

April 29, 2020

Rating object

Autoroute du Sud de la France S.A.
Long-term Local Currency Senior Unsecured Issues

Rating incl. outlook / watch

A- / negative
A- / negative

Date of inception / disclosure to rated entity / maximum validity:

Rating object

Autoroute du Sud de la France S.A.
Long-term Local Currency Senior Unsecured Issues

Date of inception

24.04.2020
24.04.2020

Disclosure to rated entity

27.04.2020
27.04.2020

Maximum validity

Until withdrawal
of the rating
Until withdrawal
of the rating

There occurred no changes after the communication of the rating to the rating object.

Rating summary:

Creditreform Rating has changed the outlook of the corporate issuer rating and corporate issue rating of Autoroute du Sud de la France S.A. from stable to negative and confirmed its A- ratings.

Creditreform Rating (CRA) has changed the outlook of the unsolicited corporate issuer rating of Autoroute du Sud de la France S.A. (ASF), as well as its unsolicited corporate issue rating of the long-term local currency senior unsecured notes, from stable to negative and confirmed the ratings at A-. This change is based on an expected substantial decline in average daily traffic in 2020 due to border and social restrictions in place since 17 March 2020 in France, causing an overall decrease in social and economic activity. The economic situation of France's neighbouring countries, especially Spain and Italy also partially affects traffic development on the French motorways due to export and import activities. France, Spain and Italy are currently among the European countries most affected by the COVID-19 pandemic. The decline in average daily traffic will lower revenues and weaken the earnings capacity of ASF, adversely affecting its financial metrics.

In the quarterly information at 31 March 2020, VINCI reported that its toll road business had declined by 39% in March. By maintaining a basic level of economic activity in France, heavy vehicle traffic, down by 14%, was not affected to the same extent as light vehicle traffic, down by 44%. Due to the domestic containment measures in place since 17 March, we expect a sharper decline for April 2020. Despite a negative trend in ASF's financial performance, we do not expect the Company to show either significant liquidity or debt risks in the short and medium term considering its sound financial metrics, in particular its liquidity and profitability, as well as its credit facilities. As of 31 December 2019, net cash and cash equivalents amounted to EUR 624.8 million, and an unused confirmed medium-term credit facility maturing in November 2023 amounted to EUR 2.5 billion. Further financial support is ensured by the parent VINCI S.A. (a world leader in the concessions and construction sector), which, however, also limits ASF's rating (VINCI A- / negative, as of 24 April 2020)¹. The Company's business model has systemic importance and a low cost structure, which partially dampens current development and facilitates the recovery process. Furthermore, VINCI announced that the Group is taking measures to reduce expenses and delay investments.

If the containment of the COVID-19 virus proceeds without further surprises (e.g. rebound effects from the COVID spread) and France manages to revive its economy quickly, thus putting it on a growth path based on catch-up effects, we see good chances that ASF will partially recover quickly to a certain extent. It can be assumed that traffic will be shifted onto roads for a while to avoid rail service and flying due to health risks. The length of time required to bring traffic back to pre-crisis levels will depend on the extent of domestic economic impairment. The French Government announced on 13 April that social restrictions would last until 10 May 2020, and border restrictions possibly until September. The exact duration and consequences of the shock are presently not foreseeable. As part of its regular reviews, CRA is examining further implications of the corona virus pandemic on the financials of ASF, which could lead to further adjustments.

¹ Source: Unsolicited corporate issuer rating of VINCI S.A., status of 24 April 2020 by Creditreform Rating AG;
For more details: <https://www.creditreform-rating.de/de/ratings/published-ratings/>

Primary key rating drivers:

- + Leading motorway concession company in France (largest toll road network)
- + Sound financial metrics and particularly strong liquidity and high operative profitability
- + 100% owned by VINCI Group, a world leader in the concessions and construction sector
- + Good access to capital markets
- + Generally robust systemically important business model

- Declining revenues expected due to border and social restrictions
- Declining revenues expected due to significant worsening of French economy
- Also partly affected by the expected significant worsening of the economies in Spain and Italy
- Deterioration of key financials
- Changing Outlook of VINCI S.A, limiting the rating of ASF S.A.
- Uncertainty regarding the extent and duration of the COVID-19 pandemic

ESG-criteria:

CRA generally considers ESG factors (environment, social and governance) within its rating decisions. In the case of Autoroute du Sud de la France S.A., we have not identified an ESG factor with significant influence.

A general valid description of Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found here:

https://www.creditreform-rating.de/pub/media/global/page_document/The_Impact_of_ESG_Factors_on_Credit_Ratings.pdf

Rating scenarios:

Please note: The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

Best-case scenario: A-

In the best-case scenario, we forecast a falling revenue volume against the background of the COVID 19 pandemic, thus lowering profitability. Despite the decrease, the financial metrics contain enough headroom to comply with the A- rating. This scenario is based on the assumption that the social restrictions will not last longer than three months, and border restrictions no longer than six months. The French economy, benefitting from catch-up effects, will begin to recover in the second half of the year, hence also ASF.

Worst-case scenario: BBB+

In the worst-case scenario, we take into account a markedly stronger decrease in revenues and earnings and a significant deterioration in key financial figures. The financial metrics are also adversely affected by higher leverage. We assume that the economic situation in France is severely impaired by extended containment restrictions, slowing the recovery process in traffic, which could last up to several years. A recovery of the relevant neighboring countries in 2020 is also not foreseeable.

Analysts / Person approving (PAC):

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Initial rating:

| Rating object | Event | Rating created | Publication date | Monitoring until | Result |
|--|----------------|----------------|------------------|------------------|-------------|
| Corporate issuer rating of Autoroute du Sud de la France, S.A. | Initial rating | 12.04.2017 | 24.04.2017 | 08.08.2019 | A- / stable |
| LT LC Senior unsecured issues | Initial rating | 05.10.2018 | 15.10.2018 | 08.08.2019 | A- / stable |

Status of solicitation and information basis:

The present rating is an **unsolicited** rating. The rating object participated in the creation of the rating as follows:

| Unsolicited Corporate Issuer / Issue Rating | |
|--|----|
| With rated entity or related third party participation | No |
| With access to internal documents | No |
| With access to management | No |

Rating methodology / Version / Date of application:

| Rating methodology | Version number | Date | Website |
|---------------------------------------|----------------|--------------|---|
| Corporate Ratings | 2.3 | 29.05.2019 | https://www.creditreform-rating.de/pub/media/global/page_document/Rating_Methodology_Corporate_Ratings_2.3.pdf |
| Non-financial Corporate Issue Ratings | 1.0 | October 2016 | https://www.creditreform-rating.de/pub/media/global/page_document/Rating%20Methodology%20Non-Financial%20Corporate%20Issue%20Ratings.pdf |
| Rating Criteria and Definitions | 1.3 | January 2018 | https://www.creditreform-rating.de/pub/media/global/page_document/CRAG_Rating_Criteria_and_Definitions_v1_3_01-2018.pdf |

Regulatory requirements:

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In the event of providing ancillary services to the rated entity, Creditreform Rating AG will disclose all ancillary services in the credit rating report.

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To prepare this credit rating, Creditreform Rating AG has used following substantially material sources:

Corporate issuer rating:

1. Annual report
2. Website
3. Internet research

Corporate issue rating:

1. Corporate issuer rating incl. information used for the corporate issuer rating
2. Documents on issues / instruments

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the Creditreform Rating AG website. Furthermore, Creditreform Rating AG considers as satisfactory the quality and extent of information available on the rated entity. With respect to the rated entity, Creditreform Rating AG regarded available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

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The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated, including any rating outlooks, is indicated clearly and prominently in the Basic Data Information Card as a "rating action"; initial release is indicated as "initial rating", other updates are indicated as an "update", "upgrade" or "downgrade", "not rated", "confirmed", "selective default" or "default".

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the Basic Data Information Card.

In accordance with Article 11 (2) EU-Regulation (EC) No 1060/2009, a registered or certified credit rating agency shall make available, in a central repository established by ESMA, information on its historical performance data including the rating transition frequency and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA website: <https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>.

An explanatory statement of the meaning of Creditreform Rating AG's default rates are available in the credit rating methodologies disclosed on the website.

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