

Rating object	Rating information		
SNCF S.A. Creditreform ID: 400974433 Incorporation: 1 January 2020 (as a société anonyme) Based in: Saint-Denis, France Main (Industry): Passenger transport and freight logistic CEO: Jean-Pierre Farandou <u>Rating objects:</u> Long- and short-term Corporate Issuer Rating: SNCF S.A. Long-term Local Currency (LT LC) Senior Unsecured Issues	Corporate Issuer Rating: A+ / positive	Type: Update Unsolicited Public rating	
	LT LC Senior Unsecured Issues: A+ / positive	Short-term rating: L2	
	Rating date: 8 October 2024 Monitoring until: withdrawal of the rating Rating methodology: CRA "Corporate Ratings" CRA "Non-Financial Corporate Issue Ratings" CRA "Corporate Short-Term Ratings" CRA "Government Related Companies" CRA "Rating Criteria and Definitions"		
	Rating history: www.creditreform-rating.de		

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Summary

Company

The SNCF-Group is a French infrastructure manager and global leader in passenger transport and freight logistics. SNCF operates approximately 28.000 km of track, moves 15 million passengers per day in France and worldwide, across all modes of transport, and employs approximately 283.000 staff.

As of 1 January 2020, the organizational structure and legal form of the SNCF-Group was adjusted following the implementation of the French railway pact. Now the Group consists of a parent, SNCF S.A., and five subsidiaries: SNCF Réseau, SNCF Voyageurs, Keolis, Rail Logistics Europe (REL) and Geodis. SNCF Réseau, together with its own subsidiary SNCF Gares & Connexions, is responsible for the management of the rail infrastructure, including approx.. 3,000 railway stations in France. SNCF Voyageurs and Keolis operate in the passenger transport segment. REL and Geodis are major players in the logistics and (rail) freight transport sectors, both in France and abroad (Europe).

During the 2023 business year, the Group generated revenues of EUR 41.8 billion (FY 2022: EUR 41.4 billion), EBITDA of EUR 8.0 billion (FY 2022: EUR 8.8 billion), EBIT of EUR 2.3 billion (FY 2022: EUR 3.1 billion) and EAT of EUR 1.4 billion (FY 2022: EUR 2.5 billion).

Rating result

With the unsolicited corporate issuer rating of **A+**, SNCF S.A. is attested with a high level of creditworthiness, representing a low default risk. The primary rating drivers are the Group's high degree of systemic importance, as well as its close relationship with the French state (CRA unsolicited long-term sovereign rating of the French Republic: **AA / negative** as of 15 April 2024). The latter is reflected in its 100% ownership and various state subsidies and measures, such as the debt relief mechanism (for SNCF Réseau) and the "new rail deal". We therefore believe that the French government would financially support SNCF S.A. in the event of a need for extraordinary financial assistance which aligns with EU competition law. The difference between the unsolicited corporate issuer rating and the sovereign rating of the French Republic (a minimum of one notch) stems from the absence of provided guarantees from the French state for SNCF's indebtedness.

The SNCF Group's earnings and internal financing power is a stabilizing factor for our rating assessment. However, the increasingly volatile earnings and margin development due to persistently high price and interest rate levels, the subdued economic situation, falling freight rates, as well as ongoing geopolitical conflicts and related uncertainties impede a sustainable improvement for the time being. This is also reflected in our analysis of the key financial figures, which show a slight deterioration in 2023 after a significant improvement over previous years.

Although the SNCF Group as a whole has become increasingly stable and robust, the difficult conditions and high investment and capital requirements in the course of maintaining, modernizing, and expanding the rail infrastructure—as well as due to France's credit rating, which has a negative outlook—dampen our rating assessment for the time being.

Outlook

The one-year outlook for the unsolicited corporate issuer rating of SNCF S.A. remains **positive**. This assessment is based on the Group's strong performance and the improved financial ratios over recent years, despite a slight decline in 2023. Provided the Group is able to improve and stabilize its earnings and internal financing power, we assume that an upgrade within the time horizon of one year to be possible, despite challenging market conditions and the ongoing need for investment. In the event of a downgrade of CRA's unsolicited sovereign rating of the French Republic, the positive outlook for the unsolicited corporate issuer rating will have to be reviewed. This is because, based on our methods, SNCF's rating should be at least one notch lower than the Sovereign rating of the French Republic.

Reference:

The relevant rating factors (key drivers) mentioned in this section are predominantly based on internal analyses, evaluations from the rating process, the derived valuations of the analysts participating in the rating and, if applicable, other rating committee members. The fundamental external sources used are specified in the sections "Regulatory requirements" and "Rules on the presentation of credit ratings and rating outlooks".

Excerpts from the financial key figures analysis 2023:

- + Slight sales growth
- + Improved cash flow from operating activities (after working capital)
- Deterioration of EBIT(DA) and EAT
- Decreased profitability
- Ratio of interest expenses to total debt
- Decreased EBITDA interest coverage
- Asset coverage ratio

General rating factors summarize the key issues which – according to the analysts as of the date of the rating – have a significant or long-term impact on the rating, whether positive (+) or negative (-).

Relevant rating factors

Table 1: Financials I Source: SNCF S.A. Annual Report 2023, standardized by CRA

SNCF S.A. Selected key figures from the financial statement analysis Basis: Annual accounts and report of 31.12. (IAS, Group)	CRA standardized figures ¹	
	2022	2023
Sales (million EUR)	41,449	41,760
EBITDA (million EUR)	8,763	7,954
EBIT (million EUR)	3,139	2,291
EAT (million EUR)	2,516	1,409
EAT after transfer (million EUR)	2,425	1,310
Total assets (million EUR)	90,249	91,158
Equity ratio (%)	30.94	29.80
Capital lock-up period (days)	67.76	69.91
Short-term capital lock-up (%)	32.88	36.21
Net total debt / EBITDA adj. (Factor)	6.61	6.94
Ratio of interest expenses to total debt (%)	1.98	2.61
Return on investment (%)	3.18	2.44

General rating factors

- + Wholly owned by the French Republic
- + Affirmation of the unsolicited sovereign rating of the French Republic at **AA / negative** on 15.04.2024
- + Ongoing financial support and high probability of extraordinary financial support from the French government in the event of a crisis
- + High political, structural, economic and social systemic importance
- + Very good access to the capital market
- + Predominantly market-leading position in its main business areas, particularly urban mass transit and logistics
- + Owner of and infrastructure manager for the French national network
- + Diversified product and service portfolio, and international business
- High and rising investment and capital requirements; high structural cost block
- Increased dependence of the business on financing from the public sector
- Susceptibility to exogenous factors (regulation, pandemic, etc.) and influence from politics, the public, and trade unions
- High and increasing intensity of competition in its core markets
- Conditional currency risks and direct and indirect energy price risks
- Ongoing restructuring and personnel challenges

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 considers all balance sheet liabilities. Therefore, the key financial figures shown often deviate from the original values of the company.

Current rating factors

- + Noticeable rise in ridership in the entire rail passenger transport sector
- + Reported sales growth in 2023 and H1 2024, despite a challenging economic and labor environment
- + Overall solid earnings and financing power, despite increasing volatility
- + Slight but gradual reduction in SNCF's net debt
- + Implementation of the discontinuation of operation process for Fret SNCF in order to avoid a possible fine from the EU Commission

- Weak development in freight transportation and logistics business as a result of a declining economic situation and lower freight rates at Geodis and other special factors at Rail Logistics Europe
- Declining operating income in 2023 and H1 2024 compared to the respective prior-year period
- Slight decline in the result of our financial key performance indicator analysis in 2023, after a noticeable improvement in the years before

Prospective rating factors

- + An upgrade in the sovereign rating of the French Republic
- + Additional support and funding measures from the public sector
- + Progress in SNCF's ambition to be a champion of sustainable mobility and thereby improving competitiveness compared to other modes of transport
- + Improved key financial figures based on higher profitability and internal financial strength accompanied by ongoing debt reduction

- A downgrade in the sovereign rating of the French Republic
- Change in our assessment of the French government's willingness to support SNCF financially
- Significant increase in the Group's investment program, adversely affecting cash flows
- Lasting deterioration in the results of our financial ratio analysis
- Predominant focus on political and social goals at the expense of business development
- Deterioration in competitiveness due to lack of punctuality and reliability, ongoing strikes and train cancellations
- Negative effects, e.g., due to increasing geopolitical conflicts or a renewed pandemic situation

ESG-factors

CRA generally takes ESG factors (environment, social and governance) into account within its rating decisions. In the case of SNCF S.A. we have identified ESG factors with significant influence on the following categories, which are described in the sections below.

(E) Environment (S) Social (G) Governance

(E): The business model, and SNCF itself, make a significant contribution toward reducing CO₂ emissions in the transportation of goods and passengers. We believe that the SNCF Group plays an essential role in the French and European transport sector and in CO₂ reduction policies. In this context, the business model is particularly future-oriented.

Current rating factors are the key factors which, in addition to the underlying rating factors, have an impact on the current rating.

Prospective rating factors are factors and possible events which – according to the analysts as of the date of the rating – would most likely have a stabilizing or positive effect (+), or a weakening or negative effect (-) on future ratings if they occurred. This is not an exhaustive list of possible future events with potential relevance for future ratings. Circumstances can arise that are not included in the list of prospective factors, whose effects are impossible to assess at the time of the rating, either because these effects are uncertain or because the underlying events are deemed unlikely to occur.

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 outlook.

The transport sector is responsible for almost a quarter of European greenhouse gas (GHG) emissions and is the only sector that has increased its emissions since 1990. Emissions caused by the transport sector have thus gained in relative importance. The intensity of GHG from rail transport is significantly lower per passenger kilometer (pkm) and per ton kilometer (tkm) than from any other means of transport, with the exception of maritime transport, which, in contrast to rail freight transport, has higher air pollutant loads. We therefore assume that further legal measures will be taken at national and European levels to promote rail transport over other modes of transport.

One of the goals of the European Green Deal is a 90% reduction in transport-related greenhouse gas emissions by 2050. To achieve this goal, the European Commission has published the Sustainable and Smart Mobility Strategy. We expect that rail transport in general, and SNCF in particular, will most likely benefit from further initiatives and directives at the European level, although future Europe-wide measures, such as part of the "Fit for 55" package finalized in October 2023, which includes the promotion of alternative drives and fuels, could slow down the switch to rail.

At the end of May 2023, France introduced a law banning carbon-emitting short-haul domestic flights. The ban applies - subject to other criteria - to journeys that can alternatively be made by train in less than 2.5 hours. Although the law is initially limited to three years, and the CO₂ savings effects do not appear to be significant, it illustrates the prioritization of rail over other modes of transport. At the beginning of 2023, France also decided on the "new rail deal", which provides for investments of an additional EUR 100 billion by 2040 in rail network regeneration and modernization. The new rail deal strengthens the Group's financial position and the reliability and robustness of the rail infrastructure.

SNCF places its corporate social responsibility at the heart of its *raison d'être* and strategy. The Group is committed to helping to meet the goals set out in the Paris Agreement as well as the UN's sustainable development goals. In 2023, SNCF Group's GHG emissions (scope 1 and 2) were down 8% from 2022. The Group thus achieved 47% of its decarbonization trajectory, which aims to reduce scope 1 and 2 GHG emissions in France by 30% from traction and by 50% from buildings between 2015 and 2030. To this end, the Company endeavors to green its rolling stock and invest in renewable energies. Through its new subsidiary, SNCF Renouvelables, launched in July 2023, SNCF aims to install photovoltaic panels, meeting the equivalent of 15-20% of the Group's current demand for electricity by 2030. In addition, the Group is one of the largest issuers of green bonds in the world, aiming have all of its financial products conform with responsible investment criteria by 2025. In order to reduce indirect emissions (scope 3), SNCF includes its suppliers, who are responsible for roughly 70% of the Group's emissions, in its decarbonization targets. From 2023, carbon-related rating criteria will be gradually introduced. In addition, 100% of strategic suppliers, whose carbon footprint is very important to SNCF, will have to meet the Company's decarbonization commitments.

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](#).

Best-case scenario: AA-

In our best-case scenario for one year we assume a rating of AA-. In this scenario, we assume that SNCF will be able to improve its earnings and margins above the level seen in the 2022 financial year, despite a weaker performance in 2023, thus confirming the sustainability of the Group's improved earnings and internal financing strength. In conjunction with a further reduction in debt, this should have a positive impact on the Group's key financial figures. The basis for this would be economic recovery and a further increase in passenger numbers. This scenario assumes that there is no negative adjustment to CRA's unsolicited sovereign rating of the French Republic and that the Sovereign's rating outlook turns to stable.

Worst-case scenario: A

In our worst-case scenario for one year, we cannot rule out a deterioration of the rating to A, but we also consider this to be less likely in this period. This could be induced by a sustained economic slowdown and/or by structural and strategic changes that lead to persistently weak earnings and an increase in debt. A downgrade of the sovereign rating of the French Republic, or a significant limitation or reduction of the owner's financial support measures, could also have a negative effect on our rating assessment.

Business development and outlook

The 2023 financial year was characterized by challenging market conditions and divergent developments in the Company's two main segments: (rail) passenger transport and transport and logistics. While the transport and logistics segment recorded falling revenues due to falling freight rates and a decline in freight volumes as a result of the global economic downturn, increasing demand and rising passenger numbers in passenger transport led to noticeable revenue growth.

Table 2: The development of business of SNCF S.A. | Source: Annual Report 2023, standardized by CRA

SNCF S.A.				
In million EUR	2022	2023	Δ	Δ %
Sales	41,449	41,760	311	0.8
EBITDA	8,763	7,954	-809	-9.2
EBIT	3,139	2,291	-848	-27.0
EBT	2,830	1,517	-1,313	-46.4
EAT	2,516	1,409	-1,107	-44.0

Accordingly, the SNCF Group recorded a slight revenue increase of 0.8% to EUR 41.8 billion for the past financial year 2023 (2022: EUR 41.4 billion). This, however, included positive effects from acquisitions, so that in organic terms, a revenue decline of 1.1% was recorded. This was mainly due to the downward revenue trend at Geodis and—albeit only marginally—at Rail Logistics Europe, which could not be fully offset by the positive revenue trend in all other business units. EBITDA calculated by CRA decreased by 9.2% to EUR 8.0 billion (FY 2022: EUR 8.8 billion). Slightly lower purchases and external expenses were offset by significantly higher personnel expenses. In addition, other operating income decreased due to lower income from asset sales, which contributed to the deterioration in EBITDA. The EBITDA margin decreased from 21.1% in the previous year to 19.0%, nevertheless remaining at a solid level. The cost-cutting measures implemented in 2023 had a positive impact on EBITDA, exceeding the actual target of EUR 650

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.

million by reaching EUR 700 million. SNCF reported a slightly lower EBITDA of EUR 6.4 billion for 2023 (FY 2022: EUR 6.6 billion). The deviation of the EBITDA calculated by CRA compared to the reported EBITDA results mainly from the fact that CRA does not net investment grants with depreciation but allocates them to other operating income. Other operating income also includes income from asset sales, which are recognized separately in the origin consolidated financial statements below the EBITDA.

Table 3: Business development by business line | Source: SNCF Group Financial Report; own presentation

SNCF S.A.				
In million EUR	2022		2023	
	Revenues	EBITDA	Revenues	EBITDA
Infrastructure Management	3,010	2,156	3,347	2,023
Passengers	16,582	2,269	18,347	2,388
Keolis	6,568	574	6,812	520
Freight & Logistics	15,233	1,363	13,143	1,236
SNCF Immobilier	44	202	58	201
Corporate	13	50	53	66
Total	41,449	6,615	41,760	6,435
<i>Margin</i>		16.0%		15.4%

With depreciation at the previous year's level, earnings before interest and taxes (EBIT) amounted to EUR 2.3 billion (FY 2022: EUR 3.1 billion). Higher interest expenses weighed on the financial result, which, despite slightly lower tax expenses, led to a noticeable decline in EAT of -44.0% to EUR 1.4bn. This is also reflected in the financial key figures, and consequently in a slightly weaker result of our financial key figures analysis compared to the previous year, which inhibits a potential upgrade of the rating, as indicated by the positive outlook.

Table 4: Business development by business line | Source: SNCF Group Half-Year Financial Report; own presentation

SNCF S.A.				
In million EUR	H1 2023		H1 2024	
	Revenues	EBITDA	Revenues	EBITDA
Infrastructure Management	1,672	848	1,677	1,109
Passengers	8,933	902	9,662	973
Keolis	3,402	282	3,672	244
Freight & Logistics	6,671	612	6,341	675
SNCF Immobilier	18	86	43	96
Corporate	26	41	30	25
Total	20,723	2,771	21,426	3,121
<i>Margin</i>		13.4%		14.6%

In the first half of 2024, the SNCF Group generated revenue growth of 3.4% to EUR 21.4 billion (H1 2023: EUR 20.7 billion). Organically, revenues also increased by 2.8% year-on-year. As in 2023, this was due to rising passenger numbers and revenues in the Keolis and Passenger busi-

ness lines—particularly in the TGV, Intercités and TER segments. In light of the weak global economy and the ongoing normalization of freight rates, the Freight & Logistics business line declined once again, with a positive revenue trend in the Rail Logistics Europe segment being more than offset by a noticeable revenue loss at Geodis. SNCF reported EBITDA increased by 12.6% to EUR 3.1 billion in the first half of 2024 (H1 2023: EUR 2.8 billion). Apart from Keolis and Corporate, all business lines contributed to the improvement in EBITDA. Even Freight & Logistics, which is characterized by declining revenues, was able to show positive EBITDA development due to its diversified business activities and effective cost management. Against this backdrop, and the cost savings of EUR 230 million implemented as part of the performance and productivity plan in the first half of 2024, the SNCF Group's EBITDA margin improved again to 14.6% after a decline in the previous year. Higher depreciation and unfavorable net changes in provisions – mainly in connection with an agreement concluded in 2024 on “end-of-career support schemes” – led to an overall decline in operating profit to EUR 0.6 billion (H1 2023: EUR 0.8 billion). Despite an improved financial result and lower tax expense, EAT of EUR 174 million remained slightly below the previous year's level (H1 2023: EUR 191 million).

Despite the difficult market situation, SNCF Group has generated positive annual results in recent years, thus demonstrating its sustainable profitability. Although there is increasing volatility in the development of earnings, we consider SNCF Group to be sufficiently robustly positioned to adequately address exogenous effects and other challenges, based on its diversified business model, cost management and government support.

Structural risk

The SNCF Group is an integrated player in the rail sector and one of the world's largest mobility groups in terms of turnover and diversity. It covers the entire rail transport value chain from infrastructure management to passenger and freight services. Together with its non-rail subsidiaries, the Group is one of the leading companies in urban mass transit and logistics globally. The Group consists of the parent company, SNCF S.A., and five subsidiaries: SNCF Réseau, SNCF Voyageurs, Keolis, Rail Logistics Europe (RLE) and Geodis. With over 900 consolidated companies, the SNCF Group has a very complex corporate structure.

SNCF S.A. is wholly owned by the French state. The shares are non-transferrable to ensure that the government retains full ownership and control over the Group. The main strategic subsidiaries of the Group in France (SNCF Réseau S.A. and SNCF Voyageurs S.A) are also public limited liability companies, wholly owned by SNCF S.A., and their shares are also non-transferrable.

SNCF Réseau and SNCF Gares & Connexions, which was reattached to the SNCF Réseau structures as part of the 2020 rail reform, are responsible for the engineering, operation and maintenance of the key assets of the infrastructure, particularly the 28,000 km of railway lines, including 2,800 km of high-speed track and 3,000 stations throughout the country. As infrastructure managers, they operate within the framework of a legal and natural monopoly. At the same time, they are subject to statutory regulations to guarantee transparent and non-discriminatory access to the network for all customers. The ownership is coupled with a high structural cost base, as well as ongoing modernization and expansion requirements. Substantial risks arise from the increasing investment and capital requirements, which can be managed by SNCF in view of its positive free cash flow, including financial support from the state. Against this backdrop, the announced EUR 100 billion investment plan from the French state into the French rail infrastructure has a positive effect on our assessment of the structural and financial risk.

There is a further risk associated with the decision to dissolve the subsidiary Fret SNCF as a result of an ongoing investigation by the EU Commission, which considers the assumption of

Fret SNCF's losses by the parent company SNCF S.A. in the period from 2007-2019 to be a violation of EU state aid rules. In a complex transformation, Fret SNCF is to be replaced by two new structures, with activities refocused on capacity management and rolling stock maintenance. If it is undertaken quickly, SNCF believes that this transformation could, at the end of the formal examination procedure, make it possible to obtain a finding from the Commission that Fret SNCF has been economically discontinued, and that there is therefore no obligation to repay any past aid to the two new entities. The outcome of the investigation remains to be seen. So far, the Group's financial statements show no material impact from the discontinuity measures.

An integral part of the Company's transparent corporate governance is its informative public reporting system, which enables the adequate identification and assessment of relevant corporate risks in conjunction with other public information. Operational and financial aspects are given sufficient consideration in public reporting. In view of the many challenges, the SNCF Group relies on controlling, risk management, and steering elements which we assume are sufficiently structured to manage the business and changes in the Group in a targeted manner, both operationally and financially.

Jean-Pierre Farandou's term of office as Chairman and Chief Executive Officer of SNCF ends in May 2024; however, the government asked him to ensure the continuity of his duties during the Paris 2024 Olympic and Paralympic Games, specifying that a successor would be appointed subsequently. A successor had not been appointed at the time of the rating report. We assume that the CEO position will be adequately filled, but see potential risks as long as the vacancy persists.

As of 30 June 2024, the SNCF Group employed roughly 287,000 people, more than 70,000 of whom were working abroad. Against the backdrop of the green and digital transformation of the SNCF Group, as well as demographic change and the associated high annual recruitment requirements, the shortage of skilled workers represents a core risk for the business.

Overall, we see the structural risk of the SNCF Group as slightly elevated due to the complexity of the organization, the structural and personnel adjustments currently required, and the increasing need for investment in the maintenance, modernization and expansion of the rail infrastructure, despite financial support from the state.

Business risk

With its existing infrastructure and activities in passenger transport, international logistics, and freight transport, SNCF has an integrated and diversified business model that enables it to absorb cyclical fluctuations in demand and absorb external shocks. During the coronavirus pandemic, for example, SNCF was able to mitigate the negative effects of the lockdown on passenger transport through its logistics subsidiary Geodis. Currently, rising demand in passenger transport is offsetting Geodis's declining business performance due to the weak economy and falling freight rates. SNCF Réseau, together with its main subsidiary SNCF Gares & Connexions, acts as infrastructure manager in a legal and natural monopoly framework, and benefits from conditions that ensure its independence from other customers (companies). With the SNCF Voyageurs and Keolis subgroups, SNCF has competitive and leading companies in the passenger transport submarkets. In the freight and logistics sector, SNCF is also one of the leading companies in the respective submarkets, with the subgroups Rail Logistics Europe and Geodis. This is also reflected in the operating result of the SNCF Group, to which all business lines currently make a positive contribution, underlining the robustness of the Group's business model.

In order to become more independent of energy prices, price fluctuations and to reduce overall CO₂ emissions, SNCF has taken measures to reduce energy consumption, and also founded the

subsidiary SNCF Renouvelables in 2023, which produces solar energy on the existing infrastructure. This is in line with the Company's long-term strategy of becoming a leader in sustainable mobility by modernizing and expanding its rail infrastructure and using its two strategic assets, Keolis and Geodis. To achieve this, SNCF intends to mobilize its strengths in the areas of people, regions, the environment, digitalization and innovation to drive the Group's transformation, future growth, and return to a healthy and sustainable financial balance, all of which are geared to customer expectations. All of this is necessary to generate the financial resources for the necessary investments in infrastructure and rolling stock. The ecological transformation, the liberalization and opening of rail passenger transport to competition, the changes in the workplace, and the digital transformation represent major challenges for the achievement of these objectives. Overall, however, we believe that the Group is well-placed and thus able to adequately meet future challenges.

SNCF's high degree of dependence on the French state must be taken into account. During the business year 2023, the government and local authorities accounted for EUR 18,401 million (44%) of the Group's revenues, mainly through operating agreements. Additionally, the Group receives operating and investment grants. In light of the SNCF Group's strategic goals and its growing need for investment and capital, the additional EUR 100 billion committed until 2040 for the modernization and expansion of France's rail infrastructure will have a positive effect, even though it will further increase the SNCF Group's dependence on the state.

We see risks in the non-fulfillment or delay of strategic goals, which could impact the competitiveness and thus the business development of the SNCF Group. The persistently high price and interest rate levels, as well as the weak economic situation, are a hindrance to business development. Furthermore, we assume that means of transport, such as long-distance buses, trucks, aircraft, but also cars, will remain alternatives for the SNCF Group's services in the long term, in particular due to the adjusted state funding of all modes of transport in the context of implementing European climate policy objectives. Due to the fact that the SNCF Group's business activities are predominantly in France and Europe, and that international business is sufficiently diversified, we do not identify any significant country risks for the Group.

Overall, we consider SNCF's business risks to be moderate to low. The dominant market position and importance in French rail transport, the size of the Company, and some of its unique selling points and competitive advantages contribute to this. In general, we consider SNCF to be of high systemic importance. SNCF continues to be a major player in the national economy and fulfils strategic missions for the French state, particularly due to its role in the economy, daily mobility, employment and climate policy objectives.

Financial risk

For analytical reasons, CRA adjusts the original balance sheet values. The following statements refer to the key figures calculated by CRA according to its methods, unless otherwise stated. Due to these adjustments, and the fact that CRA calculates its own key figures, they may differ from the original values and information provided by SNCF.

The result of our financial ratio analysis for the 2023 financial year deteriorated slightly compared to the previous year due to the decline in earnings. However, key credit metrics continue to be on a satisfactory level. The analytical equity ratio fell slightly to 29.80% as of December 31, 2023 (FY 2022: 30.94%), thus still at a solid level. The analytical key figure net total debt / EBITDA adj., which refers to total liabilities less cash and cash equivalents and marketable securities, was slightly higher for the rating level at 6.94 (FY 2022: 6.61). If the net debt of EUR 24.2 billion as of December 31, 2023 (FY 2022: EUR 24.4 billion) is compared to the EBITDA adj. calculated by CRA, a solid value of 3.1 (FY 2022: 3.1) is obtained. Even though the result of our financial

ratio analysis fell slightly compared to the previous year, a noticeable improvement in the financing structure—and consequently the key financial ratios—can be seen due to implemented debt relief totaling EUR 35 billion between 2020 and 2022.

In 2023, financial debt fell from EUR 82.1 billion in the previous year to EUR 76.8 billion. As of June 30, 2024, financial debt fell further to EUR 71.4 billion. Taking into account the claims of the Public Debt Fund (from debt relief) and available liquidity, SNCF Group net debt fell to EUR 24.2 billion as of December 31, 2023 (FY 2022: EUR 24.4 billion) and to EUR 24.0 billion at the end of the first half of 2024. This development was supported by both the SNCF Group's positive operating performance and ongoing financial support from the state. Both of these factors have enabled the group to report positive free cash flow since 2022, which increases its financial leeway for supplementary investments as well as for further debt reduction. In this context, we view the “new rail deal” investment plan adopted by the French government at the beginning of 2023 as positive. This plan will provide a total of EUR 100 billion for investment in rail infrastructure by 2040 and should support continued positive development of free cash flow.

We continue to view the SNCF Group's liquidity position as solid, particularly in view of the Group's ownership structure, adequate liquidity resources, and available credit lines, combined with established access to the capital markets. As of June 30, 2024, the Group had cash and cash equivalents of EUR 6.9 billion (FY 2023: EUR 9.0 billion). In addition, it had unused confirmed credit lines of EUR 4.6 billion, including a revolving credit facility of EUR 3.5 billion. Furthermore, SNCF S.A. has set up a Euro Commercial Paper program capped at EUR 5 billion, a Euro Medium Term Notes program (EMTN) with a cap of EUR 15.0 billion, and a negotiable European Commercial Paper program of an additional EUR 3 billion for short-term financing which, despite partial use, represent further financing options.

Overall, we consider the financial risk of the SNCF Group to be low, despite the increasing need for investment and the high interest rate level, due to the Group's improved earnings and internal financing power, its solid liquidity position in connection with established access to the capital market, and ongoing financial support from the state.

Further ratings

Based on the long-term issuer rating and taking into account our liquidity analysis, the short-term rating of SNCF S.A. was set at **L2** (standard mapping), which corresponds to a high liquidity assessment for one year.

The rating objects of the issue rating are exclusively long-term senior unsecured issues, denominated in euro, issued by SNCF S.A., which are included in the list of ECB-eligible marketable assets.

The notes of SNCF S.A. have been issued within the framework of the Euro Medium Term Note (EMTN) Programme, of which the latest base prospectus was issued on 8 August 2024. This EMTN Programme amounts to EUR 15 billion.

We have provided the long-term local currency senior unsecured notes issued by SNCF S.A. with an unsolicited rating of **A+ / positive**. The rating is based on the corporate issuer rating.

Long-term local currency senior unsecured notes issued by SNCF S.A., which have similar conditions to the current EMTN programme, 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 programme. 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 5: Overview of CRA Ratings | Source: CRA

Rating Category	Details	
	Date of rating committee	Rating
SNCF S.A.	08.10.2024	A+ / positive / L2
Long-term Local Currency (LC) Senior Unsecured Issues issued by SNCF S.A.	08.10.2024	A+ / positive
Other	--	n.r.

Financial ratio analysis

Table 6: Financial key ratios | Source: SNCF Group, Annual Financial Report 2023, structured by CRA

Asset structure	2020	2021	2022	2023
Fixed asset intensity (%)	69.94	72.91	73.55	74.44
Asset turnover	0.33	0.38	0.46	0.46
Asset coverage ratio (%)	63.32	27.15	46.47	44.73
Liquid funds to total assets	8.51	11.82	10.94	9.84
Capital structure				
Equity ratio (%)	15.36	16.15	30.94	29.80
Short-term debt ratio (%)	28.47	27.01	27.13	29.74
Long-term debt ratio (%)	28.93	3.65	3.24	3.49
Capital lock-up period (in days)	86.58	78.30	67.76	69.91
Trade-accounts payable ratio (%)	7.62	8.18	8.53	8.77
Short-term capital lock-up (%)	54.67	39.95	32.88	36.21
Gearing	4.96	4.46	1.88	2.03
Leverage	124.24	6.35	4.25	3.29
Financial stability				
Cash flow margin (%)	2.24	8.89	13.30	13.69
Cash flow ROI (%)	0.72	3.39	6.11	6.27
Total debt / EBITDA adj.	23.95	12.98	7.86	8.08
Net total debt / EBITDA adj.	21.54	11.15	6.61	6.94
ROCE (%)	-4.90	1.30	4.98	4.98
Total debt repayment period	10.14	11.07	7.20	7.25
Profitability				
Gross profit margin (%)	57.53	57.66	56.58	58.11
EBIT interest coverage	-1.37	1.88	2.54	1.37
EBITDA interest coverage	1.84	7.17	7.10	4.77
Ratio of personnel costs to total costs (%)	46.92	42.07	37.94	39.72
Ratio of material costs to total costs (%)	42.47	42.34	43.42	41.89
Ratio of interest expenses to total debt (%)	2.18	1.31	1.98	2.61
Return on investment (%)	-2.51	1.90	3.18	2.44
Return on equity (%)	-464.82	5.28	11.80	5.12
Net profit margin (%)	-11.51	2.20	6.07	3.37
Operating margin (%)	-7.87	5.42	7.57	5.49
Liquidity				
Cash ratio (%)	29.89	43.77	40.33	33.10
Quick ratio (%)	100.74	94.68	91.35	79.48
Current ratio (%)	105.59	100.30	97.50	85.95

Appendix

Rating history

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

Table 7: Corporate Issuer Rating of SNCF S.A.

Event	Rating created	Publication date	Result
Initial rating	01.02.2017	10.02.2017	AA- / stable

Table 8: LT LC Senior Unsecured Issues issued by SNCF S.A.

Event	Rating created	Publication date	Result
Initial rating	08.10.2018	16.10.2018	AA-

Table 9: Short-term Issuer Rating of SNCF S.A.

Event	Rating created	Publication date	Result
Initial rating	15.12.2023	20.12.2023	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:

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

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	2.4	July 2022
Corporate Short-Term Ratings	1.0	June 2023
Government-related Companies	1.1	May 2023
Non-financial Corporate Issue Ratings	2.0	March 2024
Rating Criteria and Definitions	1.3	January 2018

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.

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

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

Name	Function	Mail-Address
Philipp Beckmann	PAC	P.Beckmann@creditreform-rating.de

On 8 October 2024, the analysts presented the rating to the rating committee and the rating was determined. The rating result was communicated to the company on 9 October 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.

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No ancillary services in the regulatory sense were provided for this rating.

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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