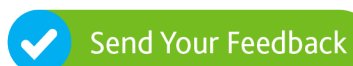


CREDIT OPINION

2 February 2023



RATINGS

Regie Autonome des Transports Parisiens

Domicile	Paris, France
Long Term Rating	Aa2
Type	Senior Unsecured - Dom Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Regie Autonome des Transports Parisiens (France)

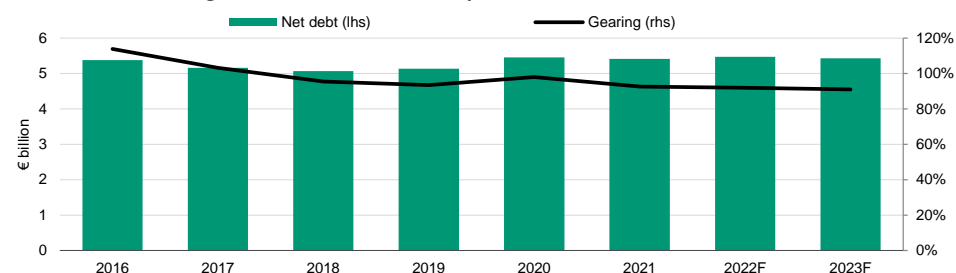
Annual update

Summary

The credit profile of [Regie Autonome des Transports Parisiens](#) (RATP, Aa2 stable) reflects the protective framework under which it operates - the 2021-24 agreement it has with [Ile-de-France Mobilites](#) (IdFM, Aa3 stable) - and the resulting stable operating performance and debt deleveraging going forward. Our assessment also takes into account RATP's strong liquidity position, its strategic role in providing public transportation services in France capital region, as well as its status as a 100% state-owned company. RATP's creditworthiness is thus supported by the very high likelihood of extraordinary support from the [Government of France](#) (France, Aa2 stable) in the event that the issuer faces extreme liquidity stress.

Exhibit 1

Over the 2021-24 agreement under which it operates, RATP's debt will be on a downward trend



E: Estimate, F: Forecast

Source: RATP, Moody's Investors Service

Credit strengths

- » Stable operating performance and debt deleveraging under the 2021-24 multi-year agreement under which RATP operates.
- » A strong liquidity position, including access to external funding.
- » A 100% state-owned company, benefiting from a strategic role, as France capital region retain a central role in transportation.

Credit challenges

- » RATP is exposed to social issues, including labour disruptions.
- » The opening of RATP's primary market to competition is a challenge.

Rating outlook

The stable outlook reflects the protective framework of the multi-year agreement under which RATP EPIC operates, which we expect will lead to stable operating performance and debt deleveraging.

Factors that could lead to an upgrade

- » Because RATP's Aa2 ratings are on par with France's sovereign bond rating, an upgrade would require – but would not necessarily follow – an upgrade of the sovereign rating.

Factors that could lead to a downgrade

- » A downgrade of France's sovereign rating would exert downward pressure on the ratings of RATP.
- » Evidence that IdFM, which is the sole client of RATP EPIC, is likely to pass on budget pressure to RATP would also put downward pressure on RATP's ratings. Additionally, intrinsic negative pressures, including wage pressures not compensated by IdFM, and leading RATP to deviate from our current expectations of a stable operating performance and debt deleveraging, would most likely weigh on its credit profile.

Key indicators

Exhibit 2

Regie Autonome des Transports Parisiens

	2016	2017	2018	2019	2020	2021	2022E	2023F
Service Area Population (millions)	12.1	12.2	12.2	12.3	12.3	12.3	12.4	12.4
Turnover (€ millions)	4.7	4.7	4.8	4.8	4.8	4.9	5.0	5.3
EBIT as a % of Turnover	7.5%	8.9%	9.1%	6.0%	3.8%	7.2%	5.6%	2.3%
Net Debt (€ millions)	5.4	5.2	5.1	5.1	5.5	5.4	5.5	5.4
Gearing (Net Debt as a % of Turnover)	116%	109%	105%	106%	114%	110%	110%	103%

Source: RATP, Moody's Investors Service

Detailed credit considerations

The credit profile of RATP, as expressed in its Aa2 rating, combines a BCA of a2 and a very high likelihood of extraordinary support from the French government in the event that the issuer faces acute liquidity stress.

Stable operating performance and debt deleveraging under the 2021-24 multi-year agreement under which RATP operates

We expect RATP's EBIT margin ratio (Earnings Before Interest and Taxes-to-turnover) to decrease to 5.6% in 2022 and 2.3% in 2023, from 7.2% in 2021 and a 7.6% average over 2016-19, as a result of the rise in energy prices and payroll induced by inflation. These shocks have exceeded the buffers built-in the 2021-24 multi-year agreement RATP signed with IdFM, the local government in charge of organising, coordinating and funding mobilities across France capital region. Under this agreement, IdFM – which is the sole client of RATP EPIC (*Etablissement Public a caractere Industriel et Commercial*) – is paying RATP (i) to operate monopolistically the Paris network until the end of 2024, (ii) to manage the infrastructure and (iii) to ensure passenger safety and security, both under a regulated monopoly. Under this contract, compensation for energy prices tracks various indices that are expected to lag spot prices by an estimated 25% in 2023. RATP's gaz and electricity bill will increase in 2023 by an estimated 2.67 times compared with expenses for 2021, most of it covered by forward agreements. Compensations for increases in payroll track a sector index and are capped at 1.5%. Payroll increased by 2.1% in 2021 and we expect further increases in 2022 and 2023 above the 1.5% cap. This will therefore weigh on RATP's profitability metrics, although the negative impact is however limited by the framework.

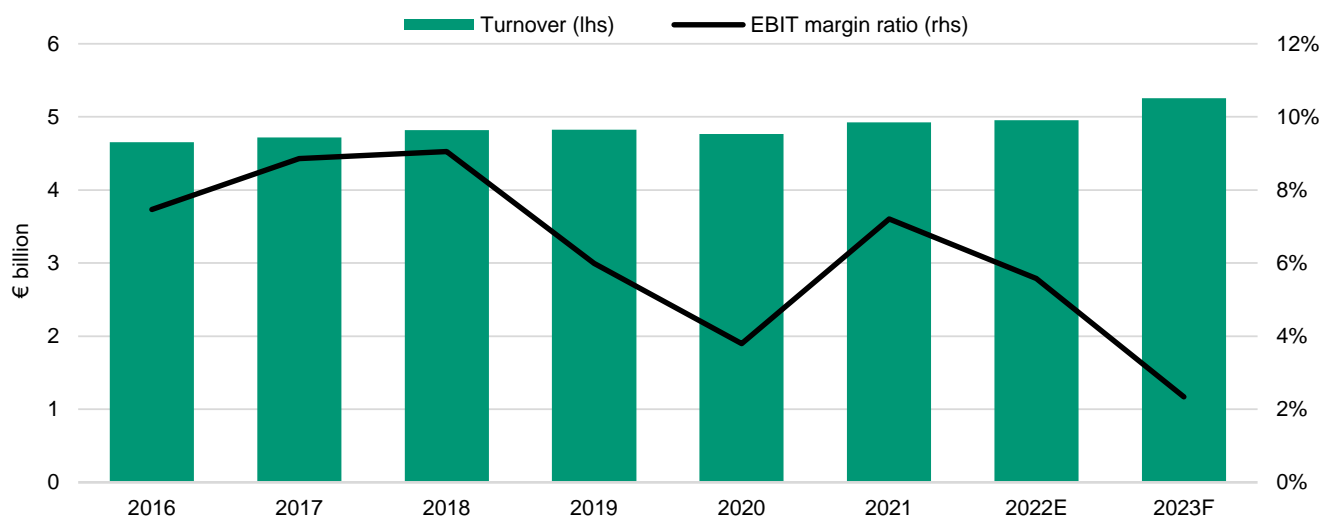
The 2021-24 multiyear framework provides, in our view, predictability to revenue and operating cash-flows. For RATP, while the risks not to reach the agreed targets (including kilometers/ number of passengers but also quality of services, as well as productivity gains)

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exist, these are limited in our view by design of the contract as well as thanks to RATP's strong track record over the recent years. While under the 2016-2020 agreement, RATP was materially exposed to short-term depressed ridership, the new risk-sharing mechanism is more protective and IdFM, thus, carries the ridership/ fares risk. Because RATP is no more endowed with fare revenues - which are now directly received by IdFM as agreed in the new agreement between the two public bodies -, IdFM pays smoothed operating contributions to RATP on a monthly basis, adding to the regularity and previsibility of RATP's cash-flows.

Exhibit 3

RATP's operating performance has been struck by the effects of inflation on energy prices and payroll



E: Estimate, F: Forecast

Source: RATP, Moody's Investors Service

The new multi-year agreement will also support RATP's debt deleveraging because IdFM is now funding most of the fixed capital investments RATP has to implement. IdFM is also becoming the sole owner of the rolling stock. Consequently, RATP's net debt will decrease to around €5.4 billion in 2023 while it has been stable over the past years at around €5.5 billion both in 2021 and 2022. By the end of 2023, RATP's gearing ratio (net debt-to-capital) is thus likely to decrease to 0.9 from a peak at 1.14 in 2016.

A 100% state-owned company, benefiting from a strategic role, as Paris and the Ile-de-France area retain a central role in transportation

France is RATP's sole owner and, as a result, the central government closely supervises RATP through its board and the procedures that commonly apply to state agencies, including through the National Court of Auditors. RATP's board comprises 27 administrators, of which one-third represent the French state, another third comprise members elected by RATP employees and the remaining third comprise outside parties. Because of its special legal status as an EPIC, RATP has no share capital, cannot go bankrupt and will not have its assets seized as a result of non-payment of its claims.

In our view, RATP mostly benefit from its strategic role. RATP is the main provider of public transportation services in France capital region ([Ile-de-France Region](#), Aa2 stable) and is the fifth-largest urban transport operator in the World. At the same time, it is the sole infrastructure manager, operating under a regulated monopoly - currently for Paris' network and going forward for Grand Paris Express (GPE) network. At the core of France's highly centralised transportation network, Paris and the Ile-de-France area retain a central role both nationally and at the European level. RATP's scope of operations is large, comprising more than 206 kilometres (km) of metro lines, 351 bus lines, 10 tramway lines and 117 km of interurban rail network (*Reseau Express Regional* [RER]). RATP's strategic role was exemplified by the continuity of public transportation during the very first two-month coronavirus pandemic-related lockdown, from mid-March to mid-May 2020. While passenger numbers on Ile-de-France's network were down 90%-95%, the network has been running around 30% of its capacity. Before the coronavirus pandemic, RATP provided more than 3.3 billion rides annually for Ile-de-France's 12.2 million population. The key role played by public transportation in the Ile-de-France area, and therefore by RATP, is also

exemplified by the support provided by the French government to IdFM in 2020 and 2021 to mitigate the impacts of the pandemic on ridership and thus on fare revenues. RATP benefitted indirectly from this support because it has allowed IdFM to honor the contract it has with RATP.

A strong liquidity position, including access to external funding

RATP is a flagship French issuer and, therefore, benefits, in our view, from an unquestioned market access. RATP's strong access to external liquidity is exemplified by its diversified funding sources. Short-term instruments comprise a €3 billion Negotiable European Commercial Paper (NEU-CP) programme. RATP's long-term funding relies on a €7 billion euro medium-term note (EMTN) programme. RATP has also put in place a Green Bond Framework. In May 2022, RATP issued a €500 million bond, following two €500 million green bond issuances in 2017 and in 2019.

While from 2021 onwards, the liquidity risk related to fares is no longer borne by RATP but by IdFM, RATP demonstrated its ability to face shocks thanks to its prudent and sophisticated debt and treasury management. RATP weathered the coronavirus pandemic making extensive use of its NEU-CP program, demonstrating unquestioned market access. In 2022, RATP further secured its cash position contracting a €500 million revolving credit facility with a 5 years maturity. The facility includes two ESG performance indicators. As of year end 2022, RATP's cash buffer amounted €1.5 billion, or around 33% of IdFM's annual contribution.

RATP is exposed to social issues, including labour disruptions

RATP is exposed to social risks. In the context of the Omicron variant wave, the ability of RATP not to face material staff shortages, in particular drivers, and to provide the services agreed with IdFM is a good example of such issues. At the same time, the high rate of vaccination in France is a strong mitigant. On the supply side, RATP is also exposed to its staff industrial actions, as illustrated by the material negative impacts of its workers strike for most of December 2019 and up until mid-January 2020 - RATP estimated the gross impacts on EBIT to amount respectively €150 million and €51 million in 2019 and 2020. On the demand side, RATP is not materially exposed to mild fluctuations in ridership, thanks to the current more protective risk-sharing mechanism but also to the flexibility RATP has to adapt to minor downward adjustments to services required by IdFM. Considering some of the adjustments required by IdFM over September 2021-December 2022 to adapt to changes in travel habits as the pandemic transitions to endemic (amounting around €45 million), RATP has been able to offset around 80% of the negative impact on its turnover, adjusting its staff (mainly bus drivers). On the contrary, RATP would be exposed to drastic downward adjustments to public transportation services required by IdFM, thus passing on budget pressures to RATP, because of the reduced leeway it has to proceed with massive adjustments on operating expenditures.

The opening of RATP's primary market to competition is a challenge

In the coming years, RATP will have to face the gradual opening of public transportation operations to competition in the Ile-de-France area, with a timeline defined by the law. We, nevertheless, note that before the end of the current agreement with IdFM, there is only some potential upside as RATP could gain market share on bus lines currently operated by OPTILE, a consortium of private bus operators. From 2025 onwards, RATP will formally be exposed to the opening to competition to the buses lines it currently operates. From 2030 onwards, its tramway lines will be opened to competition as will be its metro lines from 2040 onwards. The opening of its primary market represents a challenge for RATP because it will have to adapt its operating framework and prepare for a more competitive environment. RATP EPIC's business model will gradually change as it will lose its transit operator monopoly while retaining the monopoly in managing the transportation infrastructure in the Ile-de-France area. As of year-end 2020, the infrastructure management segment generated €1.0 billion in turnover compared with the €3.8 billion generated by its transit operator segment. This infrastructure manager role will be enhanced once the Grand Paris Express, currently under construction by [Societe du Grand Paris](#) (Aa2 stable) - and which consists in a 200-kilometer fully automated metro to be gradually opened from 2025 to 2030 -, is completed and RATP becomes responsible for its tracks and stations, an additional challenge because of the change in scale. However, RATP's proven track record in managing the transportation infrastructure of the Ile-de-France area will be a strength, as will be its experience in bidding for mass transit contracts, through its commercial subsidiary RATP Dev, when competing for services contracts. We also note that RATP launched in 2020 a 100%-owned dedicated subsidiary, RATP Cap Ile-de-France, to focus on and deal with this key challenge and that the 2021-24 agreement with IdFM has also been designed to prepare the opening to competition process.

Extraordinary support assumptions

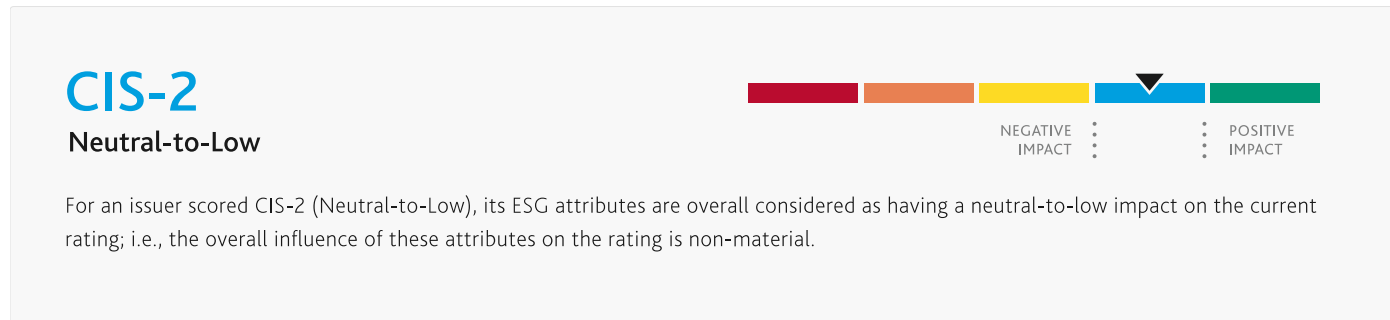
We believe there is a very high likelihood of extraordinary support for RATP from the central government, reflecting RATP's 100%-State ownership, strategic importance and our assessment of the reputation risks to the French government if RATP were to default. The government would not let RATP default without significantly impairing the credit standing of other state agencies.

ESG considerations

Regie Autonome des Transports Parisiens' ESG Credit Impact Score is Neutral-to-Low CIS-2

Exhibit 4

ESG Credit Impact Score

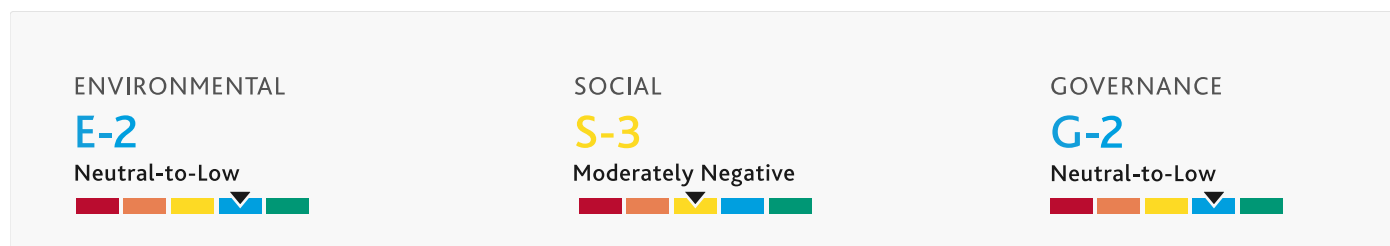


Source: Moody's Investors Service

RATP's ESG Credit Impact Score is neutral-to-low (**CIS-2**) reflecting neutral-to-low environmental and governance risk, and moderately negative exposure to social risks.

Exhibit 5

ESG Issuer Profile Scores



Source: Moody's Investors Service

Environmental

RATP's exposure to environmental risks is neutral to low across all categories. Its overall E issuer profile score is therefore neutral to low (**E-2**). RATP's commitment to transitioning towards carbon-neutrality is highlighted by their plan Bus 2025, which targets modernizing the entire fleet. This sustainability linked capital spending is partially funded by Ile-de-France-Mobilites.

Social

RATP's S issuer profile score is moderately negative (**S-3**), with a highly negative credit exposure to human capital risk. RATP, like all mass transit issuers, relies on a skilled labor force necessary to carry out an array of technical tasks. RATP have less budgetary flexibility due to high fixed costs linked to its large labor force represented by strong collective bargaining units. In some cases, disputes over collective bargaining agreements can lead to protests, strikes, lockouts and other system disruptions. Additionally, the system has a moderately negative exposure to customer relation risk, and health and safety, in line with peers. Customers and employees are exposed to the risk of injuries or fatalities related to the operation and maintenance their systems. Accidents can disrupt operations, temporarily reduce ridership and generate negative publicity, while unsafe working conditions can lead to higher labor costs, labor shortages, reputational harm, regulatory sanction and litigation. They can also require increased spending on training and improvements to infrastructure to create safer conditions. Exposure to other social risk categories is neutral to low.

Governance

RATP's G issuer profile score is neutral to low (**G-2**), supported by its very strong management credibility and track record. Governance considerations include robust planning and financial management. RATP holds a multi-year operating agreement with Ile-de-France

Mobilites. This agreement provides for a stable and supportive revenue stream and eliminates the volatility of farebox revenue shared by most mass transit operators. Exposure to other governance risk categories is neutral-to-low.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The assigned BCA of a2 is in line with the scorecard-indicated BCA.

For details about our rating approach, please refer to [Mass Transit Enterprises Methodology](#), published on 21 December 2017.

Exhibit 6

Regie Autonome des Transports Parisiens (RATP)

Factor 1 : Size (15%)	Measure	Score
a) Issuer Size - Annual Ridership (Million)	2361	Aaa
b) Market Size - Service Area Population (Million)	12.4	Aaa
Factor 2 : Market Position (35%)		
a) Operating Environment	Aa	Aa
b) Service Area Characteristics	Aaa	Aaa
c) Market Share - Utilization (%)	190	Aaa
Factor 3 : Financial Flexibility (20%)		
a) Level of Self-Support - Farebox Recovery Ratio (1)	-	B and Below
b) Budget Flexibility (3 Year Avg Fixed Costs as % of Oper. Exp.)	12.1%	Aa
Factor 4 : Debt & Financial Metrics (30%)		
a) Leverage - Debt/Revenues	1.00	A
b) Budget Balance -Interest as a % of Operating Revenues (3 Year Avg)	2.7%	Aa
c) Budget Balance - Net Margin (3 Year Avg)	2.8%	Baa
d) Liquidity - Days Cash on Hand	129.4	A
Baseline Credit Assessment (BCA):		
Additional Adjustments/Notching Factors		
Factor 3: Budget flexibility		
3) Collective bargaining or high labor costs that decrease financial or operational flexibility	-1	
Rating		
a) Indicated Rating from Grid After Notching Adjustment		a2
b) BCA assigned		a2
c) Actual Rating Assigned		Aa2

(1) As per the new framework under which it operates, RATP EPIC is no longer endowed with fare revenues.

RATP EPIC, at financial year-end 2021

Source: RATP, Moody's Investors Service

Ratings

Exhibit 7

Category	Moody's Rating
REGIE AUTONOME DES TRANSPORTS PARISIENS	
Outlook	Stable
Baseline Credit Assessment	a2
Senior Unsecured -Dom Curr	Aa2
Commercial Paper -Dom Curr	P-1

Source: Moody's Investors Service

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