

09 April 2024 – Neuss, Germany

Rating Action / Update:

Creditreform Rating has affirmed the unsolicited corporate issuer rating of Autoroutes du Sud de la France S.A., at **A- / stable**

Creditreform Rating (CRA) has affirmed the unsolicited, public corporate issuer rating of Autoroutes du Sud de la France S.A. – hereafter also referred as “ASF” or the “Group” – as well as the unsolicited corporate issue rating of long-term local currency senior unsecured notes issued by Autoroutes du Sud de la France S.A., at **A-** with a **stable** outlook. The initial short-term rating was set at **L2**. For more information regarding the structural, business and financial risks of the unsolicited ratings of VINCI, we refer to our full rating report of 01.03.2023, which can be found on our website.

Current relevant factors for the rating

The following considerations were of specific relevance for the rating assessment:

- + Positive development in average daily traffic
- + Increase in both revenues and free cash flow generation
- + Strong deleveraging capacity, partially offset by high dividend distributions
- + Strong liquidity position for one year

- Strong increase in the average cost of debt due to increased interest rates in floating rate debt
- 2024 earnings of ASF Group likely to be negatively impacted by a newly imposed tax on long-distance transport infrastructure operators in France; ASF will appeal this decision as soon as the law is in force

ESG-criteria:

CRA generally takes ESG factors (environment, social and governance) into account within its rating decisions. In the case of Autoroutes du Sud de la France S.A., we have not identified any ESG factors with significant influence. Because ASF does not have its own ESG policy, we derive the influence from ESG factors on the rating from the unsolicited corporate issuer rating of VINCI S.A.

VINCI has set clear targets to reduce its carbon emissions and to improve its gender balance. With regard to emissions, it targets a 40% reduction in its scope 1 and 2 emissions, a 20% reduction in scope 3 emissions by 2030, and aims to use a 90% share of low carbon concrete at VINCI Construction. The Group's targets to reduce emissions have been validated by the Science Based Targets initiative (SBTi), and are aligned with the well-below 2°C scenario. As of the end of 2023, VINCI reported a 14% reduction in scope 1 and 2 emissions as compared to 2018 (excluding the impact of acquisitions), and a 50% share of low-carbon concrete was used by VINCI Construction's Building France and Civil Engineering France divisions in 2023. As of the summer of 2023, all service areas in the VINCI Autoroutes network were equipped with electric vehicle charging stations.

The Group has also made progress regarding its gender balance. VINCI was able to increase its percentage of female management staff from 18.5% in 2016 to 23.1% (2022: 22.2%) in 2023. The Group strives to increase that percentage to 30% by the end of 2030. Overall, we identify VINCI

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ESG factors are factors related to environment, social issues, and governance. For more information, please see the section "Regulatory requirements". CRA generally takes ESG relevant factors into account when assessing the rating object, and discloses them when they have a significant influence on the creditworthiness of the rating object, leading to a change in the rating result or the outlook.

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.

as having a well-developed ESG strategy with clear targets, but do not identify any ESG factors which have a significant influence on the unsolicited corporate issuer rating of VINCI S.A.

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](#).

Rating result

The current unsolicited corporate issuer rating of **A-** attests Autoroutes du Sud de la France S.A. a high level of creditworthiness with a low risk of default. The current rating is based on the Group's ability to generate strong cash flows with high margins, and a high ability to deleverage rapidly. In addition, the remaining terms on the concession contracts are still 8 and 12 years, respectively, and as far as we can assess, the Group has fulfilled all of its obligations under the concession contracts; hence, we do not see any immediate risk of revocation. The high dividend payout ratio remains a constraining factor in the rating assessment.

The unsolicited corporate issuer rating of Autoroutes du Sud de la France S.A. is currently constrained by its parent company VINCI S.A. (**A- / stable**), as we believe that it holds significant influence over its strategic, operational and financial alignment.

Outlook

The one-year outlook for the unsolicited corporate issuer rating of ASF is **stable**. This assessment is based on the Group's strong operating development over the past year, as well as the expected development of average daily traffic in 2024. As the rating is currently constrained by the unsolicited corporate issuer rating of VINCI S.A., a change in its rating or outlook would most likely also affect the unsolicited corporate issuer rating or outlook of Autoroutes du Sud de la France S.A.

Best-case scenario: A

In our best-case scenario for one year, we assume a rating of A. As the unsolicited corporate issuer rating of ASF is constrained by the unsolicited issuer rating of VINCI S.A., this scenario reflects an upgrade of the rating of VINCI S.A. to A. Furthermore, in this scenario average daily traffic increases substantially against the prior year, leading to a further increase in profitability and cash flow generation, and an improvement in overall credit metrics.

Worst-case scenario: BBB+

In our worst-case scenario for one year, we assume a rating of BBB+. Due to current operating development, the current internal financing power, and the structure of the financial statements, we see a downgrade to BBB+ based on ASF's performance as unlikely, without a substantial unforeseen reduction in average daily traffic. However, should average daily traffic be reduced substantially for an extended time period and without an indication of recovery on the horizon, a downgrade to BBB+ cannot be excluded.

Furthermore, a downgrade in the unsolicited corporate issuer rating of VINCI S.A. would also lead to a downgrade in the unsolicited corporate issuer rating of ASF due to the parent company's significant influence over its strategic, operational and financial alignment.

Business development and outlook

During the 2023 business year, revenues from toll services of the ASF Group recorded an increase of 5.3% against the prior year, reflecting an increase of 5.2% on the ASF network and a 5.9% on the Escota network. This was partially driven by an increase of 1.4% in average daily traffic on average against the prior year, while at the same time price increases were implemented following amendments to the concession contract which were partially based on relatively high inflation levels in 2022. Overall, total revenue increased to EUR 4,979 million (2022: EUR 4,678 million), which in turn also led to higher EBITDA and EBIT of EUR 3,380 million (2022: EUR 3,159 million) and EUR 2,543 million (2022: EUR 2,340 million), respectively, and a slightly higher operating margin of 51.07% (2022: 50.02%). Despite a higher operating result, the after-tax results declined marginally to EUR 1,683 million (2022: EUR 1,691 million) due to the net cost of financial debt, which rose to EUR 255 million (2022: EUR 110 million). The cost of debt increased largely due to the effect on outstanding floating rate debt.

Table 1: Financials of Autoroutes du Sud de la France S.A. | Source: Autoroutes du Sud de la France S.A. Annual report 2023, standardized by CRA

Autoroutes du Sud de la France S.A. Selected key figures of the financial statement analysis Basis: Annual accounts and report of 31.12. (IAS, Group)	CRA standardized figures ¹	
	2022	2023
Sales (million EUR)	4,678	4,979
EBITDA (million EUR)	3,159	3,380
EBIT (million EUR)	2,340	2,543
EAT (million EUR)	1,691	1,683
EAT after transfer (million EUR)	1,690	1,682
Total assets (million EUR)	11,715	11,706
Equity ratio (%)	13.50	13.75
Capital lock-up period (days)	15.85	18.99
Short-term capital lock-up (%)	35.22	34.73
Net total debt / EBITDA adj. (factor)	2.97	2.66
Ratio of interest expenses to total debt (%)	1.10	2.60
Return on Investment (%)	14.95	16.82

During the business year, the Group's balance sheet total remained stable, despite amortizing concession assets. The Group's concession assets of EUR 9,388 million (2022: EUR 9,751 million) represent approximately 80% of the balance sheet total, which stood at EUR 11,706 million at the end of 2023. The current concession assets of ASF and Escota have a residual time to maturity until April 2036 and February 2032, respectively, and amortize over time, generally leading to a declining balance sheet. This year, however, the balance sheet remained relatively stable as the amortization was offset by investments made and an increasing cash position. The Group's outstanding gross debt remained relatively stable at EUR 7,970 million (2022: EUR 7,907 million).

¹ For analytical purposes, CRA adjusted the original values in the financial statements in the context of its financial ratio analysis. For example, when calculating the analytical equity ratio, deferred tax assets, goodwill (entirely or partly), and internally-generated intangible assets are subtracted from the original equity, whilst deferred tax liabilities are added. Net total debt takes all balance sheet liabilities into account. Therefore, the key financial figures shown often deviate from the original values of the company.

ASF's credit metrics have shown a stable trend, and the financial profile of the Group remains of high quality. In particular, credit metrics relating to profitability and deleveraging capacity continue to be solid, such as ROI of 16.82% (2022: 14.95%) and a net total debt / EBITDA adj of 2.66 (2022: 2.97). This is also evidenced by the Group's free cash flow, which remained stable in comparison to the prior year at EUR 2,178 million (2022: EUR 2,176 million), despite strong operating development, which was offset by the increased cost of financial debt and a slight increase in investments made during the year. However, the Group's strong deleveraging capacity is, in part, offset by its aggressive dividend policy, which continues to distribute nearly the complete after-tax earnings of the Group, thereby putting significant pressure on its cash flow generation and limiting deleveraging capacity. During the 2023 business year, the Group distributed dividends of EUR 1,646 million (2022: EUR 1,531 million). After dividend distributions and before changes in borrowings, cash flow stood at EUR 532 million (2022: EUR 645 million), which in turn was partially used for debt financing and which increased the current cash position. We also see the high dividend distribution as critical, as it also limits the potential for expanding its relatively low equity ratio of 13.75% (2022: 13.50%).

The Group's liquidity is solid, with a cash position of EUR 1,103 million and credit lines of EUR 2 billion, more than sufficient to meet all of the Group's financial short-term obligations. Additionally, the Group's cash flow from operations and current cash and cash equivalents in sum exceed all of its current liabilities.

Overall, the Group is developing well and performs in a stable manner. Barring any unforeseen circumstances, we expect daily traffic to grow slightly in 2024, which, in combination with price increases, should lead to slightly higher revenues and operating profit in comparison to the 2023 business year. Still, the Group's annual result could be burdened by a newly introduced tax on long-distance transport infrastructure operators in France, which may lead to an additional expense. ASF Group plans to challenge the implementation of this law as soon as the degree is in force and the terms and conditions of its applications are known.

Further ratings

Based on the long-term issuer rating, and taking into account our liquidity analysis, the short-term rating of Autoroutes du Sud de la France S.A. has been set at **L2** (standard/exceptional mapping), which corresponds to a high level of liquidity for one year.

The rating objects of the issue rating are exclusively long-term senior unsecured issues, denominated in euro, issued by Autoroutes du Sud de la France S.A., which are included in the list of ECB-eligible marketable assets. The notes have been issued under the EMTN program, with the most recent base prospectus of 19 July 2023.

We have provided the long-term local currency senior unsecured notes issued by Autoroutes du Sud de la France S.A. with an unsolicited rating of **A- / stable**. The rating is based on the corporate issuer rating.

Long-term local currency senior unsecured notes issued by Autoroutes du Sud de la France S.A., which have similar conditions to the current EMTN program, denominated in euro and included in the list of ECB-eligible marketable assets, generally receive the same ratings as the current LT LC senior unsecured notes issued under the EMTN program. Notes issued in any currency other than euro, or other types of debt instruments, have not yet been rated by CRA. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG.

Table 2: Overview of CRA Ratings | Source: CRA

Rating Category	Details	
	Date of rating committee	Rating
Autoroutes du Sud de la France S.A.	09.04.2024	A-/ stable / L2
Long-term Local Currency (LC) Senior Unsecured Issues issued by Autoroutes du Sud de la France S.A.	09.04.2024	A-/ stable
Other	--	n.r.

Appendix

Rating history

The rating history is available under the following [link](#).

Table 3: Corporate Issuer Rating of Autoroutes du Sud de la France S.A.

Event	Rating created	Publication date	Result
Initial rating	12.04.2017	24.04.2017	A-

Table 4: Corporate Issuer Rating of Sub AG

Event	Rating created	Publication date	Result
Initial rating	05.10.2018	15.10.2018	A-

Table 5: Short-term issuer rating of Autoroutes du Sud de la France S.A.

Event	Rating created	Publication date	Result
Initial rating	09.04.2024	www.creditreform-rating.de	L2

Regulatory requirements

The rating² was not endorsed by Creditreform Rating AG (Article 4 (3) of the CRA-Regulation).

The present rating is, in the regulatory sense, an unsolicited rating that is public. The analysis was carried out on a voluntary basis by Creditreform Rating AG, which was not commissioned by the Issuer or any other third party to prepare the present rating.

The rating is based on the analysis of published information and on internal evaluation methods for the assessment of companies and issues. The rating object was informed of the intention of creating or updating an unsolicited rating before the rating was determined.

The rating object participated in the creation of the rating as follows:

With Rated Entity or Related Third Party Participation	No
With access to Internal Documents	No
With Access to Management	No

² In these regulatory requirements the term "rating" is used in relation to all ratings issued by Creditreform Rating AG in connection to this report. This may concern several companies and their various issues.

A management meeting did not take place within the framework of the rating process.

The documents submitted and information gathered were sufficient to meet the requirements of Creditreform Rating AG's rating methodologies.

The rating was conducted based on the following rating methodologies and the basic document.

Rating methodology	Version number	Date
Corporate Ratings	2.4	July 2022
Corporate Short-Term Ratings	1.0	June 2023
Non-financial Corporate Issue Ratings	2.0	March 2024
Rating Criteria and Definitions	1.3	January 2018

The documents contain a description of the rating categories and a definition of default.

The rating was carried out by the following analysts:

Name	Function	Mail-Address
Rudger van Mook	Lead-analyst	R.vanMook@creditreform-rating.de
Artur Kapica	Analyst	A.Kapica@creditreform-rating.de

The rating was approved by the following person (person approving credit ratings, PAC):

Name	Function	Mail-Address
Philip Michaelis	PAC	P.Michaelis@creditreform-rating.de

On 9 April 2024, the analysts presented the rating to the rating committee and the rating was determined. The rating result was communicated to the company on 10 April 2024. There has not been a subsequent change to the rating.

The rating will be monitored until Creditreform Rating AG withdraws the rating. The rating can be adjusted as part of the monitoring, if crucial assessment parameters change.

In 2011, Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on this registration, Creditreform Rating AG is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

ESG-factors

You can find out whether ESG factors were relevant to the rating in the upper section of this rating report "Relevant rating factors".

A general valid description for 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](#).

Conflict of interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services

are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

Creditreform Rating AG ensures that the provision of ancillary services does not present conflicts of interest with its credit rating activities and discloses in the final rating reports any ancillary services provided for the rated entity or any related third party. The following ancillary services were provided for the rating entity or for third parties associated with the rated entity:

No ancillary services in the regulatory sense were carried out for this rating object.

For the complete list of provided rating and credit service ancillaries please refer to the Creditreform Rating AG's [website](#).

Rules on the presentation of credit ratings and rating outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our "Rating Committee Policy", all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

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.

The Basic Data Information Card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

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](#).

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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