FUNDING STRATEGY HY1 2024

Capital Markets
Basel, 3rd January 2024

EUROFIMA
European Company for the Financing
of Railroad Rolling Stock
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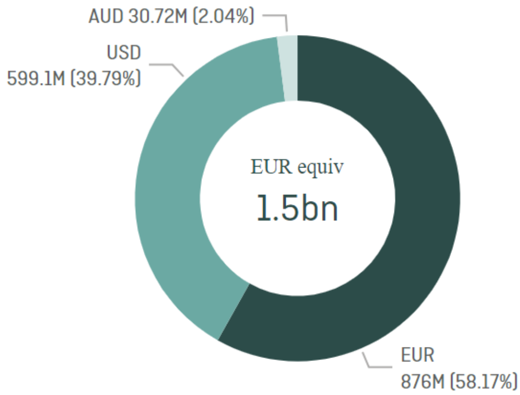
1 Objective

The FUNDING STRATEGY document is produced by the Capital Markets unit with the purpose to review and guide its funding activities. The objective is to define the funding strategy for the next half year, as well as to align funding decisions to EUROFIMA's long-term funding goals. This is a summary of the internal extended version of the FUNDING STRATEGY, document which contains a market overview, a capital markets and functions activities review, as well as dedicated sections on lending and investor relations activities. The document is submitted to the Management Committee (i.e., the CEO and CFO) for approval each half year-end.

2 Funding Review

Bond funding

In 2023, a new 3.125% Euro-denominated line was established with a maturity of Mar-2033, this line was subsequently tapped to reach an outstanding volume of EUR 570m. Additional funding requirements were met via the issuance of a new AUD 48m bond due 2038 and further taps of the 0.150% Oct-2034 and 0.100% May-2030 lines. Total funding in EUR equivalent terms for 2023 amounted to ~EUR 1.5bn.



Funding volume with bond issuances in 2023

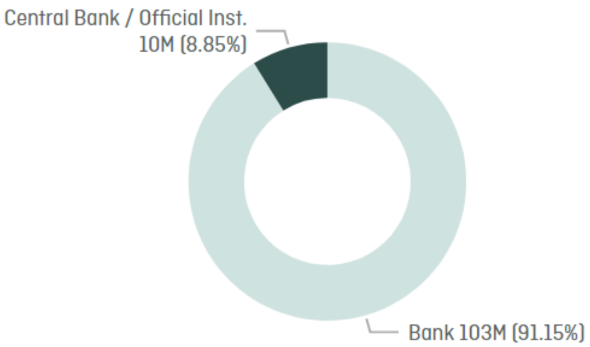
In 2023, ten bond transactions were executed:

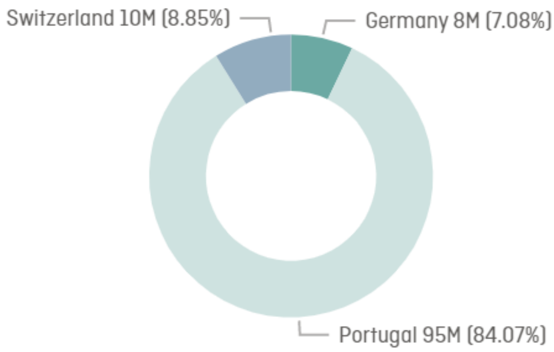
- In November, the 2033 line was tapped by a further EUR 110m.
- In November, a new USD 600m short 3-year bond as issued.
- In September, the May-2030 line was tapped by 50m.
- At the end of July, a USD 59m 1-year bond was issued.
- At the end of May, a EUR 100m tap of the 2033 line was issued.
- In early May, a EUR 70m tap of the 2033 line was issued.
- In April, the EUR 2034 line was tapped by a further 113m, thus reaching max outstanding volume at EUR 2bn.
- At the end of March, a new on-the-run 10-year bond was issued; a EUR 290m 3.125% bond due Mar-2033.
- In mid-March, a tap of the EUR 2034 line by a further 143m was conducted.
- In February, a new 15-year AUD 48m (EUR 31m eq.) bond due Feb-2038 was issued.

Public Bookbuilds and Investors Reached

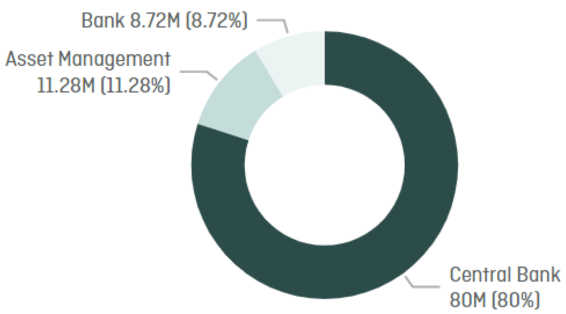
Although no public benchmarks were issued in H1 2023, two of the above tap transactions involved a public bookbuild, hence the following investor and distribution statistics are outlined.

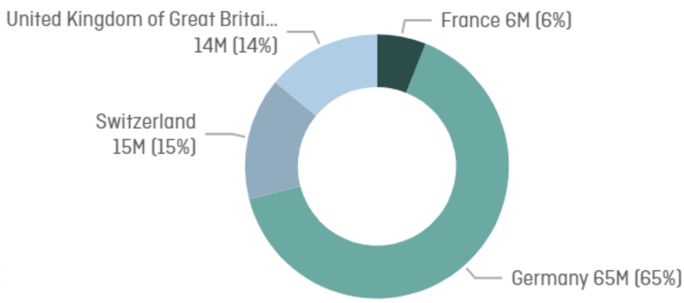
EUR 113m tap of the 0.150% Oct-2034 bond



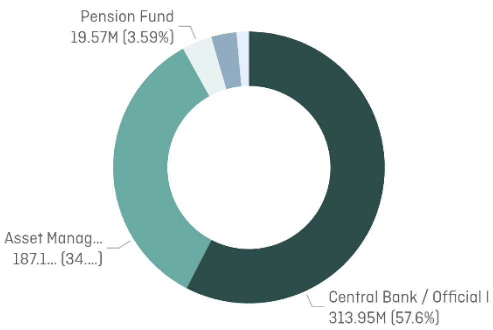


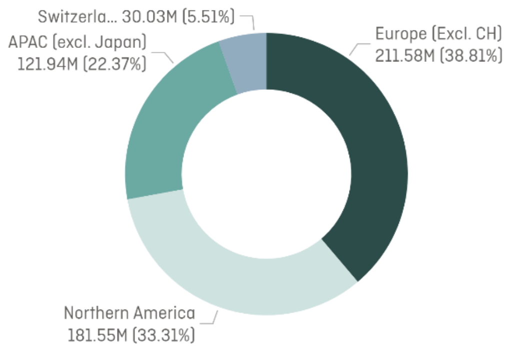
EUR 100m tap of the 3.125% Mar-2033 bond (May)



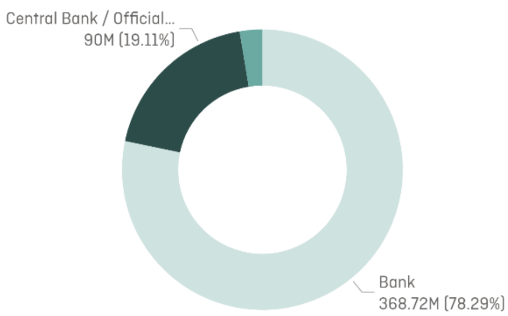


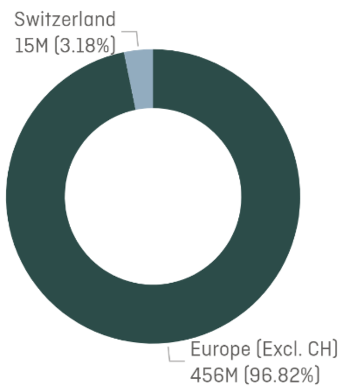
New 4.875% USD 600m Jul-2026 bond





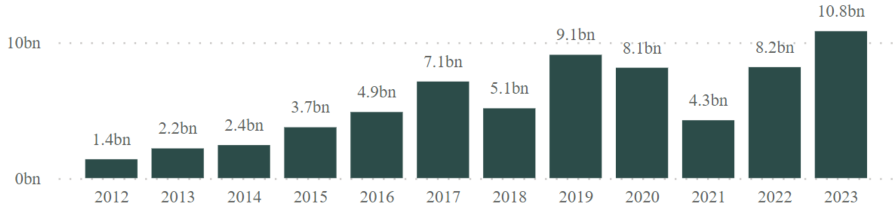
EUR 110m tap of the 3.125% Mar-2033 bond (Nov)





Commercial paper funding

In 2023, a total volume of EUR 10.8bn in Commercial Papers (CPs) was issued, up from EUR 8.2bn during 2022.



Short-term funding volume by year

3 Equipment financings contracts

EUROFIMA's core activity and public mission consist of supporting the development of rail transportation in Europe by providing its shareholders and other railway bodies with cost-effective financings to renew and modernize their railway equipment.

EFC long-term lending 2023

In 2023, the following eleven long-term financings were disbursed:

Overview EFC transaction in 2023

EFC short-term lending 2023

In 2023, the following short-term financings to SBB were disbursed:

- 6 times 1-month financing of CHF 100m
- 1 time 1-month financing of CHF 150m
- 1 time 1-month financing of CHF 160m

Loan book End of December 2023

Over the course of 2023, EUROFIMA's loan book has slightly increased compared to 2022 by EUR 74m, to a total volume of EUR 9.7bn. Switzerland followed by Italy, Spain and Belgium continue to be the largest borrowers. Austrian and Belgian exposure had the largest runoff, whereas Czech Republic, Italy, Croatian and Swiss exposure has seen the largest increase. Total EFC loan book volume grew over the course of the year from EUR 9'585m as of Dec 2022, to a forecasted volume of 9'659m for Dec 2023.

Redemptions in 2024

Out of a total of EUR 939m in EFC maturities in 2024, EUR 639m in redemptions are due in the first half of the year, and therefore very frontloaded. These EFC redemptions are tied directly to the two benchmark bonds maturing in H1: 0.250% EUR 500m Feb-24 and 3.000% CHF 600m May-24.

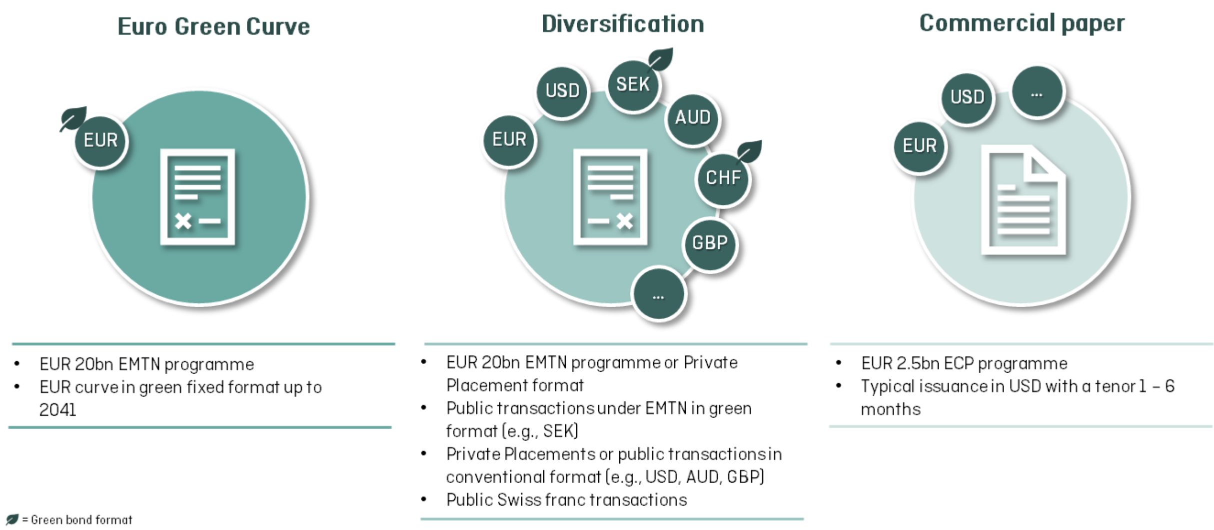
Budget for new financings in 2024

Total demand for 2024 is currently forecast to be in the region of EUR 1.0bn to 1.5bn, as compared to EFC maturities of EUR 939mn in the same period. Most refinancing opportunities in 2024 are concentrated in H1 and synchronise with the upcoming EUR and CHF benchmark bond maturities in Feb and May, respectively.

5 Funding Strategy

EUROFIMA's borrowing operations serve both the core lending business and EUROFIMA's own liquidity requirements. This is fulfilled via bond issuances and commercial paper funding in the international capital markets. The borrowing strategy applicable for 2024 is based on three pillars.

- **Euro-denominated issuances in green bond format ("Euro Green Curve")** as the core financing instrument which serves only to finance lending activities to railways
- **Diversification** of funding activities with issuance in Euro non-green format and/or US dollar-denominated issuances to fund internal liquidity needs as well as opportunistic funding in other currencies (i.e., SEK, CHF, AUD) to fund railway demand
- Short-term funding via **Commercial Paper** for short-term EFC requests and internal liquidity needs



3-pillar Funding Strategy

Priorities for issuances of bonds in 2024 will be set according to the following rules:

1. Completing the Euro green curve with new benchmarks in 10y, 15y or 20y if size allows.
2. Increasing the existing green Euro-lines with taps preference is to increase sub-benchmark sizes to benchmark size.
3. Issuing in non-Euro-lines (e.g. AUD, USD, SEK, CHF),
    - If pricing is not competitive in Euro,
    - If size does not fit Euro market or
    - Any other reason (e.g., maintain presence in non-core opportunistic markets or reduce derivatives exposure)

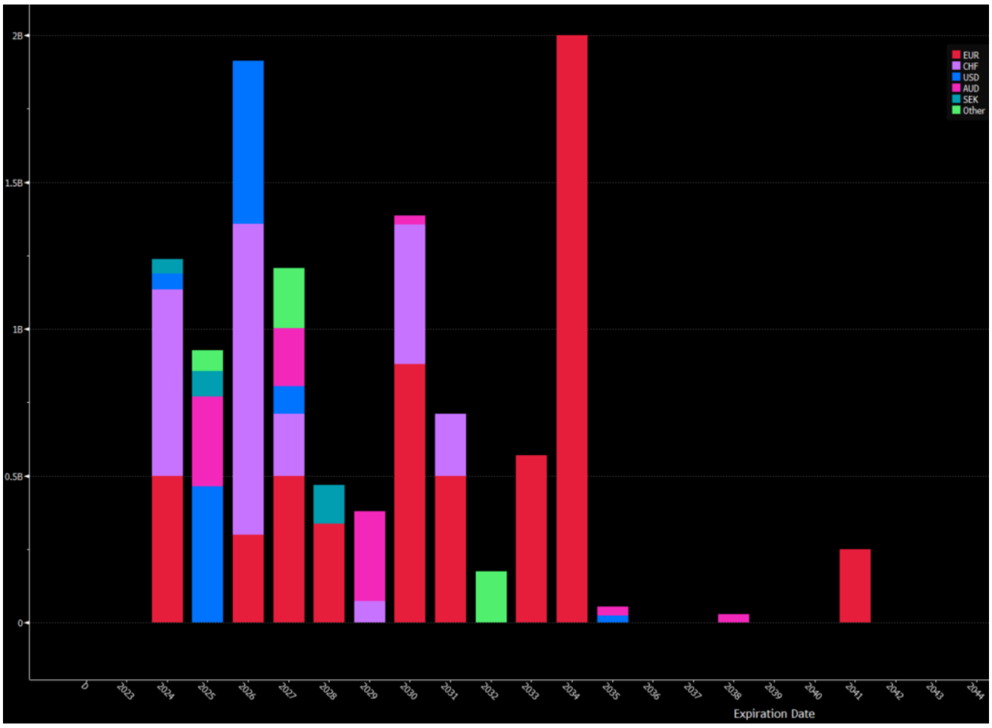
Existing EUROFIMA EUR lines

Overview of existing Euro-denominated lines for taps including the amount outstanding. There is a cap of EUR 2bn per line based on internal policy guidelines.

R	Issuer N...	Ticker	Security Description	Maturity	Amt Out	Mid Price	BVAL Mid YTM	ASW Spread (Mid)	Mod Dur (Mid)
	Average				583.55MM	91.13	2.915	12.135	5.80
1)	Eurofima...	EUROF	EUROF 3 1/8 03/30/33	03/30/2033	570.00MM	102.95	2.678	23.170	7.82
2)	Eurofima...	EUROF	EUROF 0.1 05/20/30	05/20/2030	800.00MM	85.30	2.526	8.990	6.23
3)	Eurofima...	EUROF	EUROF 0.15 10/10/34	10/10/2034	2.00MMM	75.83	2.672	17.504	10.42
4)	Eurofima...	EUROF	EUROF 0 1/4 02/09/24	02/09/2024	500.00MM	99.51	3.790	-14.785	0.14
5)	Eurofima...	EUROF	EUROF 0 1/2 04/23/41	04/23/2041	250.00MM	66.42	2.906	34.513	15.88
6)	Eurofima...	EUROF	EUROF 3 1/8 11/09/31	11/09/2031	500.00MM	103.04	2.595	16.484	6.91
7)	Eurofima...	EUROF	EUROF 0 07/28/26	07/28/2026	300.00MM	93.00	2.723	3.789	2.53
8)	Eurofima...	EUROF	EUROF 1 5/8 07/20/27	07/20/2027	500.00MM	96.31	2.617	8.336	3.39
9)	Eurofima...	EUROF	EUROF 0.01 06/23/28	06/23/2028	335.50MM	88.84	2.586	11.211	4.39
10)	Eurofima...	EUROF	EUROF Float 10/15/30	10/15/2030	80.00MM	100.10	4.056	--	0.32

Outstanding EUR-denominated EUROFIMA bonds (Source: Bloomberg, 20 Dec 23)

Debt distribution profile



The 3y USD 500m maturing in H2 2023 has been refinanced by the 3y USD 600m issuance on 16.11.2023, with a maturity in July 2026. EUR remain our main funding currency (51.6%) followed by CHF (23.6%), USD (10.5%), AUD (7.9%) and SEK (2.4%).

Financing EFC

Detailed financing strategy for respective upcoming transactions is subject to approval from the Deal Review Committee.

In addition to price-related best execution considerations for both EUROFIMA and the railway, we also observe the following considerations on funding strategy for funding in the market:

- We cannot tap bonds above EUR 2bn, bonds issued before 1st Jan 2018, and we prefer not to tap bonds far below par as it is less economical.

- We prefer to maximise individual bonds' liquidity by taking outstanding volumes >EUR 500m. Maintaining and building upon EUROFIMA's presence across the curve is also important.
- We prefer benchmark issuance and public bookbuilding, even if the volume is sub-benchmark. No EUR benchmarks have been issued in 2023, and in this situation, public bookbuilding for taps will help maximise EUROFIMA's visibility in the market. Investor work is also more important as a result too.
- For other EFC financings, whether small in volume or otherwise unorthodox, EUR 19m worth of warehouse funding remains available, as well as the ability to issue CPs.
- We continue to maintain and build upon the flexibility to accommodate more complex disbursement schedules offered to shareholders.