



Comunicato Stampa

MOODY'S DOWNGRADES ATLANTIA, AUTOSTRADA PER L'ITALIA AND ADR

Rome, 3 January 2020 - The rating agency, Moody's, following the unilateral changes to existing motorway concession arrangements in Italy, introduced by the Milleproroghe decree, downgraded Autostrade per l'Italia from 'Baa3' to 'Ba1' and Atlantia (holding) from 'Ba1' to 'Ba2'; Moody's also downgraded to 'Baa3' from 'Baa2' the Aeroporti di Roma rating that is linked to the credit profile of the Atlantia Group.

As a result of persistent uncertainties weighing on the Group's credit profile and the decree's potential conversion into law, Moody's has also put the aforementioned ratings under review for downgrade.

The full text of the rating agency's announcement is provided below.

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Rating Action: Moody's downgrades ratings of Atlantia, ASPI and ADR by one notch and places under review for downgrade

03 Jan 2020

Madrid, January 03, 2020 -- Moody's Investors Service, ("Moody's") has today downgraded to Ba2 from Ba1 the senior unsecured rating and to (P)Ba2 from (P)Ba1 the rating of the euro medium-term note (EMTN) programme of Italian motorway and airport infrastructure company Atlantia S.p.A. (Atlantia). Moody's also downgraded to Ba1 from Baa3 the senior unsecured ratings and to (P)Ba1 from (P)Baa3 the senior unsecured EMTN programme rating of toll road operator Autostrade per l'Italia S.p.A. (ASPI). Concurrently, Moody's has withdrawn the issuer rating of ASPI and assigned a Ba1 corporate family rating to Atlantia. Moody's also downgraded to Baa3 from Baa2 the senior unsecured and senior secured ratings and to (P)Baa3 from (P)Baa2 the senior unsecured EMTN programme rating of airport operator Aeroporti di Roma S.p.A. (ADR). All ratings have been placed under review for downgrade.

A full list of affected ratings is provided towards the end of this press release.

RATINGS RATIONALE

The rating action reflects the increasing political pressure on the Atlantia's group and growing downside risks following the publication of the Decree-Law No 162 of 30 December 2019 (so called Milleproroghe Decree), in which the Italian government retroactively and unilaterally changed the terms and conditions of toll road concessions in the country, including that of ASPI. Even if the effects of this Decree could be only temporary, because it would cease to be effective if not converted into law by the Parliament within 60 days of publication, it signals a significant escalation of the confrontation between the government and Atlantia.

The rating action for ADR reflects its almost 100% ownership by Atlantia and the ability of Atlantia to move cash and debt around the group, notwithstanding that ADR exhibits a stronger stand-alone credit profile and benefits from some protections included in its debt structure and concession contract that provides for partial delinkage from the wider group.

Since the collapse of the Polcevera viaduct, in August 2018, Atlantia's group has faced (1) heightened regulatory pressures, as evidenced by ASPI's toll freeze in 2019, which was implemented on a voluntary basis, and in 2020, which was imposed by the government; (2) increased scrutiny of ASPI's motorway assets, as shown by the temporary closure of a few bridges over safety concerns during November 2019, that could ultimately result in significant additional maintenance costs; (3) legal investigations on ASPI's and SPEA's (an engineering subsidiary of Atlantia) employees who allegedly submitted inaccurate reports on the maintenance of two bridges, which, if proven, would highlight potential shortfalls in the group's control functions and undermine its credibility; (4) increasing political pressure from the government following Atlantia's unavailability to present a binding offer for the rescue of troubled airline Alitalia; and (5) persistent uncertainties in respect of the future of ASPI's concession.

The provisions for motorway concessions included in the Milleproroghe Decree follows the stagnation of the discussions with the Ministry of Transport and Infrastructure (MIT) over a potential renegotiation of ASPI's concession. If the provisions of the Decree were enforced it will negatively impact the group in case of revocation of ASPI's concession for material and continued non-performance.

While the cause(s) of the Genoa incident remain unknown, some government officials indicate that a decision on the future of the ASPI concession may be taken during the first month(s) of the year. ASPI's concession provides for a specific process for early termination of the contract and stipulates that compensation on termination would need to be paid in all circumstances. This compensation is calculated on the basis of the net present value of the expected cash flows until the end of the term of the concession, net of costs, liabilities, investments and projected taxes, less the outstanding net financial debt that the grantor may wish to assume. This compensation would be reduced by 10% and additional damages should the cause of termination be a breach of ASPI's obligation under the concession.

However, with the publication of the Milleproroghe Decree the Italian government has unilaterally changed the compensation amount that ASPI would be entitled to receive in case of revocation due to a breach of its

obligations. Under the new terms, the compensation in such scenario will be calculated as the value of investments completed plus ancillary charges net of depreciation. This amount would be substantially lower than the amount originally established on ASPI's concession.

In addition, the Decree establishes that the concessionaire will not be able to exercise the right of legal termination of the concession as a result of this change in contractual terms. This clause responds to ASPI's announced willingness to exercise its rights of legal termination of the concession following an unilateral change of its contractual terms.

The government move exacerbates the confrontational stance towards Atlantia's group, which suggests that an agreement on the renegotiation of the concession is far from being reached and a higher probability that the government will attempt to take detrimental actions against ASPI. This also increases the likelihood that both parties will be locked in lengthy litigation process involving Italian and European courts that could last years, resulting in potential sizeable legal costs, additional claims and higher uncertainty on the full extent of the financial impact of the collapse of the Polcevera viaduct.

In this respect, Moody's notes that in 2006 the European Commission started an infringement procedure against Italy following the publication of the Decree-Law No 262 of 3 October 2006 and established that concession arrangements cannot be modified unilaterally. In addition, the recent decision of the Regional Administrative Court for Liguria to refer the provisions of the Genoa Decree to the Italian Constitutional Court, validates the legal strength of ASPI's concession contract in the context of the application of the rule of law.

Moody's cautions that any formal assessment and notification of non-compliance with the concession obligations and/or the commencement of the corresponding revocation procedure would be a significant credit negative for ASPI and, in turn, Atlantia, given ASPI's significance in the context of the wider group's credit profile and the linkages between the two entities.

This is a significant risk because the compensation linked to revocation of the concession contract would be the source to meet potential bondholders' claims resulting from the voluntary put option granted under ASPI's bond documentation in such event. According to the provisions of the concession, ASPI should continue to manage the motorway assets until payment of the compensation is received. However, the Milleproroghe Decree states that the effectiveness of a termination of the concession is not subject to payment of compensation by the grantor, increasing the risk that the government decides to take over ASPI's concession without formalising the corresponding compensation on termination. In addition, ASPI's bond documentation lacks an explicit reference to the receipt of a compensation payment for the concession termination to be effective, which could result in uncertainties in respect of the timing of such concession termination.

In light of the protracted uncertainties, Moody's will also continue to monitor the liquidity and financial flexibility exhibited by the Atlantia group, the continued ability to access new funding, as well as measures aimed at preserving cash to mitigate the financial impact of the bridge collapse.

Notwithstanding the persistent downside risks linked to the collapse of the Polcevera viaduct, the Ba1 consolidated credit profile of the Atlantia group continues to reflect (1) its large size and the focus on the toll road and airport sectors; (2) the strong fundamentals of the group's toll road network, which is increasingly diversified following the acquisition of Abertis Infraestructuras S.A. (Abertis) and comprises essential motorway links mostly located in Spain, France, Chile, Brazil and Italy; (3) the reasonably established regulatory framework for its toll road operations, albeit characterised by increasing political pressures in Italy; (4) a track record of relatively prudent financial policies; (5) the group's fairly complex structure following the Abertis acquisition; (6) the relatively shorter average concession life of the combined Atlantia-Abertis group; and (7) the material increase in consolidated debt leverage post-transaction.

Atlantia's Ba2 rating is positioned one notch below the group's corporate family rating, reflecting the structural subordination of the creditors at the holding company. ASPI's Ba1 rating remain in line with the corporate family rating of the Atlantia group, while ADR's Baa3 rating reflects the stronger stand-alone credit profile of the entity and some delinkage from the wider group's credit quality.

In order to conclude the ratings review, Moody's will take into account whether the Parliament has or will likely approve and convert into law the provisions for toll roads concessions included in the Milleproroghe Decree.

WHAT COULD CHANGE THE RATING UP/DOWN

In light of the current review for downgrade, upward rating pressure on Atlantia's, ASPI's and ADR's ratings is highly unlikely in the near future.

Downward pressure on Atlantia's and ASPI's ratings would materialise as a result of (1) the Parliament approval and conversion into law of the provisions for toll roads concessions included in the Milleproroghe Decree, or (2) the start of the revocation process of ASPI's concession by the MIT or any additional detrimental government actions linked to a revocation scenario, with the magnitude of any downgrade also depending on the potential size and timing of any compensation payment that ASPI may receive.

There would also be downward rating pressure if (1) the increased political pressure appears likely to result in significantly increased costs, loss of revenues, or a renegotiation of ASPI's concession terms leading to a considerably weaker financial profile of the group; (2) there were new evidence of material governance or other failures by Atlantia or ASPI, which intensifies current challenges or increase the risk of imposition of adverse measures impacting the group's risk profile; or (3) there were a deterioration in the liquidity profile of the group.

With regard to ADR, notwithstanding some delinkage from the wider group's credit quality deriving from ADR's debt structure and terms and the protections included in its concession contract, negative pressures on Atlantia's credit profile would put downward pressure on the company's rating. In addition, negative pressure on ADR's rating would also result from (1) a weakening of the company's financial profile, with FFO/Debt below 15%; or (2) evidence of political interference, inconsistent implementation of the tariff-setting framework or material changes in the terms and conditions of ADR's concession.

The principal methodology used in rating Atlantia S.p.A. and Autostrade per l'Italia S.p.A. was Privately Managed Toll Roads published in October 2017. The principal methodology used in rating Aeroporti di Roma S.p.A. was Privately Managed Airports and Related Issuers published in September 2017. Please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

LIST OF AFFECTED RATINGS

Placed on Review for Downgrade:

..Issuer: Atlantia S.p.A.

....Senior Unsecured MTN Program, Downgraded to (P)Ba2 from (P)Ba1

....Senior Unsecured Regular Bond/Debenture, Downgraded to Ba2 from Ba1

..Issuer: Autostrade per l'Italia S.p.A.

....Senior Unsecured MTN Program, Downgraded to (P)Ba1 from (P)Baa3

....Senior Unsecured Regular Bond/Debenture, Downgraded to Ba1 from Baa3

....Backed Senior Unsecured Regular Bond/Debenture, Downgraded to Ba1 from Baa3

...Issuer: Aeroporti di Roma S.p.A.

... Senior Unsecured MTN Program, Downgraded to (P)Baa3 from (P)Baa2

....Senior Unsecured Regular Bond/Debenture, Downgraded to Baa3 from Baa2

....Underlying Senior Secured Regular Bond/Debenture, Downgraded to Baa3 from Baa2

Withdrawals:

..Issuer: Autostrade per l'Italia S.p.A.

....LT Issuer Rating, Withdrawn, previously rated Baa3

Assignments:

..Issuer: Atlantia S.p.A.

....LT Corporate Family Rating, Assigned Ba1; Placed Under Review for Downgrade

Outlook Actions:

..Issuer: Atlantia S.p.A.

....Outlook, Changed To Rating Under Review From Negative

..Issuer: Autostrade per l'Italia S.p.A.

....Outlook, Changed To Rating Under Review From Negative

..Issuer: Aeroporti di Roma S.p.A.

....Outlook, Changed To Rating Under Review From Negative

Atlantia S.p.A. is the holding company for a group active in the infrastructure sector. Its main subsidiaries include Autostrade per l'Italia S.p.A., Abertis Infraestructuras S.A., Aeroporti di Roma S.p.A. and Azzurra Aeroporti S.p.A. (holding company for Aéroports de la Côte d'Azur, the latter rated Baa2 negative). The group's total EBITDA amounted to approximately EUR5.7 billion in the first nine months of 2019.

Autostrade per l'Italia S.p.A. is the country's largest operator of tolled motorways, which together with its subsidiaries, manages a network of 3,020 km of motorways under long-term concession agreements granted by the Italian government. The company generated EBITDA of EUR1.9 billion in the first nine months of 2019.

Aeroporti di Roma S.p.A. is the concessionaire for the Rome airport system, which reported total passenger volumes of 49 million in 2018. ADR reported EBITDA of approximately EUR460 million in the first nine months of 2019.

Moody's has decided to withdraw the issuer rating of ASPI for its own business reasons. Please refer to the Moody's Investors Service Policy for Withdrawal of Credit Ratings, available on its website, www.moody's.com.

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