

Rating object	Rating information	
VINCI S.A. Creditreform ID: 552037806 Incorporation: July 1, 1908 Based in: Rueil Malmaison, France (Main) Industry: Concession and contracting group CEO: Xavier Huillard <u>Rating objects:</u> Long-term Corporate Issuer Rating: VINCI S.A. Long-term Local Currency (LT LC) Senior Unsecured Issues	Corporate Issuer Rating:	Type: Update unsolicited
	A- / stable	
	LT Senior Unsecured Issues, LC:	Other: n.r.
	Rating date: 9 August 2019 Monitoring until: withdrawal of the rating Initial rating: www.creditreform-rating.de Rating methodology: CRA "Corporate Ratings" CRA "Non-Financial Corporate Issue Ratings" CRA "Rating Criteria and Definitions" Rating history: www.creditreform-rating.de	

Summary

Company

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VINCI S.A. – hereafter referred to as “VINCI” or “the Company” together with its consolidated subsidiaries “VINCI Group” – is a France-based concession and contracting of 2,202 companies, employing 211,233 people in over 100 countries. Incorporated in 1908 and headquartered in Rueil Malmaison, VINCI offers a broad range of services such as designing, financing, building and operating infrastructure facilities. The business of VINCI consists of the two core segments concessions and contracting which act in a complementary way.

VINCI generated total revenues of EUR 44.152 million in 2018 (previous year: EUR 40,876 million), an increase of 8.0%. The Group improved its operating performances and achieved a net profit of EUR 3,057 million (previous year: EUR 2,837 million). As of December 31, 2018, the reported net financial debt increased to EUR 15,554 million from EUR 14,001 million at 31 December 2017.

Rating result

The unsolicited Corporate Issuer Rating of **A-** attests a high level of creditworthiness to VINCI S.A., which represents a low default risk.

VINCI delivered a stronger operating performance than in 2017. Primarily it achieved high sales growth, generated significant free cash flow at a high level, and reduced its financial costs slightly, despite a significant expansion of the financial debt positions. The improvement of the financial analysis result, combined with the strong business model and its market position, confirm the previous rating.

We believe in the sustainability of the business model given its high geographical diversification and the synergies between its business lines. The long-term, forward-looking strategy of the Company, which focuses on internationalization in connection with (contemporary) innovation and an alignment on high-margin concession contracts remain in our opinion, plausible and should continue to lead to solid cash flows.

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Outlook

The yearlong outlook of the rating is stable. This appraisal is based on our expectation that VINCI will further continue to improve its operating performance. Given the current order book, the acquisitions of 2018 and 2019 so far, and half-year figures of 2019, we expect a moderately positive business development in 2019 and at least a foreseeable stable business development in 2020, which could lead to a rating upgrade. A possible deterioration of the financials to finance its strategy and M&A-Transactions should be recoverable in the medium to long-term.

Relevant rating factors

Excerpts from the financial key figures analysis 2018

- + Increased sales
- + Improved operating performance
- + Sufficient profitability
- + Level of cash flows
- + Reduction of interest costs
- + Liquidity
- + EBIT interest coverage

- Increased leverage (absolut)
- Slightly decreased equity ratio
- Capital intensity
- Asset coverage ratio

Table 1: Financials of VINCI (Group) | Source: VINCI S.A. annual report 2018, standardized by Creditreform Rating AG (CRA)

VINCI S.A. Selected key figures of the financial statement analysis Basis: Annual accounts and report of 31.12. (IFRS, Group)	CRA standardized figures ¹	
	2017	2018
Total sales (million EUR)	40,876	44,152
EBITDA (million EUR)	6,695	7,281
EBIT (million EUR)	4,567	5,038
EAT (million EUR)	2,837	3,057
EAT after transfer (million EUR)	2,747	2,983
Total assets (million EUR)	65,248	70,144
Equity ratio (%)	23.85	23.21
Capital lock-up period (days)	73.20	68.12
Short-term capital lock-up (%)	42.83	41.57
Net total debt / EBITDA adj. (factor)	6.37	6.30
Ratio of interest expenses to total debt (%)	1.31	1.18
Return on Investment (%)	5.20	5.20

¹ For analytical purposes, CRA adjusted the original values in the financial statements in the context of its financial ratio analysis. For example, the analytical equity ratio, deferred tax assets, goodwill (entirely or partly), and the self-generated intangible assets are subtracted from the original equity. Deferred tax liabilities were added to the equity. With the calculation of net total debt all balance sheet liabilities are taken into account. As a result, the key financial figures shown often deviate from the original values of the Company.

Please note:

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

General rating factors

- + Global and integrated Group and market leader in many countries
- + High-margin concession contracts with a long average maturity
- + Good access to financial markets
- + Diversified and international business model
- + Resilience of the business model concessions, also in volatile economic climate
- + Complete value chain in contracting business (from design to maintenance)
- + Long term strategy based on the complementarities between concession and contracting businesses
- + Innovation performance and environmental policy
- + State relevance of VINCI Autoroutes in France
- Increased risks on macroeconomic development, oil-price level and climate change
- Very low flexibility to raise toll prices
- Highly competitive markets and low margin in the construction sector
- Capital-intensive business, requiring high investments
- Risks from possible license withdrawal
- Typical construction risks

Current rating factors (rating 2019)

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

- + Ongoing improvement of the operational performance and net result
- + Lower financial expenses due to (re-)financing with better conditions
- + Exceeded target figures in 2018
- + Increasing order book in contracting as of the end of 2018
- + Strong growth of VINCI Energies, Eurovia and VINCI Airports
- + Increased internationalization underpinned by new acquisitions
- + Takeover of London Gatwick airport and, since then, second-largest airport operator worldwide
- Increased leverage due to high investments
- Slight decrease of traffic of VINCI Autoroutes due to social unrest in France
- Low margin in VINCI Construction

Prospective rating factors

Prospective rating factors are factors and possible events that – according to the analysts as per the date of the rating – would most likely have a stabilizing or positive effect (+) and a weakening or negative effect (-) on future ratings, if they occurred. This is not a full 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.

- + Follow-up the internationalization and innovation path
- + Further profitable inorganic growth with the realization of synergies
- + Improvement of financial key ratios
- + Profitable growth in every business line
- + Improvement of the margin in VINCI Constructions
- + Higher demand for energy efficiency and digital solutions
- + Successful realization of the planned investments with the French government
- Negative effects on the airport London Gatwick due to a hard Brexit
- Slowing growth of European Economies
- Ongoing high investments financed by further leverage
- Decarbonization /carbon tax- affecting the concession business

Best-case scenario	A
Worst case scenario:	BBB+

Please note:

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

Best-case scenario

In our best-case scenario for one year, we assume a rating of A. In this scenario, we expect a constant rising development of the Company with a foreseeable improvement of the result from financial analysis and Creditreform Rating's key ratios, which could lead to an upgrade. The revenues increase due to full-year contributions of new acquisitions in a moderately flourishing economy supported by positive industry development. In this scenario, we also assume an improvement in the margin despite higher investments. A decline in the profitability and the equity ratios due to a disproportionate increase in debt as a result of the acquisitions may prevent an upgrade in the short term.

Worst-case scenario

In our yearlong worst-case scenario, we assume a rating of BBB+. The Company's financials deteriorate following significant debt increase in order to finance its investments, and generates a slightly lower net profit and profitability; e.g. due to the consequences of a hard Brexit or a slowdown of the global economy.

Business development and outlook

Once again, the Company was able to show a dramatic improvement in 2018, reaching its growth objectives for 2018 in revenue, operating income and net income.

In 2018, the performance of VINCI is broken down as follows:

Table 2: The development of business of VINCI S.A. | Source: Consolidated annual reports 2015-2018

VINCI S.A.				
in million EUR	2015	2016	2017	2018
Total sales	39,161	38,547	40,876	44,152
EBITDA	5,757	6,128	6,695	7,281
EBIT	3,724	4,125	4,567	5,038
EBT	3,135	3,557	4,108	4,475
EAT	2,080	2,544	2,837	3,057

Table 3: The development of the core businesses 2018 | Source: Consolidated annual report of 2018

VINCI S.A. according to individual corporate divisions								
in million EUR	Revenues		EBITDA		EBIT		EAT	
	2018	%	2018	%	2018	%	2018	%
Concessions	7,261	16.7	4,963	72.0	3,429	68.6	1,923	64.5
Contracting	35,769	82.2	1,581	26.3	1,472	29.5	849	28.5
Property and intragroup eliminations	489	1.1	120	1.7	96	1.9	211	7.0
Total²	43,519	100	6,898	100	4,997	100	2,983	100

² The revenues listed here, do not contain concession subsidiaries' revenue derived from works carried out by non-Group companies: therefore, the value differs from the total sales in tables 1 and 2.

As table 3 shows, there is a high disparity in margin between the concessions business and the contracting business. While the concessions business generated 16.7% of the revenues, it accounted for 71.9% of the EBITDA, mainly thanks to the business model of motorways concessions (see the following table). However, one must bear in mind that the Concessions segment contributed over 80% to the capital intensity, which significantly determines the asset side. VINCI Autoroutes contributed approx. 78% of the EBITDA in 2018. The full exploitation achieved by the model in the motorway concession business line will continue to be carried out by aircraft concessions, reaching continuous scope effects due to ongoing expansion. In 2016 its EBITDA was EUR 563 million and in 2018 EUR 941 million. The business line achieved an EBITDA of 67.14% increase within two years.

Table 4: The development of individual corporate divisions in 2018 | Source: Consolidated annual report of 2018

In EUR million	Revenues		EBITDA		EBIT		EAT	
	2018	%	2018	%	2018	%	2018	%
VINCI Autoroutes	5,356	12.3	3,895	56.5	2,686	53.7	1,468	49.2
VINCI Airports	1,607	3.7	941	13.6	689	13.8	465	15.6
VINCI Energies	12,603	28.9	749	10.8	727	14.5	398	13.3
EUROVIA	8,934	20.5	513	7.4	345	6.9	220	7.4
VINCI Construction	14,231	32.7	553	8.0	400	8.0	231	7.7
Others	788	1.9	247	3.7	150	3.1	201	6.8
Total³	43,519	100.0	6,898	100.0	4,997	100.0	2,983	100.0

It is noteworthy that the VINCI manages to operate all business segments profitably. Geographically, the Group is active in France (56.9% of the revenues 2018), Europe (27.0%) and the rest of the world (16.1%).

Since 2006, VINCI has been principally developing its motorway and airport activities under concession. The current (unweighted) average maturity of the concession contracts is approx. 36 years. In 2018 traffic on VINCI autoroutes grew until the “yellow vest crisis” in France at the end of last year. It suffered a decline of 0.5% on traffic in comparison to the previous year. Revenue rose in 2018, by 1.5% (2017: 3.2%). In order to extend its concessions of VINCI Autoroutes, Vinci committed to investing approx. EUR 2 billion in line with the motorway stimulus plan (signed with the French government). VINCI already invested more than half at end of 2018. The French government approved a new motorway plan in the second half of 2018 consisting of an additional investment of EUR 385 million. This contract is related to a variety of projects.

In 2018, VINCI Airports made several concession acquisitions worldwide, recording a growth in sales of 14.0% (2017 33.5%). In the first half of 2019, it sealed the majority (50.01% shareholding) of the airport London Gatwick. With EUR 3.2 billion, it represents the highest investment of the commitments made under the concession contract and accounts for around 48% of the investment obligations. For 2019 there are further projects planned, amongst others to extend the

³ The revenues listed here, do not contain concession subsidiaries' revenue derived from works carried out by non-Group companies, therefore the value differs from the total sales in table 1 and 2.

Lisbon airport and to open a civil airport in Montijo. We also expect further acquisitions in 2019 and in the years following.

The concession business expects further growth based on its projects. The traffic at VINCI Airports will increase, albeit more moderately than in the previous year due to high competition. The traffic on VINCI autoroutes develops in line with the domestic economy. In 2019, we expect a solid growth for France based on robust domestic demand and a stable Rating (AA) for our unsolicited Sovereign Rating of France.

The contracting business also achieved a growth in sales in 2018 by 4.5%, mainly due to the business lines VINCI Energies and Eurovia, which expanded internationally after several acquisitions worldwide. The order book in contracting increased as of December 31, 2018 to EUR 33.1 billion, up from 29.3 billion on December 31, 2017. According to the order books, every business line in contracting will increase its revenues. Further growth is to be expected from the full-year effect of the acquisitions in 2018, and from infrastructure projects due to synergies with concession.

In connection with the growth in concession and contracting, the liabilities increased in 2018 to 53,862 million from 49,685 million in 2017, in absolute terms a rise of 4,177 million. Despite the high increase in liabilities, the Company was able to reduce its financial cost after several refinancing transactions and after the impact of hedging. The reported financial cost of the Group dropped (after hedging) to EUR 491 in 2018 from EUR 537 million in 2017 (-8.57%) and the Group achieved a better maturity profile on its financial debt.

Table 5: Figures of current financial year | Source: Half-year results at 31 July 2019, Press releases

VINCI S.A. Revenue, net income and order Book in H1 figures		
In million EUR	H1 2018	H1 2019
VINCI Autoroutes	2,543	2,608
VINCI Airports	741	1,070
Other concessions	141	158
VINCI Energies	5,857	6,370
Eurovia	3,725	4,353
VINCI Constrction	6,562	7,013
Others	393	470
Total	19,758	21,729
net income attributable to owners of the parent	1,300	1,389
Order book	32,700	36,200

For 2019 the Company expects growth in revenue as well as in net income, reflecting the trend of half-year figures for 2019. Every business line recorded an improvement in revenues. The business lines VINCI Airports and Eurovia achieved the strongest growth. VINCI Airports achieved a growth of 44.3% and Eurovia of 16.9% in comparison with the previous year. Sales growth at Vinci Autoroutes recorded the lowest sales growth by 2.6%, as it was still negatively affected by the social unrest in France in January 2019. Overall, the consolidated revenue amounted to EUR 21,729 million in the first half of 2019 (first half of 2018: EUR 19,758 million), an improvement of 10.0%. The net income attributable to owners of the parent amounted EUR 1,359 million (first half of 2018: EUR 1,300 million), an improvement of 4.5%, and the order book

came to 36,200 million (first half of 2018: EUR 32,700) million, an improvement of 11%. To finance its increased investments in the first half of 2019, in particular the acquisition of London Gatwick airport, the Group again raised its liabilities, bringing the reported net financial debt to EUR 24,241 million (in the first half of 2018: EUR 16,674 million). Also in the first half of 2019, refinancing measures were carried out, reducing the reported average interest rate on its reported long-term financial debt to 2.1% in the first half of 2019, down from 2.5% in the first half of 2018.

The medium-term strategy of VINCI is based on further international growth with three main focuses: growth of its airport business and VINCI Energy via acquisitions and evolution of the technological mix of Eurovia. In 2018, 43.1% of the revenues were realized outside of France, which is to increase to more than 50% in the next years.

Structural risk

The VINCI Group is composed of 2,202 companies, organized into two core businesses: concessions and contracting. The Group employed 211,233 people worldwide as of December 31, 2018, of which 91.0% in the contracting division.

A negative impact on the structural risks is reflected in the high level of personnel expenses in the contracting segment compared with the Concessions segment, which is a significant fixed cost block and thus a burdening factor in the economically sensitive construction business.

In VINCI's concession business, the Company operates a 4,443 km motorway network in France, 46 airports worldwide, 3,564 km of infrastructure in 13 countries, the South Europe Atlantic high-speed rail line, GSM-rail system (Lyon) in France, as well as four stadiums in France. This business is divided into several business lines:

- VINCI Autoroutes, which is composed of five companies and which realized EUR 5,356 million in revenues in 2018; ASF represents 58% of the revenues, Cofiroute 27%, Escota 14% and Arcour 1%. It is a partner of the French government and the local authorities.
- VINCI Airports generated EUR 1,607 million revenues in 2018, 52% of it in Portugal, 21% in France, 14% in Cambodia, 8% in Dominican Republic and 5% in other countries. Adding new airports to its portfolio, this division operated 45 airports worldwide and managed 195.2 million passengers in 2018. After the take-over of the airport London Gatwick in 2019, Vinci is now the second largest airport operator in the world.
- Other concessions:
 - o VINCI Highways, which operates infrastructure in 13 countries in Europe and the Americas, and finances, builds, and operates motorways, bridges, tunnels and urban roads with local partners. In Germany, VINCI Highways is the leading motorway concession operator.
 - o VINCI Railways, designed, financed, built and operated the South Europe Atlantic high-speed railway line, between Tours and Bordeaux. It has been in service since July 2017 and is the third busiest route in France. Moreover, VINCI operates part of the French rail network GSM-Rail communication system and the Rhônexpress light rail system in Lyon.
 - o VINCI Stadium, which operates four stadiums in France.

VINCI's contracting business consists of 3,100 business units, offering expertise in energy and information technology, road and rail works, as well as building and civil engineering and is grouped into three business lines:

- VINCI Energies: VINCI Energies is the leader in France, in a fragmented market in which the top six players account for only roughly 50% of the market (Engie, Engie Services, Spie, Eiffage Énergie, Bouygues Energies and Services and Snef). In Europe, VINCI Energies is a leading electrical engineering and installation company. Its work consists in boosting the reliability, efficiency, and safety of energy, buildings, transport and communication infrastructure, industrial facilities, and information systems. One main objective is to roll out new technologies for supporting digital transformation and the energy transition. It also operates outside Europe. In 2018, it acquired 28 companies with a full-year revenue of approximately EUR 1 billion. It also strengthened its position in North America in services for energy infrastructure and telecommunications operators, due to the acquisition of Prime-Line Utility Services.
- EUROVIA: one of the leaders in the road and rail works market in France. Its main competitors are Colas and Eiffage Infrastructures. In Germany, EUROVIA is one of the main players along with Strabag. In the other countries where it operates, VINCI generally has a major position on the markets. It operates as a partner of regional and local authorities, developing mobility solutions. In 2018, it also strengthened its position in North America in roadworks, after the acquisition of Lanes Construction's Plants & Paving.
- VINCI Constructions: leader in France, ahead of Bouygues Construction, Eiffage Construction, Fayat, NGE and Spie Batignolles. Elsewhere, the Company is well established with a main contribution from medium-sized subsidiaries. The Company implements projects within the framework of public-private partnerships. In the future, VINCI will continue with its selective strategy, to choose the most profitable projects and to improve its margin in an environment in which competition remains harsh.

With 192,000 employees, VINCI Energies, Eurovia and VINCI Construction operate in some 100 countries, carrying out 270,000 projects a year.

VINCI Immobilier is the Group's subsidiary specialized in property development activities, accounting for nearly 2% of the Group's revenue in 2018.

The holding company VINCI S.A. provides assistance to its French subsidiaries and manages cash with a cash-pooling system. The holding company meets the financing needs of its subsidiaries. It acts on the financial markets on its own behalf and on behalf of its subsidiaries, investing and borrowing funds as necessary. This applies for all subsidiaries except for ASF Group (in accordance with the *Caisse Nationale des Autoroutes* loan agreement).

VINCI Finance International centralizes all the cash flows of international subsidiaries and carries out the corresponding market transactions.

VINCI S.A. and VINCI Finance International may provide medium-term loans to the Group's subsidiaries in order to finance investments or working capital requirements.

At the end of 2018, 72.4% of VINCI's share capital was held by approx. 500 investment funds., 9.0% of the shares by its employees and 3.7% of the shares by Qatari Diar Real Estate Investment company. The company held 7.2% of the share capital. We have no concentration in the circle of shareholders that could have an adverse effect on the rating.

The Company disposes of a risk management and internal control system and is controlled by the Board of Directors (currently featuring 15 members, of which 46% are women and 17% independent) and the Board of Statutory Auditors. As far as it can be assessed, the executive

management and committee (consisting of 13 members) is able to lead VINCI in successfully achieving its targets.

We see no core risk associated with either the structural or organizational framework of VINCI, except that the Group has an extremely high level of complexity which, in addition to the number of companies in the Group, also results from international business and business units. On one hand, this may entail risks of inefficiency; however, these are not yet clear in the business development. On the other hand the internal organization is highly decentralized, mitigating risks, but with a shared corporate culture. The strategy of VINCI S.A. entails integration risks and the risk of non-realization of expected gains and synergies by the new acquisitions.

Business risk

The business model of VINCI consists in the development of its two core businesses, concessions and contracting, which are complementary in terms of their operating cycles, capital intensity and expertise. Due to the synergies between the two business lines, it is able to create value by offering more services. Each business line of VINCI faces its own business and operating risks. The principal elements are described below.

The concession business is mostly sensitive to the frequentation rate and acceptance of the services by customers. Given the importance of the services offered by the Company as well as its solid structure, expertise and creditworthiness, we consider the risk of early termination of the concession contracts as to be low. Nevertheless, in this case, VINCI would receive compensation. Due to the acquisition of Gatwick airport in the first half of 2019, the risks of a possible hard Brexit are also to be considered. It is still uncertain if and how a hard Brexit will affect the business of VINCI. However, we expect a negative impact on Gatwick Airport and on VINCI if a hard Brexit should materialize. This could result in the investment being less profitable and the value of equity securities or goodwill having to be adjusted in an impairment test. In addition to the risk of a hard Brexit, other unpredictable incidents exist such as terrorist attacks or airborne diseases or as recently experienced, social unrest in Paris. We believe that VINCI due to its experience and financial facilities will continue to be able to manage such eventualities and absorb the shocks that such developments may produce.

The Group is also exposed to the fluctuation of commodity and material prices such as fuel, bitumen, steel, cement, etc., as well as to tax and country risks, security risks, legal and regulation risks (i.e. ASF has no flexibility to raise toll prices), and environmental risks.

Natural events and general climatic conditions generally influence the business.

In the contracting business, commitments related to bidding are the main risk factor. The construction segment depends on public investment in infrastructure projects, the housing market, and private sector investments in business property.

On one hand, general market trends such as energy efficiency, sustainability, digitization, and decarbonization create business opportunities for VINCI. On the other hand, these trends imply investment pressure, necessitate an adequate level of R&D, and can also adversely affect the Company. In the long term, the decarbonization trend could negatively impact the concession business e.g. with a carbon-tax, and can thus become a potential rating factor. It remains to be seen whether the innovation efforts, especially in the contracting business, will be able to compensate for such negative developments as these. As far as we can assess, VINCI is continually evolving and launching new products and systems to support customer needs efficiently with attention to the environment. However, it remains to be seen how flight and driving behavior

will develop in the future and how VINCI will handle this. Apart from that, we see no further material risks with regard to the ESG factors, given that the Company is sustainable and environmentally as well as socially oriented.

The Group is exposed to credit risk (customers) and counterparty risk (partner financial institutions as well as subcontractors, suppliers and joint contractors). Credit risk is mitigated by the high diversification of the customer's portfolio, both geographically and in terms of concentration. Trade receivables on the export markets are covered by credit insurance. Counterparty risks are mitigated by a system of counterparty limits based on credit ratings.

The business model of VINCI is designed to be profitable and sustainable. The activities of the Group are well-diversified, geographically as well as in terms of business lines and scale, i.e. there is no cluster risk. Achieving more synergies between the segments, as well as expanding the businesses along the value chain, is plausible in our view. Higher GDP and more production and trade signifies higher truck traffic on the motorways, more passengers at the airports, and a healthy order book in contracting activities. Therefore, the main risk is the overall macroeconomic development in the countries where VINCI operates. Political decisions, such as regulations in relation to climate protection regarding infrastructure investments, could severely negatively impact the Company in the medium- to long-term.

Financial risks

For analytical purposes, CRA adjusted the original values in the financial statements in the context of its financial ratio analysis. Contrary to our normal practice, we deducted the goodwill shown on the balance sheet from the equity only by 50%, suggesting a certain recoverability of the goodwill. The following descriptions and indicators are based primarily on these adjustments.

The VINCI Group is partially capital intensive with a fixed intensity ratio of 58.47%. The capital intensity is largely influenced by the concession business and requires high ongoing capital investments. Reflecting the specific conditions of the business and emphasizing the importance and high levels of investments required for the development and maintenance of the infrastructure supporting the further development of the Company.

CRA calculated an adjusted equity for 2018 of EUR 16,282 million (2017: EUR 15,563 million), which accounts for 23.21% of the balance sheet total (2017: 23.85%). Equity decreased slightly, however the equity-ratio remains sufficient. The long-term and medium-term liabilities accounted for 33.12% of the Group's total liabilities (EUR 23,223 million out of EUR 70,144 million) as of 31 December 2018. The high capital intensity of the Company is, therefore mostly offset by the long-and medium-term obligations and equity.

VINCI has financed itself – in addition to equity - mainly through long-term bond issues. The reported long-term debt of VINCI on December 31, 2018 was mostly composed at 84% of bonds (2017: 81%), 3% of EIB loans (2017: 4%), 12% of other bank loans and other financial debt (2017: 15%). VINCI issued bonds in 2018 and in 2019 within the framework of its EMTN program with a maximum amount of EUR 6.0 billion.

The analytical net total debt rose to EUR 45,902 as of 31 December 2018 from EUR 42,878 million as of 31 December 2017, an increase of 3,024 million. CRA's adjusted ratio of net total debt / EBITDA (adjusted) – 6.30 as of 31 December 2018 – is comparatively elevated in our view. However, a positive factor is that despite higher liabilities, the CRA's adjusted ratio of net total debt / EBITDA (adjusted) declined slightly to 6.30 from 6.37 due to the improving of the EBITDA. After

the half-year report of 2019, the reported net financial debt recorded EUR 24.2 billion as of June 30, 2019, a rise of 8.7 billion mostly due to the acquisition of London Gatwick.

Under their concession and public-private partnerships (PPP) contracts, certain Group subsidiaries undertake to make investments. Where the financial asset or bifurcated model applies, they receive a guarantee of payment from the concession grantor in return for their investment commitment. On December 31, 2018, the Group's investment commitments with respect to concession and PPP contracts under the financial asset or bifurcated models amounted to EUR 48 million (EUR 52 million on December 31, 2017). Some companies have given collateral security to guarantee the financing of their investments relating to infrastructure under concession. This collateral amounted to EUR 153 million as of 31 December 2018.

In connection with construction contracts, VINCI gave guarantees, mainly on contracts for work being performed amounting to EUR 11.1 billion, and benefited from guarantees issued by financial institutions at the request of the joint contractors or subcontractors amounting to EUR 1.6 billion on December 31, 2018. Off-balance sheet commitments amounted to EUR 611 million on December 31, 2018.

In 2018, the Company paid dividends of EUR 1,443 million, 47.2% of the consolidated net income (2017: 1,248 million; 44.0%). We do not see the distribution policy of dividends as prudent, but for the Company portable with nearly 50% of the consolidated net income. Nonetheless, this distribution policy may adversely affect key performance indicators for the rating and may limit further positive rating developments.

Liquidity amounted to EUR 11.7 billion as of June 30, 2019 (EUR 8.6 billion as of June 30, 2018 and EUR 13.6 billion as of 31 December 2018) of which EUR 3.5 billion was available cash and EUR 8.2 billion in confirmed unused bank facilities.

Overall, we see no significant short or medium-term financial risks for VINCI that could endanger the Company's sustainability. The Company disposes of diversified funding sources and generates sufficiently solid operating cash flow to finance the investments to be made; however, to finance ongoing investments and investments due to acquisitions, we expect the leverage of the Company to increase, resulting in a moderate deterioration of the net debt / EBITDA ratio. A significant increase of net debt could, however, have a negative or limiting impact on the rating assessment.

Issue rating

Issue rating details

The rating objects of this issue rating are exclusively the long-term senior unsecured issues, denominated in euro, issued by VINCI 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 2 July 2018. This EMTN program amounts to EUR 6 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 VINCI S.A. with an unsolicited corporate issuer rating of **A- / stable**. The rating is based on the unsolicited corporate issuer rating of VINCI S.A. Other types of debt instruments or issues denominated in other currencies of the issuer have not been rated by us. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG.

Overview

Table 6: Overview of Creditreform Rating AG Ratings | Source: CRA

Rating objects	Details	
	Date	Rating
VINCI S.A. (Issuer)	9 August 2019	A- / stable
Autoroute du Sud de la France S.A. (Issuer)	9 August 2019	A- / stable
Long-term Local Currency (LT LC) Senior Unsecured Issues of VINCI S.A.	9 August 2019	A- / stable
Long-term Local Currency (LT LC) Senior Unsecured Issues of Autoroute du Sud de la France S.A.	9 August 2019	A- / stable
Other	--	n.r.

Table 7: Overview of 2018 Euro Medium Term Note Program | Source: VINCI S.A. Base Prospectus dated 2 July 2018

Overview 2018 EMTN Program			
Volume	EUR 6,000,000,000	Maturity	Depending on the respective bond
Issuer	VINCI 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 that will be issued by VINCI S.A. and that have similar conditions to the current EMTN program, denominated in Euro and which are 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. 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 issue classes or programs (such as the Commercial Paper Program) and issues that do not denominate in euro will not be assessed. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG.

Financial ratio analysis

Table 8: Financial key ratios | Source: VINCI S.A. consolidated annual report 2018, structured by CRA

Asset structure	2015	2016	2017	2018
Fixed asset intensity (%)	59.32	59.72	58.78	58.47
Asset turnover	0.67	0.63	0.63	0.65
Asset coverage ratio (%)	61.38	63.05	67.09	75.34
Liquid funds to total assets (%)	10.00	10.79	10.43	11.35
Capital structure				
Equity ratio (%)	22.31	22.99	23.85	23.21
Short-term-debt ratio (%)	47.09	46.84	45.72	43.68
Long-term-debt ratio (%)	14.10	14.66	15.58	20.84
Capital lock-up period (in days)	70.74	73.29	73.20	68.12
Trade-accounts-payable ratio (%)	13.04	12.16	12.56	11.75
Short-term capital lock-up (%)	40.28	46.44	42.83	41.57
Gearing	3.03	2.88	2.76	2.82
Leverage	4.61	4.41	4.27	4.25
FinancialsStability				
Cash flow margin (%)	10.60	12.14	11.99	12.28
Cash flow ROI (%)	7.13	7.35	7.51	7.73
Total debt / EBITDA adj.	7.92	7.94	7.38	7.39
Net total debt / EBITDA adj.	6.90	6.82	6.37	6.30
ROCE (%)	14.21	14.38	15.35	15.62
Total debt repayment period	10.64	9.41	11.55	9.68
Profitability				
Gross profit margin (%)	66.29	66.11	65.83	65.27
EBIT interest coverage	5.16	5.75	6.99	7.93
EBITDA interest coverage	7.97	8.53	10.25	11.47
Ratio of personnel costs to total costs (%)	24.35	24.79	24.26	24.64
Ratio of material costs to total costs (%)	33.71	33.89	34.17	34.73
Cost income ratio (%)	90.56	89.33	88.88	88.65
Ratio of interest expenses to total debt (%)	1.60	1.46	1.31	1.18
Return on investment (%)	4.81	5.13	5.20	5.20
Return on equity (%)	16.40	18.42	18.79	19.20
Net profit margin (%)	5.31	6.60	6.94	6.92
Operating margin (%)	9.51	10.70	11.17	11.41
Liquidity				
Cash ratio (%)	20.54	22.40	22.82	25.98
Quick ratio (%)	78.63	79.07	83.30	88.32
Current ratio (%)	86.39	85.99	90.15	95.08

Appendix

Rating history

The rating history is available under:

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

Table 9: Corporate issuer Rating of VINCI S.A.

Event	Rating date	Publication date	Monitoring period	Result
Update	09.08.2019	www.creditreform-rating.de	Withdrawal of the rating	A- / stable
Initial rating	12.04.2017	www.creditreform-rating.de	Withdrawal of the rating	A- / stable

Table 10: LT LC Senior Unsecured issues issued by VINCI S.A.

Event	Rating date	Publication date	Monitoring period	Result
Update	09.08.2019	www.creditreform-rating.de	Withdrawal of the rating	A- / stable
Initial rating	05.10.2018	www.creditreform-rating.de	Withdrawal of the rating	A- / stable

Regulatory requirements

The present rating⁴ is an unsolicited rating. Creditreform Rating AG was not commissioned by the Issuer with the preparation of the rating. The present analysis was prepared on a voluntary basis.

The rating is based on the analysis of published information and on internal evaluation factors. The rating was conducted based on Creditreform Rating AG's "Corporate Ratings" methodology, and the "Non-Financial Corporate Issue Rating" methodology, as well as on the "Rating Criteria and Definitions".

The documents submitted and information gathered were sufficient to meet the requirements of Creditreform Rating AG's rating methodologies. A complete description of Creditreform Rating AG's rating methodologies and Creditreform Rating AG's basic document "Rating Criteria and Definitions" is published on the following internet page:

www.creditreform-rating.de/en/regulatory-requirements/

This rating was carried out by analysts Christina Sauerwein (c.sauerwein@creditreform-rating.de) and Christian Konieczny (c.konieczny@creditreform-rating.de), both located in Neuss, Germany. A management meeting did not take place.

On 9 August 2019, the analysts presented the rating to the rating committee and the rating was determined. The rating result was communicated to the Company on 15 August 2019. 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.

⁴ 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.

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.

Please note:

This report exists in an English version only.

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.

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

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

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

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

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