt	157,904,807	396,5000,000	Nov-27
	Total for Debt Type	**708,841,807**	**1,321,500,000**	
Grand Total		**2,298,587,153**	**3,194,034,052**	

HISTORICAL FINANCIAL PERFORMANCE AND RATIOS



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 2021 was £462.8m (2020: £429.1m). Revenue for the period was £544.9m (2020: £506.4m).

The increase from 2020 is mainly due to an increase in non-capital deferred income and other income.

The new Class 720s are beginning to be introduced into passenger service which has also increased revenue.

The Group's total external senior debt at 30 June 2021 was £2,298.6m, compared to £2,172.6m at 30 June 2020. The net increase of £126.0m was due to investment in the existing portfolio and new rolling stock.

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

The Senior Interest Cover ratio for the period 30 June 2021 was 3.7, compared to the financial covenant requirement of at least 1.5:1.

The Senior Leverage ratio for the year ending 30 June 2021 was 4.6, compared to the financial covenant requirement of no greater than 8.5:1.

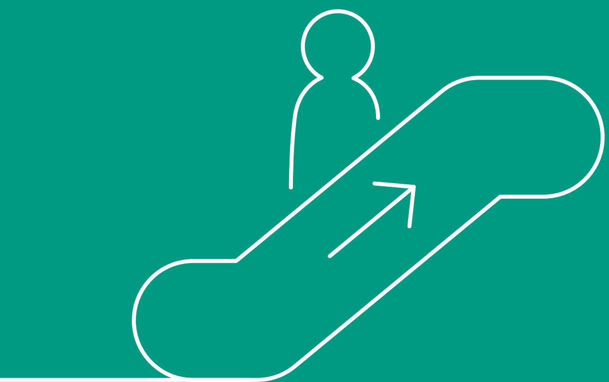
The Group remains insulated from the direct impact of foreign exchange volatility and the senior debt is hedged for interest rates. All of our revenues are generated within the United Kingdom and they are denominated in Sterling.

6.2 Credit ratings

Moody's completed its annual review for 2020 and affirmed the Baa2 credit rating in January 2021 and confirmed that Angel Trains has limited re-leasing risk in the medium-term, stating that:

> "During the January 2021 to December 2023 period, around 33% of vehicles are expected to come off-lease. Out of these, around 40% are at the end of their lives. Therefore, only around 20% of the existing fleet will face re-leasing risk during this period, reflecting Angel Trains' strong recent re-leasing performance with higher risk fleets having already been cascaded."

OTHER BUSINESS MATTERS



7. OTHER BUSINESS MATTERS

Angel Trains has maintained Rail Industry Supplier Approval Scheme ("RISAS") certification in support of its provision of vehicle overhaul and engineering services. RISAS builds upon Angel Trains existing ISO 9001 approval for quality management.

A corporate restructure was successfully completed in December 2020, streamlining the business for the future.

At the start of the pandemic, employees made a smooth transition to working at home. We moved from an annual employee opinion survey to regular "pulse" surveys and completed six during the last year.

Participation has remained high, and it has been a useful way of getting direct feedback from employees during lockdown. We have introduced a range of initiatives to maintain employee wellbeing and morale whilst working remotely in ensuring that we continue to support our stakeholders. The recent employee pulse survey showed that employee engagement increased slightly to 8.7 from the previous year which significantly exceeded the overall global benchmark score of 6.7. The Investors in People Gold accreditation has been retained, against the new higher standard, and there is an action plan for continued success at the next re-accreditation.

INVESTOR REPORT

1 July 2020 - 30 June 2021

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