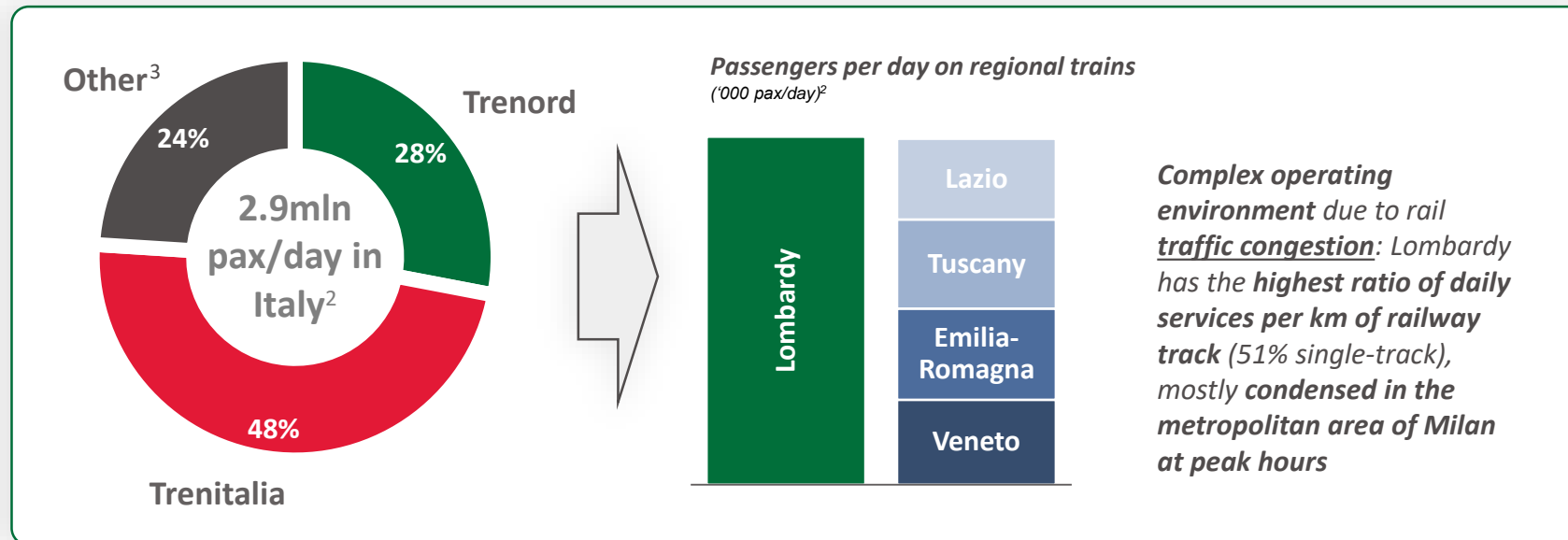
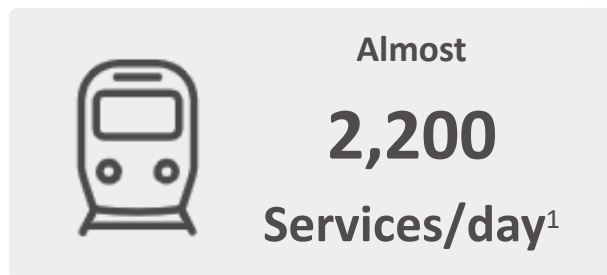


**Public Service Contract
between Regione Lombardia
and Trenord for the period
1 December 2023 –
30 November 2033**

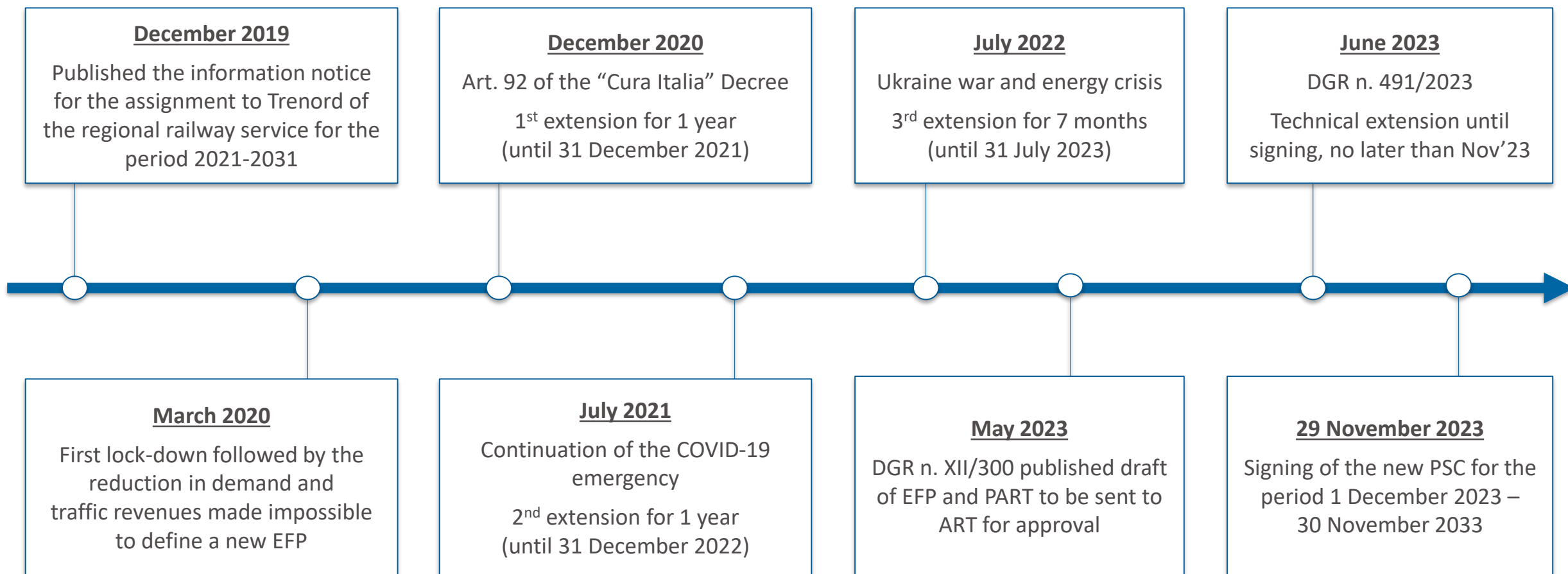
13 December 2023

Among the most important LPT railway players in Europe excluding the National train operators



- Trenord is a **50:50 JV between Trenitalia and FNM Group** and operates passengers rail services in Lombardy region
- Incorporated in 2011, Trenord is one of the most important operators of suburban and **regional local public rail transport** in Europe, both in terms of size and in terms of service capillarity: 460 stations, 2.000 kilometers of rail network, 77% of Lombardy's municipalities within a 5-km radius serving 92% of citizens. Trenord also operates passenger services on the Milan rail link (**Passante Milanese**) as well as the connections with Canton of Ticino (CH), through **TILO** (50% owned jointly with the Swiss Federal Railways) and operates the **Malpensa Express** airport connection to the Malpensa International Airport
- Trenord operates more than 400 trains leased from FNM Group, Trenitalia and Regione Lombardia with a production for LPT services of 38.8mln trains-km in 2022

The largest contract ever signed by Regione Lombardia, a journey marked by an extraordinary macro scenario



	ACT 2022 (€mIn)	9M 2023 (€mIn)	Avg. '23-33 (€mIn)	
Fare revenues	311.0	282.3	2033 +50% vs 2023	PSC contribution may be revised upward/downward depending on actual traffic performance, in order to balance economic-financial equilibrium and reasonable profit of the Contract
PSC contribution <small>Revenues accrued in P&L based on current EFP assumptions, subject to annual review</small>	438.7	329.1	510 / 520 ¹	
Revenues	831.9	653.3	900.0 / 1,100	
EBITDA	159.8	133.1	≈ 170	
EBIT	(15.2)	6.9	30 / 35	
Net Result	(9.5)	(1.1)	≈ 15 ²	

1 – Average variable PSC contribution applicable from 1 December 2023 to 30 November 2033 based on current EFP assumptions, excluding the interest accrued on the cumulated figurative credit/(debit) deriving from the linearization of PSC contribution paid by Regione Lombardia (please refer to slide 14 for details)

2 – Not applicable for FY 2023

Overview

EFP Highlights

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Appendix

OLD

- Three consecutive contracts with a heterogeneous overall structure since the establishment of a single railway company operated in Lombardy:
 - ✓ PSC 2009-2011: Trenitalia and LeNORD contracts remained separate
 - ✓ PSC 2012-2014: first "single contract" negotiated after the creation of Trenord
 - ✓ PSC 2015-2020 + PSC 2008-2017 for Linea S5 (both extended until November 2023)
- Compensation was calculated based on a "**Catalogue of services**" model, using a unit fee (EUR/train-km) calculated considering effective production and number of seats offered
- The model envisaged a **reimbursement for infrastructure access, electricity costs and leasing of rolling stock**
- Focus on maintaining the **economic-financial equilibrium** of the contract and guaranteeing the **continuity of services**



NEW 2023-2033

- Regione Lombardia (RL) is the competent authority for the entrustment of a comprehensive PSC in which scheduling, pricing and planning of the services are set
- ART regulation¹ defines eligible costs in terms of operational expenses, depreciation charges and **adequate capital investments returns**
- Model envisages a **RAB based regime** on which to apply the WACC for the calculation of **reasonable profit**, including leased rolling stock as by IFRS16
- Remuneration of operating costs incurred in the fulfillment of Public Service Obligation, not covered by market revenues, determine PSC compensation (i.e. **net-cost methodology**)
- PSC compensation guarantees **economic-financial equilibrium**
- Ticket sales are linked to a **price-cap yearly dynamic based on actual inflation and quality indicators** defined in the PSC
- Inflation, traffic, WACC and other **relevant parameters are updated at the beginning of each regulatory period**
- The **Risk Matrix** provides the contractual obligations associated with the risks identified and their allocation to each party

Trenord's new regulatory framework will be composed of two main documents:

- **Plan for Achievement of Regulatory Targets (PART)** is the planning document that defines effectiveness and efficiency targets and the actions to improve the performance, as well as the main assumptions on risk sharing between Trenord and Regione Lombardia;
- **Economic and Financial Plan (EFP)** presents economic and financial projections, the fair remuneration of investments and the public contribution due for the 10 years of the contract aimed at remunerating the Public Service Obligations not covered by commercial revenues.

Operating Targets

- **LPT production**: train-km up by 25% with target of 50.5mln train-km/year in 2033 (40.4mln train-km in 2022)
- **Passengers transported**: up to 272mln pax from 151mln pax in 2022 (c. 1mln pax/weekday in 2033)
- **Efficiency target**: operating costs per train-km (deflated at 2022 prices) decrease of 9.3% by 2028
- **Operational performance**: punctuality within 5 minutes perceived by customer (for Trenord sole responsibility) stands at 91.5% in 2028

Economic & Financial Targets

- **PSC compensation from RL**: constant installment equal €536mln p.a. (€5,362mln for 10 years), with the recognition of additional remuneration necessary to guarantee the time value equivalence
- **EFP RAB**: determined at €933.5mln for 2023 by applying the IFRS16 accounting principles and remunerated on the basis of a WACC equal to 7.45% nominal pre-tax (ART n°49/2023)
- **Investment plan**: CAPEX of over €400mln over 2023-2033, excluding new rolling stock which is not self-financed by Trenord
- **Traffic revenues**: strong growth (+6.3% p.a.) supported by materially higher LPT demand, annual adjustment of tariffs equal to 75% of planned inflation and implementation of the integrated fare system

How does it work:

- **Economic and financial equilibrium of the contract is verified annually** by measuring the difference in the Net Result between the normalized EFP vs Actual
- If the contractually established threshold is exceeded (net result greater than/less than 0.5% of total operating revenues), the **differences are analyzed and the responsibilities allocated as defined in the Risk Matrix**

TN

- Effectiveness of anti-avoidance actions
- Demand risk → LPT demand below the forecasts, except when due to infrastructure delays and airport connection tariffs' changes by Regione Lombardia
- Difference of operating costs compared to EFP related to organizational inefficiencies or renewal of National Collective Bargaining Agreement
- Availability of personnel, materials, facilities, and maintenance activities etc...

RL

- Annual changes from EFP in exogenous production costs such as infrastructure access charges, electricity cost, diesel/hydrogen consumption and D&A (related only to investments already envisaged the Contract)
- Missed tariff adjustments related to inflation, activation and modification of the regional integrated tariff system
- Impacts on demand due to exogenous factors (including inflation) and/or administrative choices or delays in planned infrastructure interventions



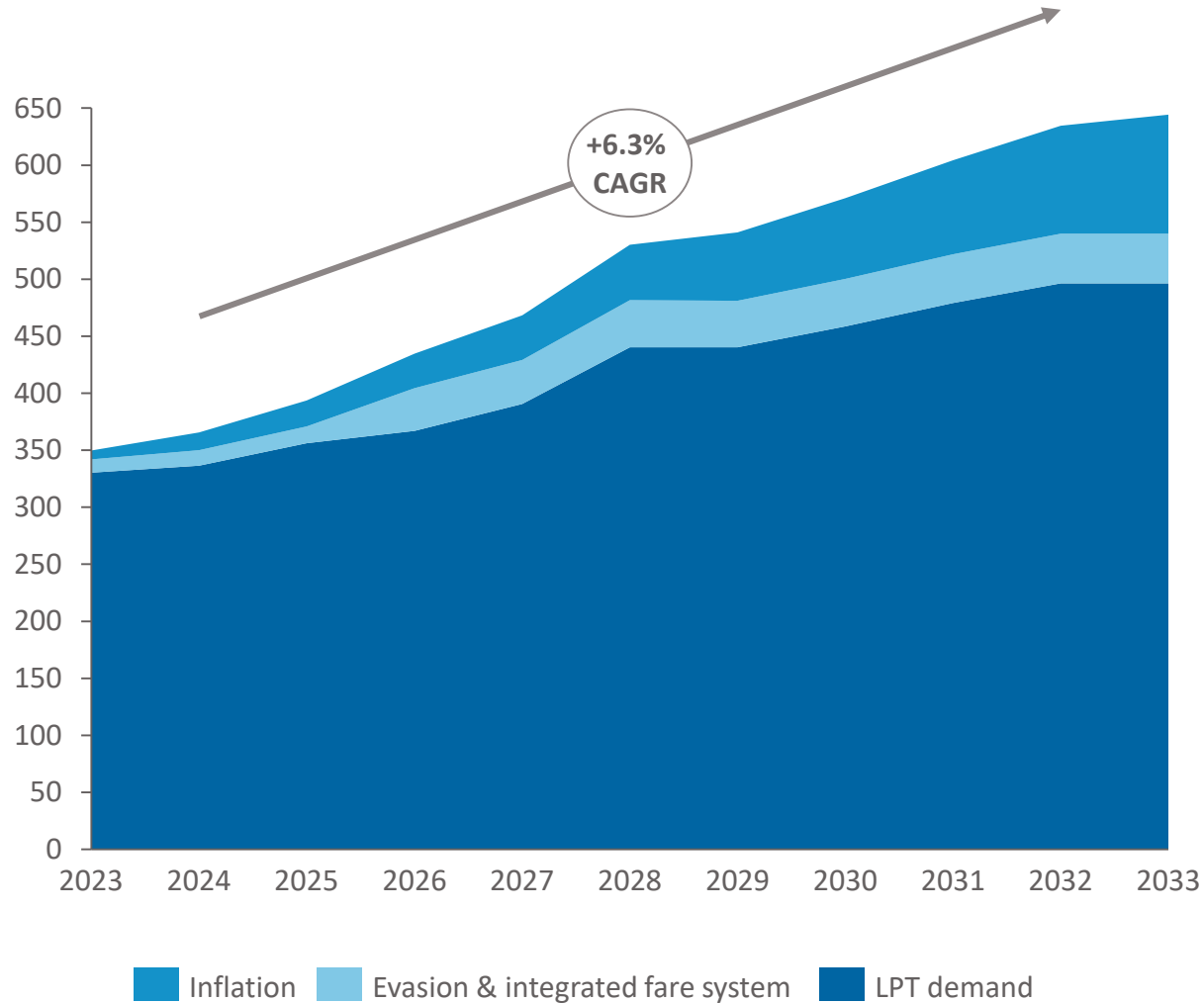
- 1 **First regulatory period 2023-2028:** inflation, traffic projections, WACC and other relevant parameters will be revaluated afterwards
- 2 Subject to **possible revisions of the EFP** at the end of the first regulatory period (2028) or for other causes provided for in the Contract
- 3 Parties can propose additions inherent to consistency and appropriateness of **contents of the Contract during the first two years of the Contract's term**

Overview

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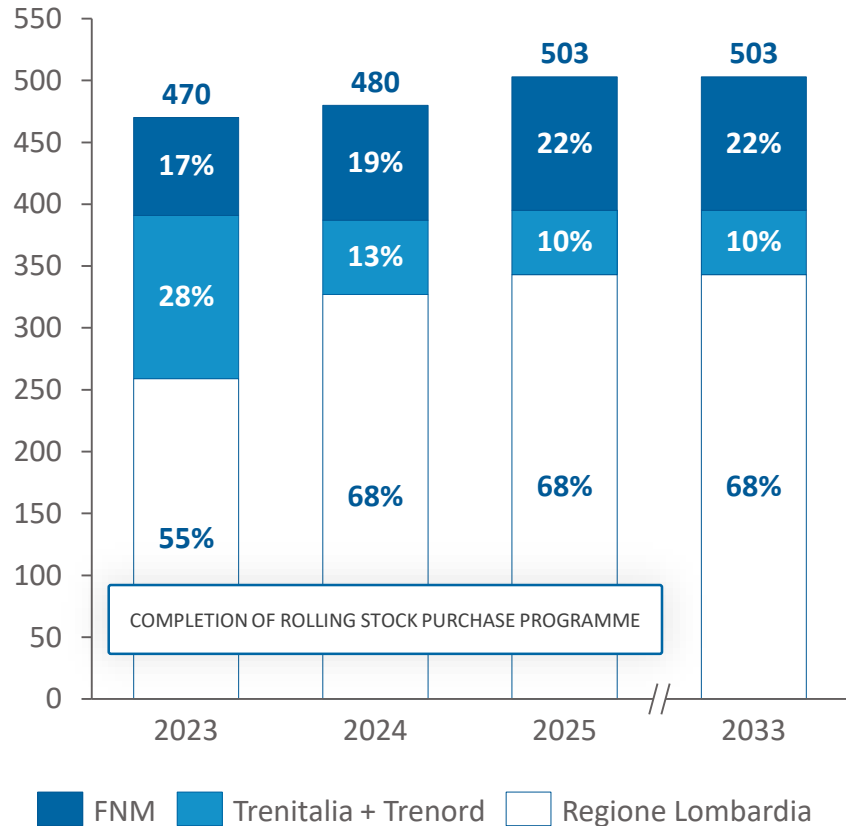
• Expected demand trend assumptions

- historical growth rate of the different types of service weighted by line for the period 2016-2019
- demand attractors/generators (Euro 6 block in Milan, Winter Olympics, Bergamo Airport connection, opening of Mind, City of Health, new Segrate commercial center)
- supply-demand interaction linked to important infrastructure deployments

• Tariff assumptions

- Regional Integrated Tariff System (STIBM, STIL, IVOL e IVOP) fully running by 2026
- price-cap yearly dynamic based on 75% of planned inflation, conditioned on compliance with quality indicators
- actions to combat tariff evasion/avoidance (-50% in 10 years)
- daily validity of the ticket
- Expected inflation: 5.9% in 2023, 2.8% in 2024 and 2.1% in 2025¹, a constant level of inflation of 2% was assumed after 2026

- Regione Lombardia has strategically chosen to fully finance the purchase of new rolling stock, simplifying future tender procedures. With the completion of the modernization program (214 trains by 2025) ~ **70% of the fleet will be under the direct control of RL and managed through Ferrovienord**



• RL rolling stock purchase programme

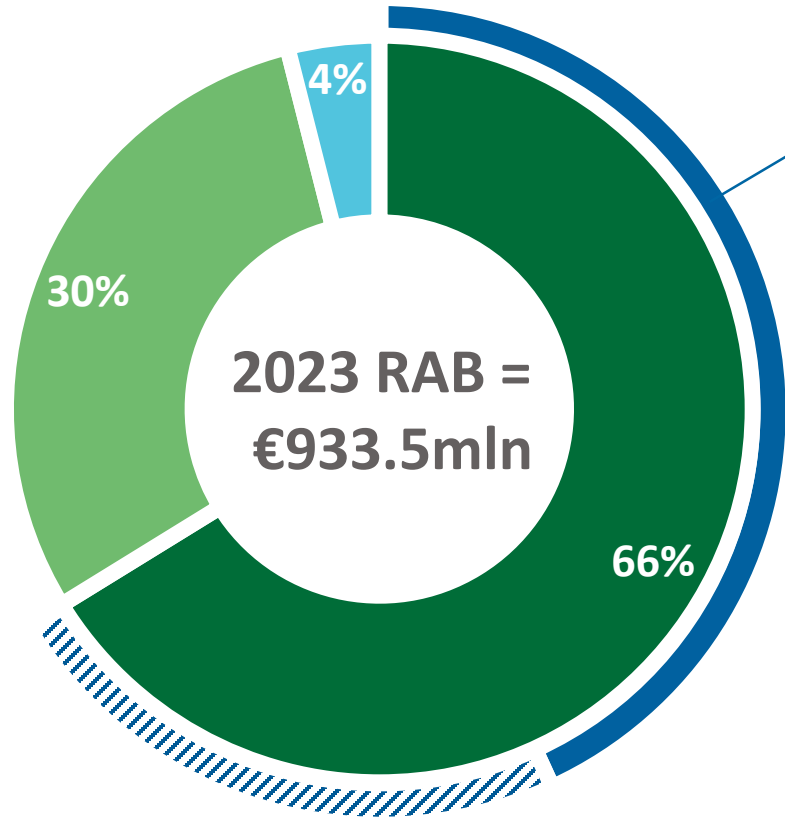
- Implemented through Ferrovienord, envisages a total of 214 trains (130 are already into service) + 129 trains related to previous purchase programs
- Doesn't include other programs being implemented by Regione Lombardia for further renewal of the fleet (ex. Regio Express)
- Cyclical maintenance costs are borne directly by RL, through the PSC with Ferrovienord which acts as procurement agent and fleet manager

• Trains leased from FNM

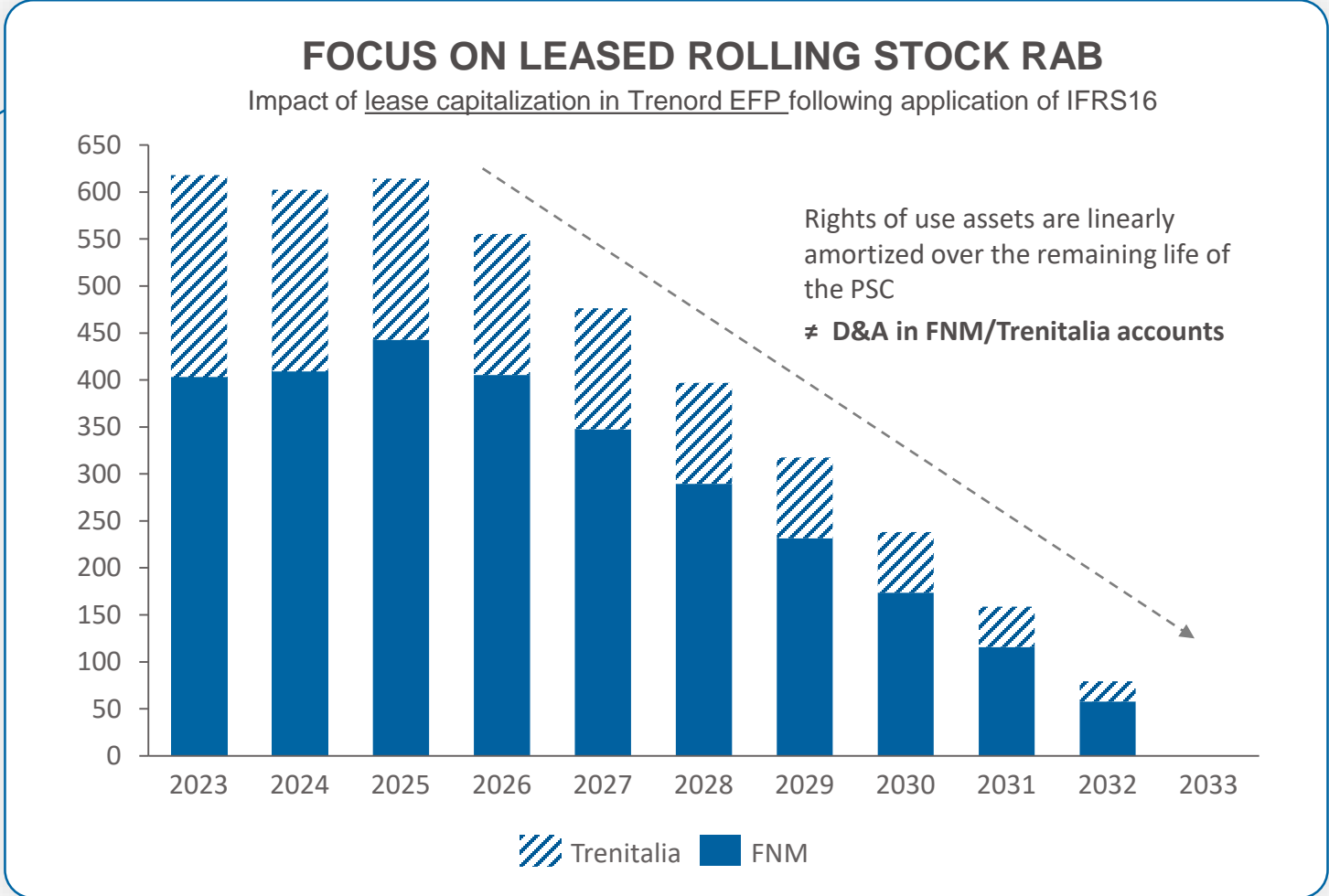
- +15 high-capacity trains
- H2iseO project:
 - FNM already committed to buy 6 trains for €70.8mln
 - 8 trains may be financed with additional public resources, or alternatively also leased from FNM
 - EFP considers costs for the leasing of 7 trains (out of 14) and cyclical maintenance for 14 trains
- CAPEX for the new rolling stock was already envisaged in FNM 2021-2025 Strategic Plan
- No additional investments currently envisaged in the EFP

• Trains owned by Trenord and leased from Trenitalia

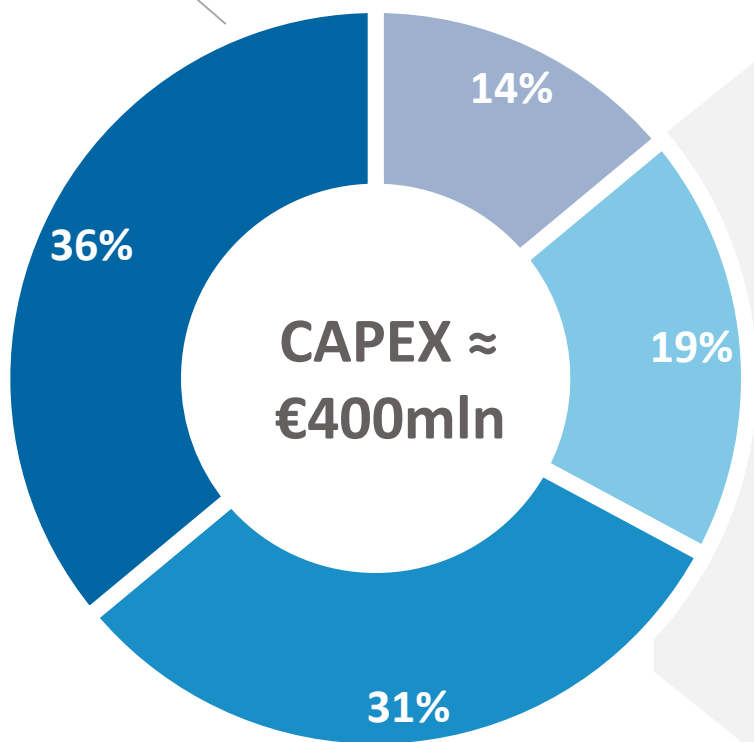
- Partial replacement of the oldest elements with new rolling stock provided by RL



- Leased Rolling Stock
- Net Fixed Assets
- Net Working Capital

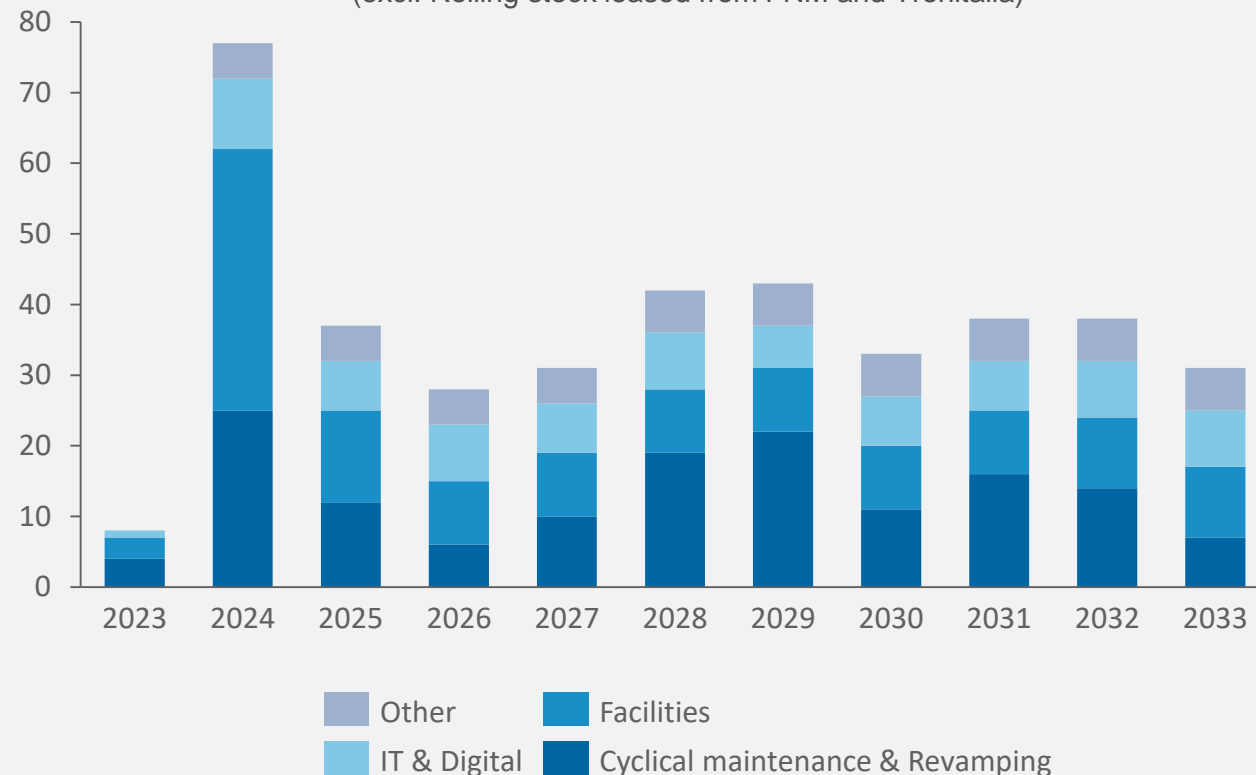


Capitalization of costs for second level maintenance on rolling stock owned by Trenord and leased from Trenitalia¹

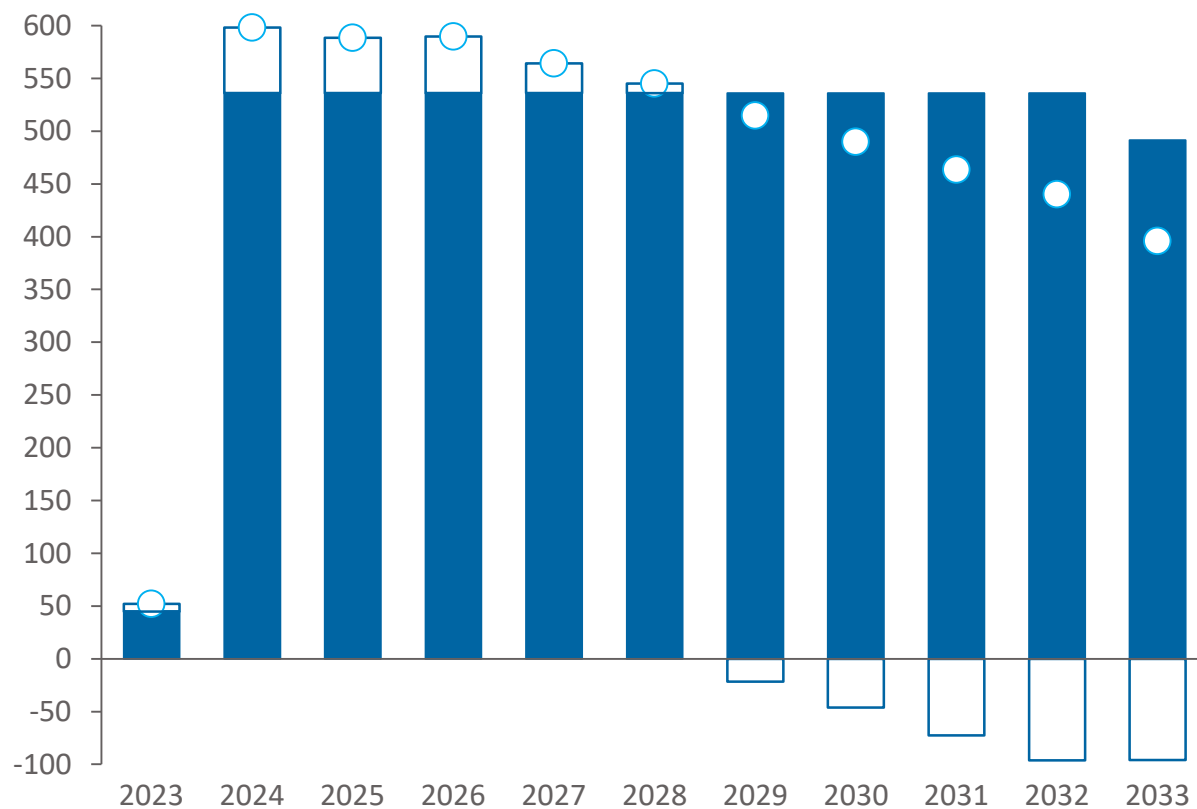


INVESTMENT PLAN WITH OWN FUNDS

(excl. Rolling stock leased from FNM and Trenitalia)



1 – Cyclical maintenance on rolling stock leased from FNM is borne by FNM itself and remunerated with a simultaneous adjustment to the leasing fee charged to Trenord, and reflected indirectly into the RAB. Maintenance on rolling stock given in use by Regione Lombardia, starting from 2024, is managed by Ferrovienord and the costs are fully covered by public contributions in line with the provisions of Public Service Contract.



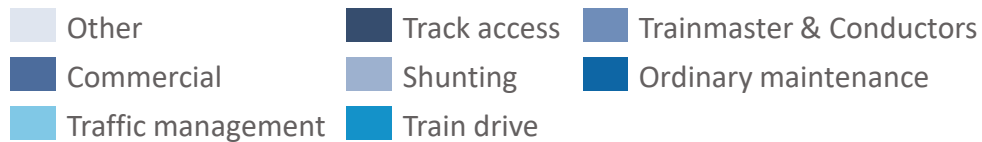
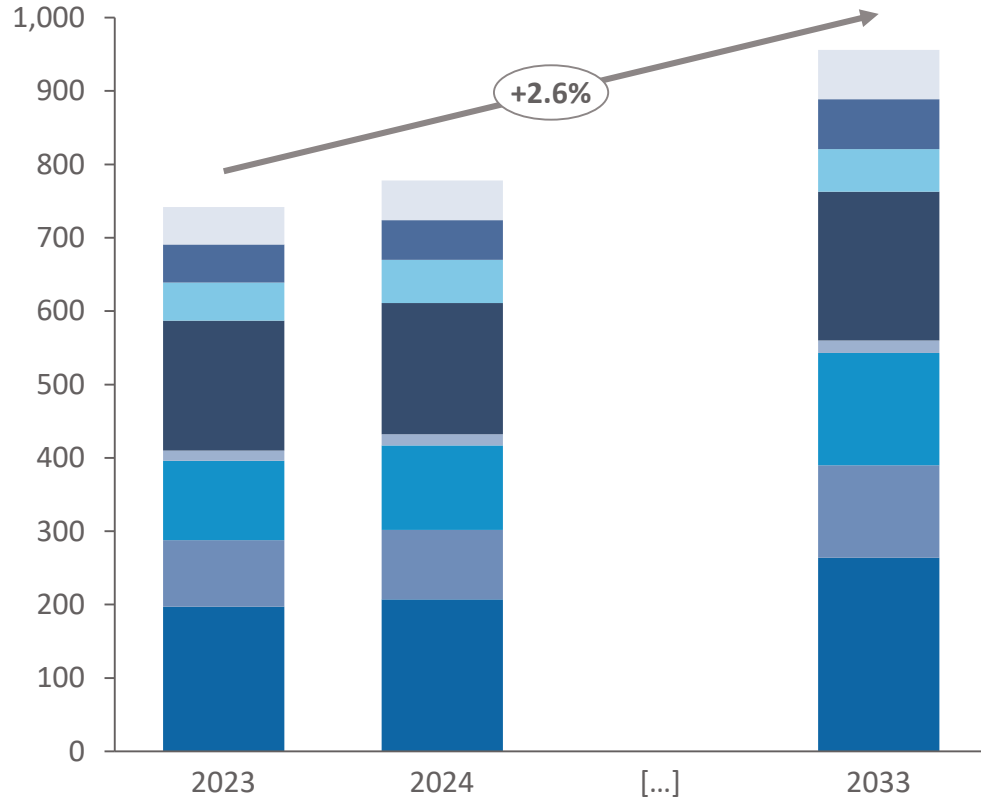
○ EFP variable PSC contribution
 ■ Flat PSC contribution (paid by RL)
 Figurative credit/(debit)

• Impact on revenues

- Variable PSC contribution calculated according to EFP (see slide 20) coincides with Trenord expected accrued PSC revenues
- Actual PSC contribution may differ from expectations due to discrepancies in traffic performance and/or accrued penalty charges

• Impact on net financial result

- Fixed contribution paid annually from Regione Lombardia (RL) is equal to €536.2mIn (total €5,362mIn)
- Linearization of PSC contribution paid by RL generates a difference between flat vs variable contribution creating a figurative credit/(debit) with a positive overall economic effect
- The accumulated balance of figurative credit/(debit) matures an additional remuneration that guarantees the time value of money equivalence, whose financial effect is recognized as interest income in Trenord's accounts



- **Costs expected to increase due to higher production and service provided**

- Expected inflationary dynamics
- Renewal of the National Collective Bargaining Agreement
- Average annual increase in production of +1.8% p.a.

- **Effectiveness and efficiency targets are identified in the PART**

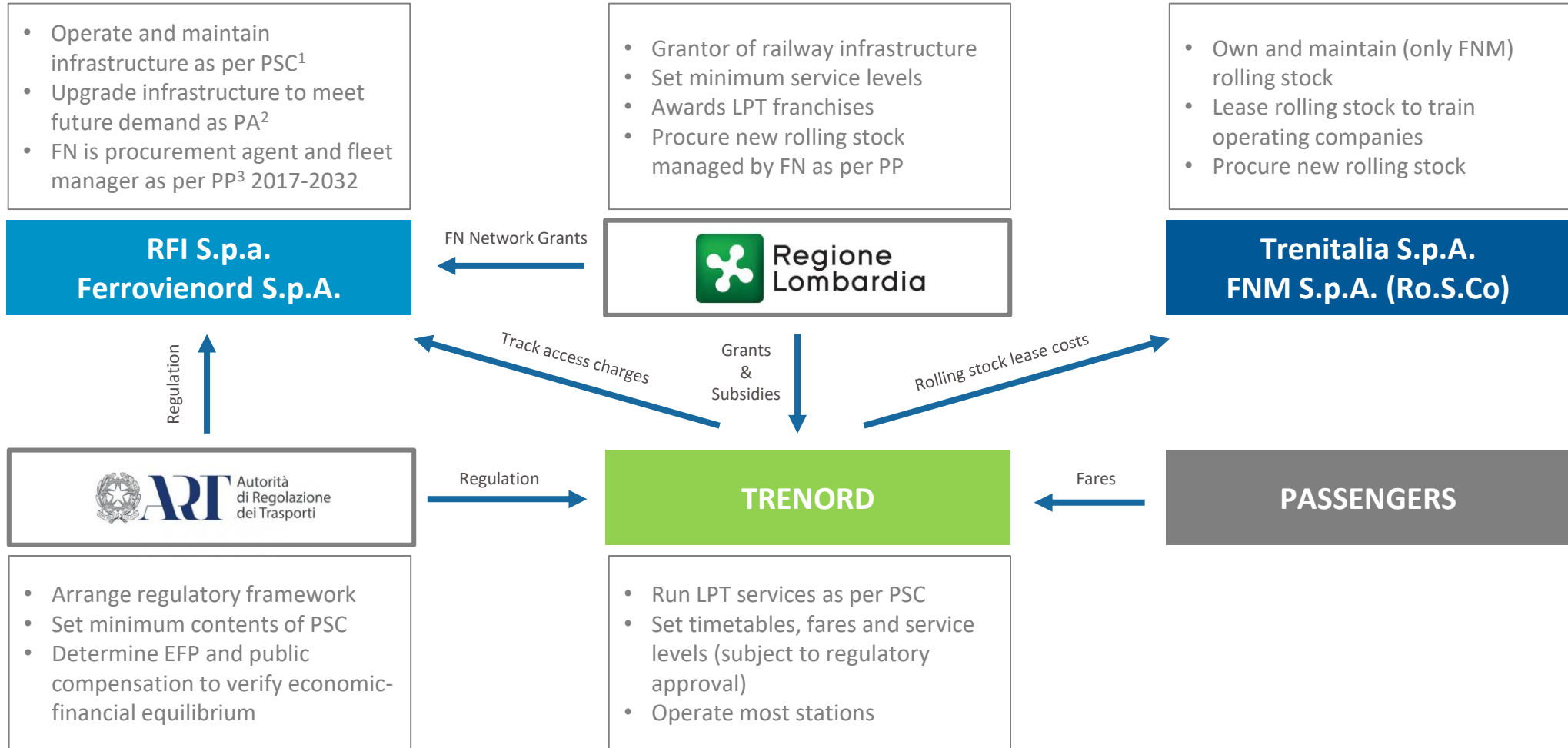
- Reduction in unit operating cost (€/train-km deflated at 2022 prices) of -1.9% p.a. by 2028, target set higher than level required by ART

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EU and Italian regulatory framework

- **EU Regulation n° 1370/2007** (amended by EU Regulation n° 2016/2338) sets the rules national and international operation of public passenger transport services by rail and road, including award of public service contracts (PSC) and **“reasonable profit” principle**
- **Legislative Decree n° 422/1997, n° 50/2017 (Art. 27 - 48)** regulate LPT transportation at national level, transferring all the competencies at regional authorities
- **Regional Law n° 6/2012 – “Regulation of the transportation sector”** and **n° 4/2014 – “Integrated regional public transport fare system”**
- Structure of new PSC subject to **Transportation Regulation Authority (ART)**: Deliberation n° 48/2017, n° 120/2018 and n° 154/2019. remuneration for rail transportation set by the ART currently at a nominal pre-tax **WACC of 7.45%** (Deliberation n° 49/2023)

Main highlights ex. ART decision n° 154/2019 and n° 120/2018

- New regulatory framework will be composed of the **Economic Financial Plan (EFP)** and **Plan for Achievement of Regulatory Targets (PART)**
- Remuneration of operating costs incurred in the fulfillment of Public Service Obligation (PSO), not covered by the revenues generated in the fulfillment of PSOs (i.e. **Net Cost methodology**) → determine **variable compensation over the life of the contract** calculated as the net financial effect of the PSOs
- Model envisages a **RAB based regime** on which to apply the WACC for the calculation of **reasonable profit**, including rolling stock under lease as by IFRS16
- Guarantee **financial equilibrium**: (a) present value of revenues must be equal to present value of costs, discounted using WACC; (b) **in case of fixed remuneration**, the present value of the resulting **“financial adjustments”** (Poste Figurative) must be equal to zero; (c) IRR of pretax operating cash flows must be equal to WACC
- Ticket sales linked to a **price-cap yearly dynamic based on actual inflation and quality indicators**, differentiated across the different components of the integrated regional public transport fare system (ex. STIBM, STIL, IVOL and IVOP)
- Inflation, traffic, WACC and other **relevant parameters are updated at the beginning of each 5 year regulatory period**
- The **PART defines the indicators of operational efficiency and effectiveness**, setting time horizons for the achievement and monitoring of the objectives
- The **Risk Matrix** provides the contractual obligations associated with the risks identified and their allocation to each contracting party

Schema 1 – Annex 5 Delibera ART 159/2019 Conto economico regolatorio (M€)

Periodo Contrattuale 01.12.2023 - 30.11.2033

Schema 1 - Conto Economico Regolatorio

	12.2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	1-11.2033
1.a Ricavi da traffico	29,2	365,7	393,5	434,8	468,3	501,2	541,1	571,0	604,4	634,5	590,3
1.b Altri ricavi e proventi inerenti al servizio	1,3	15,8	16,3	16,8	17,3	17,8	18,3	18,8	19,3	19,8	18,5
1 Totale ricavi generati dall'assolvimento degli OSP	30,4	381,5	409,8	451,6	485,6	519,0	559,4	589,7	623,7	654,2	608,8
2 Effetti positivi di rete indotti	0,3	3,6	3,7	3,7	3,8	3,9	4,0	4,0	4,1	4,2	3,9
3.a Costi di materie prime, sussidiarie, di consumo e merci	3,3	40,4	34,4	36,1	36,4	36,9	37,2	37,7	38,0	38,3	35,4
3.b Costi per servizi di terzi	32,6	408,9	417,3	445,6	450,7	464,3	471,0	475,1	481,0	487,0	451,6
3.c Costi per godimento beni di terzi	1,0	11,2	12,7	13,4	13,8	14,2	14,6	15,0	15,4	15,9	15,0
3.d Costo del personale	24,8	315,3	328,2	349,0	359,2	370,0	376,5	383,4	389,8	397,1	372,6
3.d.i di cui: personale operativo	14,8	188,8	196,7	211,6	219,8	228,0	233,3	238,6	243,4	248,0	231,8
3.e Variazioni delle rimanenze di materie prime sussidiarie, di consumo e merci	-	-	-	-	-	-	-	-	-	-	-
3.f Oneri diversi di gestione	0,1	1,8	1,8	1,8	1,9	1,9	2,0	2,0	2,0	2,1	1,9
3 Totale costi operativi	61,8	777,6	794,4	845,9	861,9	887,3	901,2	913,2	926,2	940,4	876,5
4 = 1+2-3 Risultato operativo lordo (EBITDA)	(31,1)	(392,5)	(381,0)	(390,6)	(372,6)	(364,5)	(337,9)	(319,4)	(298,4)	(282,0)	(263,8)
5 Totale ammortamenti	15,1	137,7	139,9	138,0	137,8	133,6	136,0	137,0	139,1	139,8	122,3
6 = 4-5 Risultato operativo netto (EBIT)	(46,2)	(530,2)	(520,9)	(528,6)	(510,4)	(498,1)	(473,9)	(456,4)	(437,5)	(421,8)	(386,1)

N.B. Tables prepared in accordance with ART guidelines in order to compute the required PSC compensation which covers Public Service Obligations and guarantees the reasonable profit. May not coincide with Trenord's actual results and should not be intended as financial projections.

Schema 3 – Annex 5 Delibera ART 159/2019

Piano Finanziario Regolatorio simulato (M€) 01.12.2023 – 30.11.2033

Periodo Contrattuale 01.12.2023 - 30.11.2033

Schema 3 - Piano Finanziario Regolatorio Simulato

		12.2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	1-11.2033
A	Entrate relative a ricavi generati dall'assolvimento degli OSP	30,4	381,5	409,8	451,6	485,6	519,0	559,4	589,7	623,7	654,2	608,8
B	Effetti positivi di rete indotti	0,3	3,6	3,7	3,7	3,8	3,9	4,0	4,0	4,1	4,2	3,9
C=A+B	ENTRATE + EFFETTI POSITIVI DI RETE	30,7	385,1	413,4	455,3	489,4	522,8	563,3	593,8	627,8	658,4	612,7
D	Uscite relative a costi sostenuti per l'assolvimento degli OSP	76,9	915,3	934,3	983,9	999,8	1.020,9	1.037,3	1.050,1	1.065,3	1.080,2	998,8
E	Capitale Investito Netto (CIN) Regolatorio	933,5	911,1	907,5	820,2	720,7	631,7	545,8	450,8	349,0	244,7	141,2
F	Tasso di congrua remunerazione del CIN (%)	7,45%	7,45%	7,45%	7,45%	7,45%	7,45%	7,45%	7,45%	7,45%	7,45%	7,45%
G=F*E	Remunerazione del capitale investito (utile ragionevole)	5,8	67,9	67,6	61,1	53,7	47,1	40,7	33,6	26,0	18,2	9,6
H=D+G	USCITE + utile ragionevole	82,7	983,2	1.001,9	1.045,0	1.053,4	1.068,0	1.077,9	1.083,7	1.091,3	1.098,4	1.008,4
I=H-C	EFFETTO FINANZIARIO NETTO (COMPENSAZIONE VARIABILE)	52,0	598,1	588,5	589,7	564,1	545,1	514,6	489,9	463,5	440,0	395,7
L=C+I	ENTRATE+EFFETTI POSITIVI DI RETE + COMPENSAZIONE VARIABILE	82,7	983,2	1.001,9	1.045,0	1.053,4	1.068,0	1.077,9	1.083,7	1.091,3	1.098,4	1.008,4

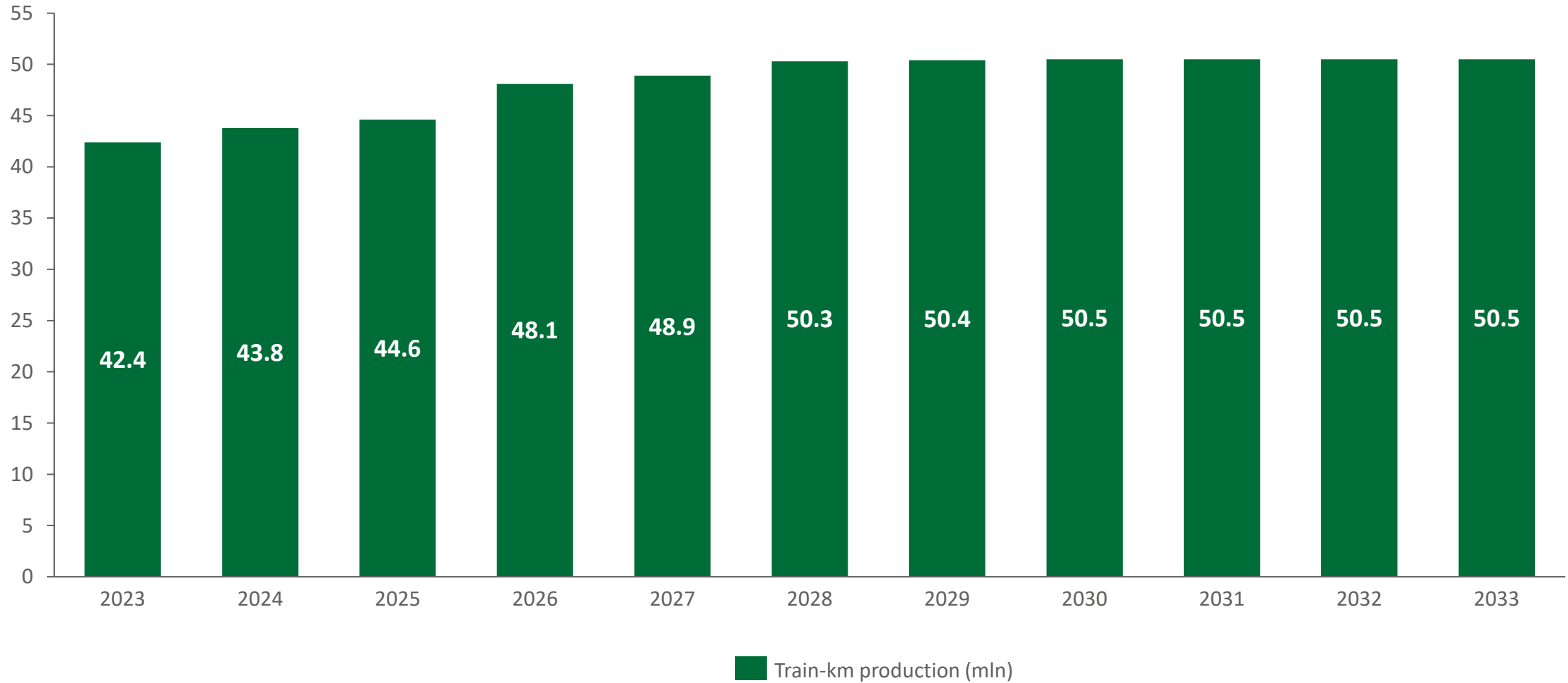
Doesn't consider the financial effect arising from the payment of a constant installment (see slide 14 for details)

Schema 2 – Annex 5 Delibera ART 159/2019 Stato Patrimoniale Regulatorio (M€)

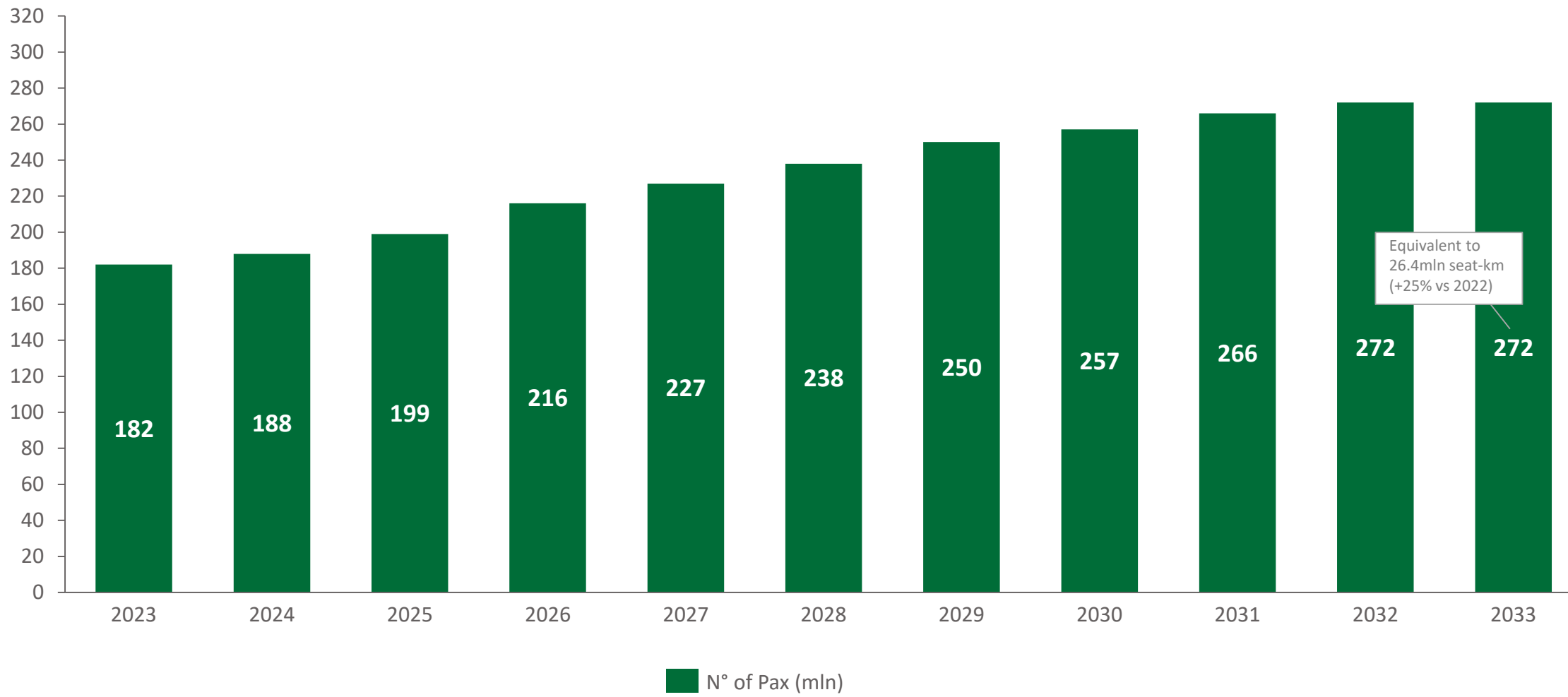
Schema 2 - Stato Patrimoniale Regulatorio		2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
1.a	Immobilizzazioni immateriali	19,0	22,6	21,7	21,1	19,9	19,8	19,0	18,7	18,6	19,7	20,8
1.b	Immobilizzazioni materiali con separata indicazione di quelle concesse in locazione finanziaria	947,4	935,5	922,5	833,4	727,9	636,0	544,1	440,3	340,1	237,1	134,5
1.b.i	<i>di cui: terreni e fabbricati</i>											
1.b.ii	<i>di cui: impianti e macchinari</i>											
1.b.ii.1	<i>di cui: materiale rotabile autofinanziato *</i>	618,1	602,5	614,3	555,5	476,2	396,8	317,5	238,1	158,7	79,4	
1.b.iii	<i>di cui: attrezzature industriali e commerciali</i>											
1.b.iv	<i>di cui: altre</i>											
1	Totale immobilizzazioni	966,4	958,0	944,2	854,5	747,8	655,8	563,1	459,0	358,7	256,8	155,3
2.a	Rimanenze	121,5	117,8	118,2	120,5	120,5	120,6	120,5	120,5	118,0	115,5	112,9
2.b	Crediti	171,9	149,7	145,9	147,6	150,7	155,2	159,1	162,4	160,1	156,2	152,5
2.b.i	<i>di cui: commerciali **</i>	141,8	117,6	111,0	109,7	110,9	114,6	119,2	124,3	125,6	126,6	128,9
2.b.ii	<i>di cui: altri crediti</i>	30,1	32,1	34,9	38,0	39,9	40,6	40,0	38,1	34,6	29,7	23,6
2	Totale attivo circolante	293,4	267,5	264,1	268,1	271,3	275,7	279,7	282,8	278,1	271,7	265,4
3.a	Debiti	326,3	314,4	300,7	302,4	298,4	299,8	297,0	291,0	287,8	283,8	279,5
3.a.i	<i>di cui: debiti verso fornitori</i>	256,4	244,4	230,8	232,4	228,4	229,9	227,1	221,0	217,8	213,8	209,6
3	Totale debiti	326,3	314,4	300,7	302,4	298,4	299,8	297,0	291,0	287,8	283,8	279,5
4=1+2-3	Capitale investito netto	933,5	911,1	907,5	820,2	720,7	631,7	545,8	450,8	349,0	244,7	141,2

N.B. Tables prepared in accordance with ART guidelines in order to compute the required PSC compensation which covers Public Service Obligations and guarantees the reasonable profit. May not coincide with Trenord's actual results and should not be intended as financial projections.

EFP – Production plan assumptions



EFP – Passengers transported assumptions



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