

## **EDF Unveiled Its Action Plan to Strengthen Its Financial Structure — Support Measures Including Rights Issue Provided by French Government Will Be Positive Factors for the Ratings**

The following is Japan Credit Rating Agency, Ltd. (JCR)'s opinion on Electricité de France S.A. (EDF)'s action plan to strengthen its financial structure.

- (1) Electricité de France S.A. (EDF) has announced its annual results for 2021 and an action plan on February 18. JCR had been focusing on EDF's measures to strengthen its financial structure and government support measures as its financial structure was expected to deteriorate. This was mainly because (i) EDF revised its nuclear output projection from 330-360TWh to 300-330TWh for 2022, as the result of the extension of the outage period for five of its French nuclear reactors and (ii) French government announced to postpone a portion of the 2022 tariff increase on January 13.
- (2) EDF posted substantial increase in sales and earnings for 2021 mainly on an increased power generation. EBITDA was EUR 18 billion, the highest level since 2015, and accounting net debt/EBITDA was 2.4 times, an improvement from 2.6 times a year earlier. At the same time, EDF estimated that while EBITDA in 2022 will grow by EUR 6 billion on improvement in price effect, it will fall by EUR 11 billion due to the downward revision of the projected power output to 295-315TWh and by EUR 8 billion due to the postponement of the tariff hikes. Faced with the bleak prospect, EDF unveiled a rights issue worth around EUR 2.5 billion, a scrip dividend for 2020 and 2023, and an additional asset disposals totaling EUR 3 billion over 2022-2024, saying it plans to reduce net debt/EBITDA in 2023 to less than three times. JCR believes that these measures are highly feasible given that the French government, EDF's major shareholder, has already indicated its willingness to underwrite a capital increase and that EDF has track record of asset disposal.
- (3) The rating for EDF incorporates its solid business base in France, commitment to contain its net debt, and strong government support. In the past, the government has undertaken both capital increases and scrip dividends, and now it has come out with a similar government support package. Moreover, the government announced on February 10 plans to build six new nuclear power reactors (EPRs) amid the prospect that nuclear power will be included in the European taxonomy. This adds to EDF's importance in the French energy policy. JCR holds that deterioration of EDF's financial structure will be temporary, and that the impact on the current rating will be limited as those negative EBITDA factors will subside in 2023. We will closely monitor EDF's earnings performance in 2022 and progress on implementing the action plan.

Atsushi Masuda, Toshihiko Naito

### <Reference>

Issuer: Electricité de France S.A.

Foreign Currency Long-term Issuer Rating: AA      Outlook: Stable

### **Japan Credit Rating Agency, Ltd.**

Jiji Press Building, 5-15-8 Ginza, Chuo-ku, Tokyo 104-0061, Japan  
Tel. +81 3 3544 7013, Fax. +81 3 3544 7026

Information herein has been obtained by JCR from the issuers and other sources believed to be accurate and reliable. However, because of the possibility of human or mechanical error as well as other factors, JCR makes no representation or warranty, express or implied, as to accuracy, results, adequacy, timeliness, completeness or merchantability, or fitness for any particular purpose, with respect to any such information, and is not responsible for any errors or omissions, or for results obtained from the use of such information. Under no circumstances will JCR be liable for any special, indirect, incidental or consequential damages of any kind caused by the use of any such information, including but not limited to, lost opportunity or lost money, whether in contract, tort, strict liability or otherwise, and whether such damages are foreseeable or unforeseeable. JCR's ratings and credit assessments are statements of JCR's current and comprehensive opinion regarding redemption possibility, etc. of financial obligations assumed by the issuers or financial products, and not statements of opinion regarding any risk other than credit risk, such as market liquidity risk or price fluctuation risk. JCR's ratings and credit assessments are statements of opinion, and not statements of fact as to credit risk decisions or recommendations regarding decisions to purchase, sell or hold any securities such as individual bonds or commercial paper. The ratings and credit assessments may be changed, suspended or withdrawn as a result of changes in or unavailability of information as well as other factors. JCR receives a rating fee paid by issuers for conducting rating services in principle. JCR retains all rights pertaining to this document, including JCR's rating data. Any reproduction, adaptation, alteration, etc. of this document, including such rating data, is prohibited, whether or not wholly or partly, without prior consent of JCR.

JCR is registered as a "Nationally Recognized Statistical Rating Organization" with the U.S. Securities and Exchange Commission with respect to the following four classes. (1) Financial institutions, brokers and dealers, (2) Insurance Companies, (3) Corporate Issuers, (4) Issuers of government securities, municipal securities and foreign government securities.

JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)