Caisse Nationale des Autoroutes (CNA)

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	AA
Short-Term IDR	F1+

Local Currency

Long-Term IDR	AA

Outlooks

Foreign-Currency Long-Term IDR	Stable
Local-Currency Long-Term IDR	Stable

Financial Data

Caisse Nationale des Autoroutes

	31 Dec 16	31 Dec 15
Revenue (EURm)	233.7	389.5
Total debt (EURm)	4,544.8	5,998.5
Total assets (EURm)	5,092.2	6,714.7

Source: CNA, Fitch

Related Research

France (December 2016)

Analysts

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Key Rating Drivers

Ratings Equalised with Sovereign: Caisse Nationale des Autoroutes' (CNA) ratings are aligned with those of the French state (AA/Stable/F1+), reflecting its strong legal status as an "établissement public administratif" (EPA), strong control by the French state and, to a lesser degree, its integration with the state and strategic importance.

Strong Legal Status: As an EPA, CNA cannot be liquidated or go bankrupt, and the French state is ultimately responsible for its debt. CNA is allowed to access state emergency financial support mechanisms, such as emergency loans or the purchase of bonds by the French Treasury. Fitch believes these mechanisms would be deployed in a timely manner if needed.

Strong State Control: The French state exercises direct control over CNA through its board (five out of eight board members are state's representatives) and an ongoing audit is carried out by the two sponsors, the Ministry of Finance and the Ministry of Transport. As an EPA, CNA follows public accounting rules and is under the ultimate control of the state's supervisory bodies.

Debt Amortisation-Oriented Structure: CNA mainly acts as a debt-amortising structure. It was created to provide pooled funding for the building, development and maintenance of the French motorway network by state-owned motorway concession companies (MCCs). The main MCCs were privatised during 2001-2006 and so are now ineligible for CNA funding. However, CNA still provides funding to two state-owned tunnel operators. MCCs repay their loans at least two weeks before the due date, which gives CNA sufficient liquidity to cover its obligations.

Sharp Debt Decrease by End-2018: Debt decreased to EUR4.5 billion at end-2016 from EUR6.0 billion at end-2015. Fitch expects the debt stock to fall to around EUR1.1 billion at end-2018. Most of the privatised MCCs' loans will mature in 2017-2018, leaving the loans taken by the two public tunnel operators as almost CNA's only debt by end-2018.

Sound MCC Performance: MCCs benefit from a diversified user base and predictable regulatory framework. Their revenues grew 2.1% in 2016, supported by 3.1% traffic growth. According to the covenants between CNA and the privatised MCCs, their loans from CNA become immediately and fully due and payable if their net debt exceeds 7x their EBITDA and if their EBITDA does not cover at least 2.2x their financial charges. Privatised MCCs have been compliant with CNA's financial covenants.

Managed by CDC: CNA's day-to-day administration and financial management, which are under the control of its board of directors, have been subcontracted to Caisse des Depots et Consignations (CDC, AA/Stable/F1+). CNA's operating costs mainly consist of CDC's management fees and interest charges, and are fully matched by mandatory contributions from all MCCs.

Rating Sensitivities

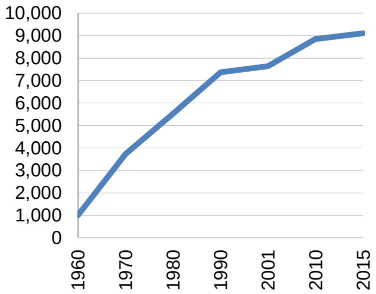
Change in Sovereign Rating: Any movement of the French sovereign's ratings would be mirrored in CNA's ratings.

Change in Legal Framework: An adverse change in CNA's legal framework could also lead to negative rating action.

Rating History

Date	Long-Term Foreign Currency	Long-Term Local Currency
2014	AA	AA
2013	AA+	AA+
2005	AAA	AAA

Length of Tolled Motorway Network and Toll Facilities



Source: ASFA

Principal Rating Factors

	Legal status	Integration	Control	Strategic importance
Rating factors	Stronger	Mid-range	Stronger	Mid-range

Source: Fitch

CNA was created in 1963 as a financial autonomous EPA to provide pooled funding for the building, development and maintenance of the French motorway network by state-owned MCCs.

Public Sector Entity Support Factors

Legal Status

Fitch considers CNA's legal status as strong and therefore highly supportive of its credit quality.

The French state has no legal obligation to prevent a default by an EPA. However, EPA status reflects the ultimate responsibility of the French state for CNA's solvency and liquidity under the law of 16 July 1980. CNA's EPA status also implies that it cannot be liquidated or go bankrupt; were CNA to be closed, its assets and liabilities would be transferred to the state or another public entity.

Its EPA status means CNA is eligible for several state liquidity support mechanisms. These include emergency loans to public sector entities, budgeted every year by the French parliament and the purchase of CNA bonds by the French Treasury. Under the covenants between CNA and the MCCs, the latter must transfer the funds necessary to cover their financial obligations two weeks before they are due. Fitch estimates that this time frame would allow the state to intervene and prevent a default by CNA. Fitch also understands that CNA has never needed any support from the state.

CNA's bondholders are protected from a change in CNA's legal status as bond documentation allow them to claim for an early repayment of the principal, plus accrued interest, if:

- CNA is dissolved – unless its activities and debts are transferred to the state or another public entity owned or controlled by the state and subject to Law 80-539 of 16 July 1980.
- Law 80-539, which makes the state ultimately liable for all EPAs' debt, ceases to be applicable to CNA, unless another law or regulation of substantially the same character is immediately enacted.

Strategic Importance

Fitch considers CNA's strategic importance as mid-range and therefore moderately supportive of its credit quality.

CNA was created to provide pooled funding for the building, development and maintenance of the French motorway network by state-owned MCCs. CNA provides funds at a lower cost than the MCCs could achieve by themselves.

Most of the state-owned MCCs were privatised between 2001 and 2006 and can no longer access CNA funding. CNA is now in charge of matching loan reimbursement from these private MCCs with its own debt repayment schedule until all debt stock is redeemed. This stock was EUR2.9 billion at 1 January 2017, and held by three groups (ASF-ESCOTA, APRR-AREA, and SANEF-SAPN). Nearly all (98.4%) of the privatised MCCs' debt will mature until end-2018; only EUR45.8 million will remain after 2018 (to be amortised until 2027).

Two tunnel operators, ATMB and SFTRF, were not privatised and remain eligible for CNA funding for their capital expenditure and debt refinancing. At 1 January 2017, ATMB and SFTRF accounted for 1.6% and 25.4%, respectively, of CNA's loan portfolio and their combined debt was EUR1.15 billion. After 2018, this debt will represent almost CNA's entire portfolio.

Related Criteria

Rating of Public Sector Entities – Outside the United States (February 2016)

International Local and Regional Governments Rating Criteria – Outside the United States (April 2016)

We understand that at this stage there are no plans to change CNA's role or mission.

Control

Fitch considers the control by the state to be strong and therefore highly supportive of CNA's credit quality.

The French state has strong control over CNA's governance and closely monitors its activities. CNA is under the supervision of both the Minister of Finance and the Minister of Transport. The transfer of CNA's loans to the MCCs must be approved by both ministers (article R122-11 of the road system code). The ministers also appoint the president and vice-president of CNA's board of directors (article R122-8).

CNA's board of directors is composed of the following members:

- two representatives from the Ministry of Transport (in charge of the national road network);
- two representatives from the Ministry of Economy and Finance;
- one representative from the Ministry of the Interior;
- the director of the Centre for Strategic Analysis (Office of the Prime Minister) or his representative;
- the chairman of the CDC or his representative;
- the chairman of one of the MCCs, nominated by the Minister of Transport.

The board is responsible for approving the budget and fiscal accounts, loans programme and loan distributions, subject to the ministers' approval.

As an EPA, CNA is subject to public law and tight statutory rules. CNA must follow public accounting standards, notably the principle of separating the functions of the decision-maker (the chairman of the board), who contracts expenditure, and the public accountant (Ministry of Finance civil servant), who makes actual payments and receipts.

CNA must follow budgetary and accounting procedures set up by the Ministry of Finance through the M91 budgetary instruction. The Ministry of Finance is responsible for allowing CNA to invest its available liquidity in regular banks rather than with the Treasury.

CNA is subject to the ultimate control of the state's supervisory bodies (national audit court, state's general inspectors).

Integration

Fitch considers CNA's integration into the general government accounts as mid-range and therefore moderately supportive of its credit quality.

CNA is financially autonomous, has control of its own assets and budget, and does not receive any transfers from the state. However, since its inception, CNA's day-to-day administration, accounting and financial management have been outsourced to CDC. CDC is a public financial institution fully owned by the French state.

Since 2014, CNA's debt is considered as general government debt by the French National Institute of Statistics and Economic Studies (Insee).

Overall Assessment

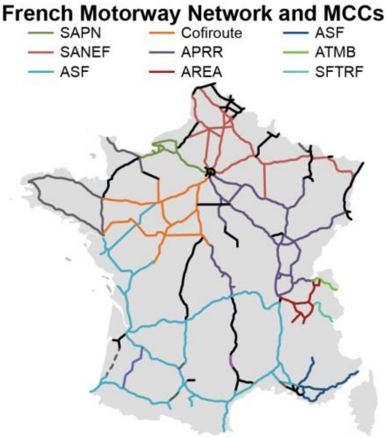
Under its rating of public sector entities (PSE) criteria, Fitch has classified CNA as credit linked to the French state, and has also equalised its ratings with those of the state. This is due to the entity's strong legal status, control by the state and, to a lesser extent, its integration with its sponsor and strategic importance.

Operations

Activities

CNA operates as a financing pool, following the procedures set down by the state. Every year, the eligible MCCs and the two state-owned tunnel operators calculate their annual financing requirements. CNA then designs a loan programme in close collaboration with its two supervisory ministries and the eligible MCCs to set maturity schedules, taking into account their repayment capabilities.

French Motorway Network and MCCs



Source: CNA, Fitch

CNA issues bonds in the international and domestic markets and/or borrows from selected financial institutions, particularly the European Investment Bank (EIB; AAA/Stable/F1+). In 2017, CNA's financing needs are estimated at EUR45 million. CNA has launched a EUR40 million bond issue ('AA' rated) and the remaining EUR5 million will be withdrawn from EIB's funding package.

CNA on-lends the full amount collected for eligible MCCs in the form of loans. The rates and maturities on these loans are exactly the same as those for the bonds issued or loans taken by CNA. State-owned MCCs repay the loans contracted with CNA according to a set amortisation schedule that reflects CNA's borrowing. CNA does not earn a margin on its activities and all its operating costs are passed on to MCCs. As a result, its accounts are balanced.

Privatised MCCs continue to reimburse the loans they had contracted with the CNA before they lost their eligibility.

CNA Protected By Covenants

MCCs must transfer the funds necessary to cover their financial obligations two weeks before they are due.

In addition, loan agreements between CNA and privatised MCCs include additional covenants to secured repayments. Loans granted by CNA to privatised MCCs become immediately and fully due and payable if a privatised MCC breaches one of the following financial and operating covenants:

- net debt to EBITDA should not exceed 7x;
- interest coverage by EBITDA should be at least 2.2x;
- transport infrastructure and car parks must represent at least 85% of consolidated assets and 80% of consolidated revenues.

Fitch understands that MCCs have always been compliant with their covenants.

Early Repayment by MCCs

MCCs can opt for early redemption of their debt to CNA, albeit incurring actuarial penalties to ensure a neutral impact on CNA. At end-2015, SANEF, a privatised MCC, made a EUR512 million early repayment to CNA. CNA deposited the funds in an interest-bearing account and will use them to repay the obligations at the due date (EUR15 million repaid in 2016, EUR15 million due in 2017, and EUR482 million due in 2018).

Financial Performance

CNA is financially transparent due to its role as a non-profit funding vehicle for MCCs. It makes no profit and therefore its profit and loss accounts are fully balanced. CNA loans the funds collected to eligible MCCs. Other operating or financial expenditure is fully covered by MCCs, and financial revenue is reimbursed to them.

Revenue

CNA does not receive any current funding from the state budget, tax proceeds or fees. Its resources, which totalled EUR233.7 million in 2016, mainly consisted of interest on loans (EUR232 million down from EUR331 million in 2015).

Expenditure

In 2016, CNA's expenditure was EUR233.7 million and was mainly made up of interest paid and financial charges on funding taken out on behalf of MCCs (EUR232 million).

MCCs' Performance

MCCs benefit from a sound traffic profile, as traffic growth shows little elasticity through the economic cycle. Their user base is diversified, with 86% of revenue from cars and 14% from heavy vehicles in 2015. They also benefit from a predictable regulatory framework. Traffic has been dynamic in recent years (+2% in 2014; +2.7% in 2015; +3.1% in 2016), which translated into higher revenue (+2.1% in 2016, following a 3% increase in 2015, and 3.9% increase in 2014).

In April 2015, a EUR3.2 billion stimulus package for the motorway sector was announced. Privatised MCCs agreed to finance the plan in return for a two-year extension of the average duration of their concession. An additional EUR800 million stimulus package was announced in 2017; it will be financed by an increase in tariffs. In 2015, MCCs' capital expenditure was EUR1.43 billion, up 12.6% compared with EUR1.27 billion in 2014, but below the 2006-2013 average (around EUR1.8 billion a year). At end-2015, their debt was EUR37.6 billion, up 8.7% compared with 2014 (EUR34.6 billion);

Privatised MCCs have been compliant with the CNA's financial covenants. At 30 June 2016, net debt/EBITDA was 4.16x for ASF-ESCOTA 4.50x for APRR-AREA, and 2.61x for SANEF-SAPN, far below the covenant of 7x. The EBITDA/financial charges ratio was 7.14x for ASF-ESCOTA, 6.52x for APRR-AREA, and 5.81x for SANEF-SAPN, well above the covenant of 2.2.

MCCs' Financial Performance (EURm)

	ASF-ESCOTA		APRR-AREA		SANEF-SAPN	
	2014	2015	2014	2015	2014	2015
Revenue	3,420.0	3,519.2	2,410.3	2,379.0	1,682.2	1,702.2
Net result	778.0	893.1	420.0	538.4	329.4	344.3
Assets	13,572.0	13,482.3	9,559.6	8,552.5	4,775.8	4,721.4
Net debt	10,760.0	11,414.5	6,725.0	7,446.0	3,275.4	2,981.7
EBITDA	2,463.6	2,546.1	1,520.0	1,589.0	1,088.2	1,075.8
Net debt/EBITDA	4.37	4.48	4.61	4.69	3.01	2.77
Financial charges	438.5	392.6	331.0	275.0	178.2	199.1
EBITDA/financial charges	5.62	6.49	4.59	5.78	6.11	5.40

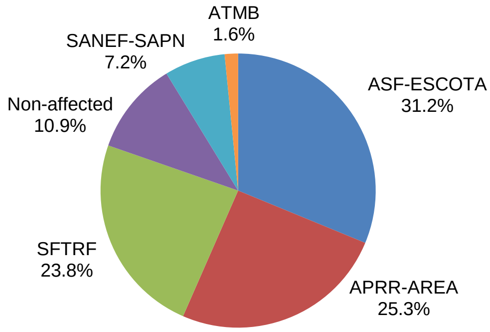
Source: Fitch on CNA data

Debt, Liquidity and Contingent Liabilities

Decreasing Debt

At 1 January 2017, CNA's debt was EUR4.5 billion, compared with EUR6.0 billion at 1 January 2016. Of the debt, 63.7% was held by the privatised MCCs, and 25.4% by the two state-owned tunnel operators. The remaining 10.9% of "non-affected" debt represents the early repayment by SANEF in 2015 (see *Early Repayments by MCCs*).

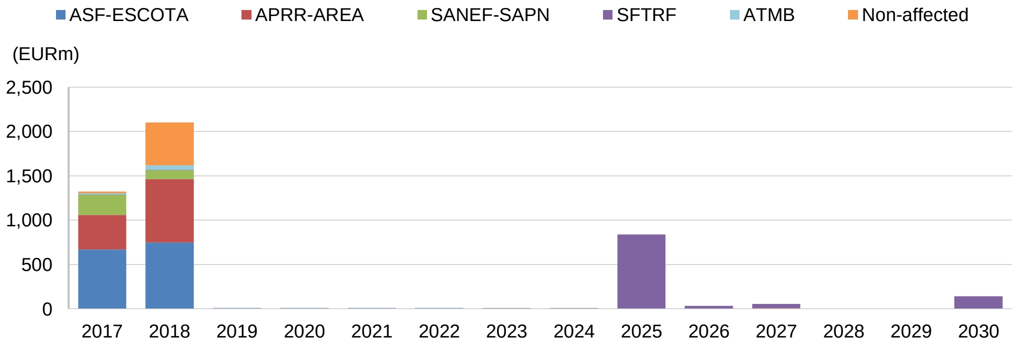
CNA Debt Distribution: 1 January 2017



Source: Fitch on CNA data

As most MCCs have become ineligible for new funding from CNA, the latter's debt stock will continue to decline in the coming years. Fitch expects the debt stock to fall to around EUR1.1 billion at end-2018, as most of the privatised MCCs' debt will mature in 2017-2018.

CNA Debt Amortisation: 1 January 2017



Source: Fitch on CNA data

Liquidity

The covenants set out in the contractual agreements and loan contracts between CNA and MCCs require the latter to transfer the necessary funds to CNA at least two weeks before the due date, which gives CNA sufficient liquidity to cover its obligations. Fitch understands that the MCCs have always complied with these covenants since CNA's creation.

CNA's liquidity was EUR546.9 million at end-2016, down from EUR588.9 million at end-2015. It was mainly composed of the early repayment by SANEF (see *Early Repayment by MCCs*).

Appendix A

Caisse Nationale des Autoroutes (CNA)

(EURm)	2013	2014	2015	2016
Profit and loss				
Interest revenue	483.8	413.5	387.2	232.1
Interest expenditure	-483.8	-413.5	-387.2	-232.1
Net interest income	0.0	0.0	0.0	0.0
Net fees and commissions	2.1	1.7	2.3	0.9
Other operating income	0.0	0.0	0.0	0.0
Personal expenses	-2.1	-1.7	-2.3	-0.9
Other operating expenses	0.0	0.0	0.0	0.0
Net gains and losses on securities and trading	**0.0**	**0.0**	**0.0**	**0.0**
Net operating income/(loss)	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0
Operating profit (loss) after provisions	**0.0**	**0.0**	**0.0**	**0.0**
Other non-operating revenues/expenses				
Contributions from state budgets	**0.0**	**0.0**	**0.0**	**0.0**
Profit (loss) before tax	**0.0**	**0.0**	**0.0**	**0.0**
Taxation	0.0	0.0	0.0	0.0
Net profit (loss)				
	0.0	0.0	0.0	0.0
Balance sheet				
Assets				
Cash and cash equivalents	3.6	3.7	589.6	547.4
Liquid securities				
Deposits with banks	0.0	0.0	0.0	0.0
Loans	9,090.9	7,646.8	5,998.5	4,544.8
Other earning assets				
Long-term investments				
Fixed assets				
Intangible	123.4	126.2	126.6	0.0
Other long-term assets				
Total assets	**9,217.9**	**7,776.7**	**6,714.7**	**5,092.2**
Liabilities & equity				
Customer deposits				
Deposits from banks				
Short-term borrowing				
Other short-term liabilities	3.6	3.7	589.6	547.4
Debt maturing after 1 year	9,090.9	7,646.8	5,998.5	4,544.8
Other long-term funding				
Other provisions and reserves				
Other long-term liabilities				
Equity				
Reserves	123.4	126.2	126.6	0.0
Total liabilities & equity	**9,217.9**	**7,776.7**	**6,714.7**	**5,092.2**

Source: Issuer and Fitch calculations

Appendix B

Caisse Nationale des Autoroutes (CNA)

(EURm)	2013	2014	2015	2016
Performance				
Interest revenue on loans/loans	5.3	5.4	6.5	5.1
Interest expense/borrowings and deposits	5.3	5.4	6.5	5.1
Net interest income/earning assets	-			
Net operating income/net interest income and other oper. revenue	-			
Net operating income/equity and reserves	-			
Net operating income/total assets	-			
Credit				
Growth of total assets	-11.7	-15.6	-13.7	-24.2
Growth of loans	-11.8	-15.9	-21.6	-24.2
Impaired loans/total loans	-			
Reserves for impaired loans/impaired loans	-			
Loan impairment charges/loans	-			
Liquidity and funding				
Long-term debt/total equity and reserves	-			
Liquid assets/total assets	0.0	0.1	8.8	10.7
Total deposits and debt/total assets	98.6	98.3	89.3	89.3
Liquid assets/short term deposits and borrowing	-	-		
Capitalisation				
Equity and reserves/total assets	-	-	-	-
Net profit/total equity and reserves	-	-	-	-
Loans/equity and reserves	-	-	-	-

Source: Fitch

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