

13 April 2021 – Neuss, Germany

Rating Action / Update:

Creditreform Rating has set the unsolicited corporate issuer rating and unsolicited corporate issue rating of Autoroutes du Sud de la France S.A. to **BBB+** / **stable**

Creditreform Rating (CRA) has adjusted the ratings of the unsolicited, public corporate issuer rating of Autoroutes du Sud de la France S.A. – hereinafter also referred to “ASF” or “the Group” – as well as the solicited corporate issue rating of long-term local currency senior unsecured notes issued by Autoroutes du Sud de la France S.A. from A- to BBB+. Additionally, the outlook has been revised from negative to stable.

Current factors with influence on the rating

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

- COVID-19-related reduction of revenue and earnings
- High dividend payments despite COVID-19 crisis; foregoing of interim dividend
- Ongoing containment measures (lockdown)
- Downgrade of the parent company (VINCI S.A.) affects the unsolicited corporate issuer rating of ASF
- Expected underperformance against the 2019 business year in 2021

ESG-criteria:

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

We have not been able to identify any relevant ESG documents with regard to ASF. We have therefore assessed the overall ESG strategy of VINCI S.A., its parent Company, which largely determines its strategy.

VINCI has set clear targets to reduce its carbon emissions and to improve its gender balance. The Group targets a reduction of 40% in emissions by 2030 (50% for the concession business, of which ASF forms a part) and has already reported a 10% decrease in emissions (corrected by impact of acquisitions) in 2020 vs 2018. The Group has also made good progress with regard to its gender balance: As of 2010, 15.1% of the Group’s management staff were women, which the Group was able to increase to 21.1% in 2020, and strives to raise that percentage to 28% by 2023. Overall, we identify ASF and VINCI as having a well-developed ESG strategy.

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](#).

Analysts

Rudger van Mook
Lead Analyst
R.vanMook@creditreform-rating.de

Christian Konieczny
Co-Analyst
C.Konieczny@creditreform-rating.de

Neuss, Germany

Rating result

The current rating attests Autoroutes du Sud de la France S.A. a highly satisfactory level of creditworthiness. The rating result is based on the Group's ability to generate strong cash flows with good margins. Despite the fact that the Group's operating earnings and cash flows diminished significantly against the prior year due to the implemented travel restrictions and lockdown measures, we continue to see the Group's ability to deleverage rapidly. Additionally, the remaining term on the concession contracts is still long, and we do not currently see an immediate risk of revocation since the Group fulfilled all of its obligations under the concession contract. The high dividend payout ratio remains a constraining factor in the rating assessment.

The downgrade from A- to BBB+ is mainly based on the downgrade of its parent Company VINCI S.A. (BBB+ / stable). The rating is currently constrained by its parent company, as we believe that it holds significant influence over its strategic, operational and financial alignment. VINCI's downgrade was also based on the currently difficult circumstances, in particular in its concession business (of which ASF is a part of), where it saw a significant deterioration in earnings quality which negatively affected its key financial ratios. Additionally, the current situation with regard to the COVID-19 situation remains pressing, as the French government and many other governments worldwide have kept widespread containment measures in place, leading us to believe that the 2021 result will also be heavily determined by the COVID-19 pandemic.

Outlook

The further development of ASF is largely dependent on the further course of the pandemic and the implemented containment measures and travel restrictions, which are a strain on both VINCI's and ASF's business. As the lockdown measures and travel restrictions largely remained in place at the start of 2021, and the vaccination strategy of the EU member states has made only slow progress, we expect both ASF and VINCI to underperform, against the 2019 business year. However, we believe that a further downgrade in the short term will not be necessary, as we do not assume stable development for this business year.

Table 1: Financials of Autoroutes du Sud de la France S.A. | Source: ASF Annual report 2020, 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	
	2019	2020
Sales (million EUR)	4,463	3,612
EBITDA (million EUR)	2,996	2,324
EBIT (million EUR)	2,241	1,541
EAT (million EUR)	1,338	952
EAT after transfer (million EUR)	1,336	951
Total assets (million EUR)	13,408	12,608
Equity ratio (%)	9.48	10.53
Capital lock-up period (days)	10.02	11.87
Short-term capital lock-up (%)	37.30	21.77
Net total debt / EBITDA adj. (factor)	4.01	4.76
Ratio of interest expenses to total debt (%)	1.56	1.21
Return on investment (%)	11.39	8.61

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

Excerpts from the financial key figures analysis 2020:

- + Equity ratio
- + Ratio of interest expenses to total debt
- Sales, EBITDA, EBIT, EAT
- Net total debt / EBITDA adj.
- Return on investment

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: BBB+

In our best-case scenario for one year, we assume a rating of BBB+. This is based on that we believe that the Group will continue to underperform against the 2019 business year, as the current lockdown measures remain in place and the vaccination strategy of the EU member states has proceeded more slowly than expected. This leads us to believe that ASF and VINCI will also underperform in 2021 against pre-corona business levels.

Worst-case scenario: BBB

In our worst-case scenario for one year, we assume a rating of BBB. This could be the case if the current lockdown measures remain in place for a considerable amount of time, further hampering business activity. This in turn could lead to a rise in indebtedness and a fall in profitability, deteriorating the Group's financial key ratios. A downgrade of the unsolicited corporate issuer rating of VINCI S.A. would also lead to a downgrade to the unsolicited corporate issuer rating of ASF due to the parent-daughter relationship.

Business development and outlook

At the end of the fiscal year 2020 the Group managed to generate total revenues of EUR 3,612 million (2019: EUR 4,462 million), EBITDA of EUR 2,324 million (2019: EUR 2,996 million), EBIT of EUR 1,541 million (2019: EUR 2,241 million) and an EAT of EUR 952 million (2019: EUR 1,338 million). Due to the COVID-19 pandemic and the implemented far-reaching containment measures and travel restrictions in the EU, the average daily traffic (ADT) fell by 21.4%. This fall in ADT had an immediate negative effect on ASF's revenue driver, toll revenues. This effect was slightly mitigated by higher prices and rebates, but in total the Group reported a decrease in toll revenues of 17.1% to EUR 3,284 million (2019: EUR 3,960 million). The Group's operating costs decreased slightly to EUR 2,107 million (2019: EUR 2,254 million). The limited degree to which the Group can change its cost structure lies in the high fixed intensity of the Group. The lower cost of financial debt due to repayment and lower income taxes somewhat stabilized the Group's EAT to EUR 952 million (2019: 1,338 million); however, despite the Group's slump in earnings, it managed to keep its earnings on a satisfactory level.

The Group's operating cash flows also fell significantly from EUR 1,705 million (2019: 2,105 million), mainly because of the slump in ADT. Despite lower operating cash flows and higher cash outflows in investments, ASF continued to show strong FCF with EUR 1,282 million (2019: EUR 1,739 million). The net cash flow from investment activities showed an increase of EUR 51 million to EUR -432 million, despite a decline in investments of EUR 190 million to EUR 313 million (2019: EUR 503 million) during the business year 2020. Investment activities during the business year were mainly network capacity improvements. The Group's net cash flow was negative at EUR -357 million (2019 EUR 270 million), mainly due to the Group's continuance of high dividend payout (EUR -898 million, 2019: EUR -1,175 million), but particularly because of net redemption of long-term borrowings of EUR -728 million (2019: EUR -289 million). The net negative result of the cash flow resulted in lower cash as of 31.12.2020 of EUR 267 million (2019: EUR 625 million). Despite the lower cash under management, its liquidity remains good, as it disposes over an unused credit facility of EUR 2,500 million that will mature in 2023. We see it as favorable that

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 board of directors decided to forego the interim dividend for the 2020 business year due to the situation around COVID-19.

The balance sheet total shrank, mainly due to the depreciation on intangible assets and somewhat lower investment during the business year 2020. It is worth noting that the Group met all of its obligations under the concession contract during the business year. Overall, the financial key ratio analysis remained relatively stable, although some individual key ratios did show a deterioration against the prior year. Particularly net ROI and net debt / EBITDA adj., which both stood at 8.61 (2019: 11.39) and 4.76 (2019: 4.01) respectively. The decrease is mainly due to lower ADT following the travel restrictions implemented during the year. Despite the detrimental impact of the COVID-19 crisis on the Group's capacity, we believe that the Group's ability to deleverage remains satisfactory. This is also evidenced by its reduction of gross outstanding indebtedness by EUR 705 million to EUR 9,790 million (2019: EUR 10,495), which also had a stabilizing effect on its net debt / EBITDA adj. The maturity profile of its indebtedness was well distributed, with only EUR 109 million maturing in 2020, EUR 1,729 million between 1 and 2 years, EUR 2,043 million between 2 and 5 years and EUR 5,617 with a longer residual time to maturity. We do not see any liquidity problems arising with regard to the Group's maturity profile, as the Group also has proven capital market access in combination with strong cash flow generation.

ASF's equity ratio remains low at 10.53% (2019: 9.48%), mainly due to the high dividend distributions the Group provides to its shareholders, which continues to put pressure on the Group's financials. We do see it as positive that the board of directors decided to forego the interim dividend during the last fiscal year due to the COVID-19 crisis. Foregoing the interim dividend distribution provided ASF with some financial leeway during the crisis.

The further development of ASF is fully dependent on the course of the pandemic and the reaction of the French and other governments regarding travel restrictions. The current general travel restrictions and lockdown measures are expected to again have a negative impact on the Group's financial results, and it is still unclear how long this situation will continue.

Issue rating

Issue rating details

The rating objects of this issue rating are exclusively the long-term senior unsecured issues, denominated in euro and issued by Autoroutes du Sud de la France S.A., which are included in the list of ECB-eligible marketable assets. The ECB list of eligible marketable assets can be found on the website of the ECB.

The notes have been issued within the framework of the Euro Medium Term Note (EMTN) program, of which the latest base prospectus dates from 17 July 2020. This EMTN program amounts to EUR 14 billion. The notes under the EMTN program are senior unsecured, and rank at least pari passu among themselves and with all other present and future unsecured obligations of the issuer. Additionally, the notes benefit from a negative pledge provision, a change of control clause and a cross default mechanism.

Corporate issue rating result

We have provided the debt securities issued by Autoroutes du Sud de la France S.A. with a rating of **BBB+ / stable**. The rating is based on the corporate rating of Autoroutes du Sud de la France S.A. Other types of debt instruments or issues denominated in other currencies of the issuer

have not been rated by CRA. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG.

Overview

Table 2: Overview of Creditreform Rating AG Ratings | Source: CRA

Rating objects	Details	
	Date	Rating
VINCI S.A. (Issuer)	13 April 2021	BBB+ / stable
Autoroute du Sud de la France S.A. (Issuer)	13 April 2021	BBB+ / stable
Long-term Local Currency (LT LC) Senior Unsecured Issues of VINCI S.A.	13 April 2021	BBB+ / stable
Long-term Local Currency (LT LC) Senior Unsecured Issues of Autoroute du Sud de la France S.A.	13 April 2021	BBB+ / stable

Table 3: Overview of 2018 Euro Medium Note Program | Source: ASF Base Prospectus dated 29 June 2018

Overview 2018 EMTN Program			
Volume	EUR 14,000,000,000	Maturity	Depending on the respective bond
Issuer	Autoroutes du Sud de la France S.A.	Coupon	Depending on the respective bond
Arranger	Natixis	Currency	Depending on the respective bond
Credit enhancement	none	ISIN	Depending on the respective bond

All future LT LC senior unsecured Notes issued by Autoroutes du Sud de la France S.A. and that have similar conditions to the current EMTN program, denominated in Euro and included in the list of ECB-eligible marketable assets will, until further notice, receive the same ratings as the current LT LC senior unsecured Notes issued under the EMTN program. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG. Notes issued under the program in any currency other than euro, or other types of debt instruments, have not yet been rated by Creditreform Rating AG. For the time being, other emission classes or programs (such as the Commercial Paper Program) and issues that do not denominate in euro will not be assessed.

Financial ratio analysis

Table 4: Financial key ratios | Source: Autoroutes du Sud de la France S.A. ASF Annual financial report 2020, structured by CRA

Asset Structure	2017	2018	2019	2020
Fixed asset intensity (%)	90.51	89.06	85.92	87.65
Asset turnover	0.32	0.32	0.34	0.28
Asset coverage ratio (%)	47.38	57.11	61.68	13.08
Liquid funds to total assets (%)	0.45	2.68	4.66	2.12
Capital Structure				
Equity ratio (%)	7.59	8.48	9.48	10.53
Short-term-debt ratio (%)	20.97	19.61	16.86	11.22
Long-term-debt ratio (%)	35.30	42.38	43.52	0.94
Capital lock-up period (in days)	9.60	9.15	10.02	11.87
Trade-accounts-payable ratio (%)	0.86	0.81	0.91	0.93
Short-term capital lock-up (%)	52.35	47.43	37.30	21.77
Gearing	12.12	10.47	9.06	8.30
Leverage	20.32	12.45	11.13	10.01
Financial Stability				
Cash flow margin (%)	40.81	43.96	44.37	47.73
Cash flow ROI (%)	13.28	14.25	14.77	13.67
Total debt / EBITDA adj.	4.47	4.42	4.23	4.87
Net total debt / EBITDA adj.	4.45	4.29	4.01	4.76
ROCE (%)	17.34	17.35	18.96	14.11
Total debt repayment period	6.68	6.28	5.58	7.22
Profitability				
Gross profit margin (%)	99.42	99.48	93.91	92.87
EBIT interest coverage	6.92	7.48	11.84	11.33
EBITDA interest coverage	9.30	10.26	15.83	17.09
Ratio of personnel costs to total costs (%)	7.01	7.11	6.78	7.93
Ratio of material costs to total costs (%)	0.58	0.52	6.09	7.13
Cost income ratio (%)	52.79	53.51	51.03	57.97
Ratio of interest expenses to total debt (%)	2.40	2.20	1.56	1.21
Return on investment (%)	10.12	10.53	11.39	8.61
Return on equity (%)	160.15	106.63	111.90	73.31
Net profit margin (%)	24.54	26.53	29.98	26.36
Operating margin (%)	47.21	46.49	50.21	42.67
Liquidity				
Cash ratio (%)	2.16	13.69	27.64	18.88
Quick ratio (%)	27.81	40.07	57.30	63.33
Current ratio (%)	45.27	55.82	83.51	110.10

Appendix

Rating history

The rating history is available under:

<https://www.creditreform-rating.de/en/ratings/published-ratings.html>

Table 5: Corporate issuer rating of Autoroutes du Sud de la France S.A. | Source: CRA

Event	Rating date	Publication date	Monitoring period	Result
Update	13.04.2021	16.04.2021	-	BBB+ / stable
Initial Rating	12.04.2017	24.04.2017	19.08.2019	A- / stable

Table 6: LT LC senior unsecured issues by Autoroutes du Sud de la France S.A. | Source: CRA

Event	Rating date	Publication date	Monitoring period	Result
Update	13.04.2021	16.04.2021	-	BBB+ / stable
Initial rating	05.10.2018	15.10.2018	19.08.2019	A- / stable

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:

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

The rating was conducted based on the following information.

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.

List of documents

Accounting and controlling

- Consolidated annual statements 2020 Autoroutes du Sud de la France S.A.
- Consolidated annual statements 2020 VINCI S.A.
- Report on the financial statements 2020 VINCI S.A.
-

Finance

- Base Prospectus 2020-07-17

Additional documents

- Presentation 2020 full year results VINCI S.A.
- Press releases

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

The documents 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	2.3	29.05.2019
Non-financial Corporate Issue Ratings	1.0	October 2016
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	Email-Address
Rudger van Mook	Lead analyst	R.vanMook@creditreform-rating.de
Christian Konieczny	Analyst	C.Konieczny@creditreform-rating.de

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

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

On 13 April 2021, the analysts presented the rating to the rating committee and the rating was determined. The rating result was communicated to the company on 13 April 2021. 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

Whether ESG factors were relevant to the rating can be seen 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](#).

Conflicts of interest

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.

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

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 on 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.

Disclaimer

Any rating performed by Creditreform Rating AG is subject to the Creditreform Rating AG Code of Conduct, which has been published on the web pages of Creditreform Rating AG. In this Code of Conduct, Creditreform Rating AG commits itself – systematically and with due diligence – to establish its independent and objective opinion as to the sustainability, risks and opportunities concerning the enterprise or the issue under review.

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Creditreform Rating AG

Contact information

Creditreform Rating AG

Europadamm 2-6
D-41460 Neuss

Phone: +49 (0) 2131 / 109-626
Telefax: +49 (0) 2131 / 109-627

E-Mail: info@creditreform-rating.de
Web: www.creditreform-rating.de

CEO: Dr. Michael Munsch
Chairman of the Board: Dr. Hartmut Bechtold

HR Neuss B 10522