Atlantia

Press Release

ATLANTIA: MOODY'S REVIEWS ATLANTIA'S CREDIT RATING FOR UPGRADE, AND AFFIRMS ADR'S BAA3 RATINGS WITH POSITIVE OUTLOOK WHILE UPGRADING ASPI TO BA2

Rome, 22 October 2021. The credit rating agency Moody's has placed under review for upgrade the ratings and outlook of Atlantia. At the same time, Moody's has affirmed the Baa3 rating and positive outlook of Aeroporti di Roma (ADR) and upgraded to Ba2 the rating of Autostrade per l'Italia (ASPI) placing both rating and outlook under review for upgrade.

Attached the full report of the rating agency.

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Rating Action: Moody's upgrades ASPI to Ba2; reviews Atlantia´s and ASPI´s ratings for upgrade and affirms ADR´s Baa3 ratings with positive outlook

22 Oct 2021

Madrid, October 22, 2021 -- Moody's Investors Service (Moody's) has today upgraded to Ba2 from Ba3 the senior unsecured and backed senior unsecured ratings and to (P)Ba2 from (P)Ba3 the senior unsecured euro medium-term note (EMTN) programme rating of toll road operator Autostrade per l´Italia S.p.A. (ASPI). ASPI's ratings and outlook have been also placed under review for upgrade.

Concurrently, Moody's has placed under review for upgrade the Ba2 Corporate Family rating (CFR), the Ba3 senior unsecured rating and the (P)Ba3 rating of the senior unsecured EMTN programme of Italian motorway and airport infrastructure company Atlantia S.p.A. (Atlantia), as well as its outlook.

Moody´s has also affirmed the Baa3 senior unsecured and underlying senior secured ratings and the (P)Baa3 senior unsecured EMTN programme rating of Aeroporti di Roma S.p.A. (ADR), the outlook remains positive.

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

RATINGS RATIONALE

Today's rating action follows the 14 October 2021 settlement agreement between ASPI and the grantor (Ministero delle Infrastrutture e della Mobilita´ Sostenibili, MIMS).

Signature of the agreement concludes a lengthy dispute between the parties following collapse of the Polcevera bridge, and marks the withdrawal of the government's earlier allegations of serious breaches of ASPI's concession contract. The agreement significantly decreases the likelihood of a revocation of ASPI's concession and reduces the political pressure and downside risks for ASPI and Atlantia. Furthermore, the settlement agreement represents an important step towards satisfaction of the condition precedents in the share purchase agreement signed between Atlantia and the Consortium formed by CDP Equity S.p.A., The Blackstone Group International LLP and Macquarie European Infrastructure Fund 6 SCSp on 11 June 2021. Nevertheless, finalization of the sale of Atlantia's entire 88.06% stake in ASPI remains subject to a number of condition precedents which are expected to be satisfied over the next five months. In this regard, Moody's highlights that the final deadline for fulfilment of the condition precedents is 31 March 2022.

In particular, the sale of ASPI continues to be subject to (1) the effectiveness of the settlement agreement and of the new economic and financial plan to be submitted by ASPI, which will provide visibility over future tariff evolution, maintenance and investment requirements; (2) the subscription from ASPI and MIMS of the new addendum to ASPI's concession contract, incorporating among others new rules around penalties and compensation under a termination scenario (and which will become effective upon registration with the Italian Court of Audit); and (3) consent by some of the creditors to release Atlantia's financial guarantees on ASPI debt and amend the change of control and cross default clauses included in part of the group's debt documentation.

The new settlement agreement includes a total of €3.4 billion compensation payable and already fully provisioned by ASPI which is in line with the preliminary agreement reached with the government on 14 July 2020. Nevertheless, it also takes into account the outcome of recent discussions with the local public authorities, earmarking around €1.5 billion to initiatives to benefit local communities.

More specifically, the updated settlement agreement provides for; (1) reconstruction of the bridge in Genoa and related indemnifications (around €600 million); (2) an additional €1.1 billion for initiatives benefitting the local community in Liguria (mainly allocated to the construction of a subsea tunnel under the port of Genoa; (3) non-remunerated investments (€1.2 billion); and (4) toll discounts of around €500 million. The new economic and financial plan to be submitted by ASPI will reflect the new settlement agreement.

The upgrade of ASPI's rating to Ba2 reflects the reduced downside risks following the settlement agreement and the decision to place the rating under review for further upgrade takes into account the potential for further improvement in credit quality in the context of pending approvals and residual execution risks around the sale of the toll road operator. Importantly, the magnitude of a potential upgrade of ASPI's ratings will also depend on the company's business strategy, capital structure, financial policy, targeted financial leverage, final shareholder composition and governance framework after completion of the transaction.

The review of Atlantia's Ba2 ratings is driven by the importance of ASPI in the context of the wider group's credit profile and the current linkages between the two entities, with the consequent reduction in political risk at Atlantia level that derives from the signing of the settlement agreement. The positioning of Atlantia´s ratings remains subject to sufficient visibility over the group's future investments, the resulting evolution of its business risk profile, the capital structure and target financial leverage once the contractual linkages between Atlantia and ASPI have been removed.

Moody's expects to conclude the rating reviews once the settlement agreement has become fully effective, the sale of Atlantia's stake in ASPI is certain and there is sufficient clarity over each company's future business risk profile and capital structure.

Affirmation of ADR's Baa3 rating reflects the partial delinkage of ADR's credit quality from that of the wider Atlantia group owing to the standalone nature of ADR's assets, its financing arrangements and some protections included in its concession contract. While on a standalone basis ADR continues to suffer from severe traffic declines at Rome airports on the back of travel restrictions in place since February 2020 and only slowly being lifted, the positive outlook indicates Moody's expectations that ADR's credit metrics will gradually recover over the next two years, such that funds from operations (FFO)/debt ratio will be at least 15% by year-end 2023, which is more commensurate with a higher rating level.

Overall, ASPI's credit profile continues to be supported by (1) the essentiality of its toll road network, comprising more than 50% of the country motorway system; (2) the long term concession contract expiring in 2038; and (3) the resilient cash flow profile demonstrated in the past. These strength are partially offset by (1) political interference in the regulatory environment and the uncertainties related to future toll levels; (2) ASPI's sizeable investment programme and increasing maintenance requirements; and (3) the downside risks linked to the consequences of the coronavirus pandemic, which has resulted in a significant reduction in traffic in 2020 and H1 2021.

The credit quality of Atlantia group continues to be supported by (1) its large size and focus on the toll road and airport sectors; (2) the strong fundamentals of the group's toll road network, which is diversified and comprises essential motorway links across several countries; (3) the reasonably established regulatory framework for its toll road operations, albeit exposed to high political pressures in Italy; and (4) a track record of relatively prudent financial policies. These factors are balanced by (1) the group's fairly complex structure, with minority shareholders and debt at intermediate holding companies; (2) the relatively shorter average concession life of the Abertis group; and (3) the significant amount of consolidated debt, albeit with a strong liquidity position.

ADR's Baa3 rating is supported by (1) the strong fundamentals of its airports, representing the larger airport group in Italy and the seventh in Europe; (2) the strength of its service area and favourable competitive position, given that Rome is one of Europe's major capital cities; (3) the high proportion of origin and destination passengers, characterised by a significant component of European travellers and leisure traffic; (4) a relatively diversified carrier base, although with exposure to the national flagship carrier Alitalia; and (5) the company's moderate financial leverage and strong liquidity profile. However, ADR's fundamentals continue to be susceptible to downside risks linked to the consequences of the coronavirus pandemic, with highly uncertain recovery prospects.

LIQUIDITY AND DEBT COVENANTS

ASPI's liquidity position is strong, underpinned by €1.9 billion of cash on balance sheet as of June 2021 and an undrawn committed revolving facility of €750 million with a final maturity in April 2026. Debt maturities over the next 18 months amount to €1.4 billion. Hence, Moody´s expects that the company's cash and cash flow generation combined with its revolving credit facility will be sufficient to cover all its cash requirements in the next 12 to 18 months.

At the Atlantia holding company level the liquidity position is also strong, underpinned by €0.7 billion of cash on balance sheet as of June 2021 and total undrawn committed facilities of €1.25 billion with a final maturity in July 2023. Atlantia holding company does not have any maturities until 2023. In addition, Atlantia is expected to receive around €8.2 billion of cash following the sale of ASPI in the first quarter of 2022. Therefore, Moody's expects that the company will hold a material amount of cash on balance sheet until at least the next 12 months.

ADR's liquidity position is supported by around €0.7 billion of cash on balance sheet as of June 2021 and total undrawn committed facilities of €250 million with a final maturity in July 2023. More recently, in April 2021, ADR issued its first sustainability-linked bond for €500 million with maturity in 2031. The next upcoming significant debt maturity is GBP215 million Class A4 notes in 2023. Moody's expects that ADR's liquidity position and cash flow generation will be sufficient to cover its expenditures and debt service obligations until at least the end of 2022.

ADR's debt documentation includes two financial covenants -- net debt/EBITDA of 4.25x and interest cover ratio of 3x -- tested semi-annually on a historical basis. In July 2020, ADR received all the approvals to waive its financial covenants until and including the test date falling December 2021. While this has negated covenant breaches in the short term, there is a probability that ADR will require additional extension of waivers beyond June 2022 in some of its financing agreements. The current Baa3 rating assumes that the group will take actions in order to avoid any debt acceleration.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

ASPI's ratings could be upgraded if (1) the economic and financial plan of ASPI is formally approved, providing visibility over future tariff evolution, maintenance and investment requirements; (2) the addendum of ASPI's concession contract to incorporate the new rules around penalties and compensation under a termination scenario becomes effective; and (3) there is higher visibility over the future capital structure of ASPI, its financial policy and targeted financial leverage going forward, as well as its final shareholder composition.

Upward pressure on Atlantia's ratings could materialize following the disposal of ASPI and once there is be greater clarity on the implications of the sale for the group's capital structure and credit metrics. Sufficient visibility around the future investments of the group would be also required in order to upgrade the ratings.

An upgrade of ADR's ratings could occur following an upgrade of Atlantia's ratings, providing that (1) the company's liquidity position remains solid; and (2) there is high likelihood that ADR's financial profile will gradually improve on the back of traffic recovery over the coming three years.

In light of the current review for upgrade, a downgrade of Atlantia's and ASPI's ratings is unlikely in the near future. However, downward pressure could materialize in case the disposal of ASPI would not be completed and the government takes detrimental actions against the group.

Downward pressure on ADR's ratings could materialise in case of negative pressures on Atlantia's consolidated credit quality. In addition, negative pressure on ADR's rating would also result from (1) an increased likelihood that the coronavirus pandemic will have a more pronounced and permanent detrimental impact on traffic, weakening the company's financial profile such that FFO/debt ratio would remain below 10% on a sustainable basis; (2) an increased risk of extended covenant breaches, without the corresponding remediating actions; or (3) a significant deterioration of the group's liquidity profile.

The principal methodology used in rating Atlantia S.p.A. and Autostrade per l'Italia S.p.A. was Privately Managed Toll Roads Methodology published in December 2020 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1244932 . The principal methodology used in rating Aeroporti di Roma S.p.A. was Privately Managed Airports and Related Issuers published in September 2017 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1092224. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of these methodologies.

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.r.l. (holding company for Aéroports de la Côte d'Azur).

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.

Aeroporti di Roma S.p.A. is the concessionaire for the two airports serving the city of Rome (Fiumicino and Ciampino) which recorded 49.4 million passengers in 2019 and 11.4 million passengers in 2020.

LIST OF AFFECTED RATINGS

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

Upgrades:

....Senior Unsecured Medium-Term Note Program, Upgraded to (P)Ba2 from (P)Ba3; Placed Under Review for further Upgrade

....Senior Unsecured Regular Bond/Debenture, Upgraded to Ba2 from Ba3; Placed Under Review for further Upgrade

....BACKED Senior Unsecured Regular Bond/Debenture, Upgraded to Ba2 from Ba3; Placed Under Review for further Upgrade

Outlook Actions:

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

Issuer: Atlantia S.p.A.

On Review for Upgrade:

....LT Corporate Family Rating, Placed on Review for Upgrade, currently Ba2

....Senior Unsecured Medium-Term Note Program, Placed on Review for Upgrade, currently (P)Ba3

....Senior Unsecured Regular Bond/Debenture, Placed on Review for Upgrade, currently Ba3

Outlook Actions:

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

Issuer: Aeroporti di Roma S.p.A.

Affirmations:

....Senior Unsecured Medium-Term Note Program, Affirmed (P)Baa3

....Senior Unsecured Regular Bond/Debenture, Affirmed Baa3

....Underlying Senior Secured Regular Bond/Debenture, Affirmed Baa3

Outlook Actions:

....Outlook, Remains Positive

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at http://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1288235 .

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