



NEWS RELEASE

Dec 16, 2024

Rating and Investment Information, Inc. (R&I) has announced the following:

Electricite de France S.A. (Sec. Code: -)

[Affirmed]

Issuer Rating: AA, Stable

Bond Rating: AA

RATIONALE:

Electricite de France S.A. (EDF) is the state-owned power utility of France that owns and operates all the nuclear reactors in the country. EDF has a dominant market share in France, running the electricity business including power generation, transmission and distribution of electricity, as well as the wholesale and retail business of electricity. EDF has a solid business base with its extensive operation at home and overseas. The government is striving to increase electricity supply through the use of renewable energy and nuclear power. The credit rating of EDF largely reflects the creditworthiness of the French government, given the company's considerably important position in national energy policy as well as the country's high reliance on nuclear power. As the earnings have improved driven by an increase in electricity production among other factors, the debt burden has been declining. Taking also into account the prospect of securing stable earnings, R&I has affirmed the Issuer Rating at AA.

The EDF group's consolidated installed capacity reached approximately 117 gigawatts (GW) at year-end of 2023, with about 86.5 GW in France. The most part of power generation capacity comes from nuclear power plants, which play a central role in terms of domestic power supply. Domestic power generation and wholesale & retail operations are the largest contributors to the group's consolidated earnings. Its regulated distribution business through a subsidiary almost dominates the domestic market to generate stable revenues. EDF also holds a significant share of the domestic retail market. In the overseas market, the company is a major energy business operator in the U.K., Italy and Belgium, and has stakes in a wide range of countries including China.

The electricity production is on an upward trend due to the restart of nuclear reactors that had been in maintenance and renovation programme among other factors. Also benefitting from favorable pricing conditions thanks to the rise in regulated electricity tariff, the earnings from domestic power generation and wholesale & retail operations improved considerably in 2023. The group's consolidated EBITDA, which was in a deficit in 2022, reached approximately 40 billion euros, greatly surpassing trends in previous years. Despite the headwinds from falling market prices in 2024, the increasing electricity production drives steady earnings performance. While profits are expected to decrease in 2024 from the previous year, R&I expects the company to secure a relatively high level of profits. The net debt, which was on the rise, is now on a downward trend with the net debt-to-EBITDA ratio of the 1x range.

By 2025, the new Flamanville 3 nuclear reactor is expected to become fully operational, while the number of nuclear reactors going through planned outage for the large-scale renovation programme to improve safety and extend the life of nuclear power plants will decrease. In addition, the ARENH tariff system that obliges EDF to sell electricity at a regulated price to other suppliers will expire at the end of 2025. The post-ARENH nuclear electricity pricing mechanism, on which EDF reached an agreement with the French government, is expected to contribute to EDF's earnings stabilization. While it remains necessary to closely monitor the impact of market price movements, taking also into account that a moderate economic recovery is anticipated, R&I believes that EDF will be able to maintain a certain level of earning capacity.

The plans to build six European Pressurized Reactors (EPRs), together with the expenses of the large-scale renovation programme, are likely to place a heavy investment burden on EDF in the long term. As suggested by the government's 100% ownership of EDF, the company is crucial to the national energy policy. The government has extended supports for EDF to strengthen its financial base through capital injection and other means. While the details are yet to be determined, R&I believes that

■Contact : Sales and Marketing Division, Customer Service Dept. TEL.+81-(0)3-6273-7471 E-mail. infodept@r-i.co.jp
■Media Contact : Corporate Planning Dept. (Public Relations) TEL.+81-(0)3-6273-7273

Rating and Investment Information, Inc. TERRACE SQUARE, 3-22 Kanda Nishikicho, Chiyoda-ku, Tokyo 101-0054, Japan <https://www.r-i.co.jp>
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EDF will likely receive sufficient governmental supports to achieve policy goals associated with significant capital investments such as a construction of new nuclear reactors. Eyes are on the course of actions that will be taken by the government.

R&I RATINGS:

ISSUER: Electricite de France S.A.

[Affirmed]

	Rating		Rating Outlook	
Issuer Rating	AA		Stable	
	Issue Amount	Issue Date	Maturity Date	Rating
JAPANESE YEN BONDS – TENTH SERIES (2024)	JPY 28,300 mn	Oct 25, 2024	Oct 25, 2027	AA
JAPANESE YEN BONDS – ELEVENTH SERIES (2024)	JPY 7,500 mn	Oct 25, 2024	Oct 25, 2029	AA

Primary rating methodologies applied:

R&I's Analytical Approach to Government Agencies [Dec 26, 2022]

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