



Press Release

MOODY'S LOWERS GROUP'S RATINGS AFTER DOWNGRADE OF ITALY

Rome, 25 October 2018 – Following its downgrade of Italian sovereign debt from 'Baa2' to 'Baa3' on 19 October, today Moody's has lowered Atlantia group's ratings.

Atlantia (holding) rating is downgraded from 'Baa2' to 'Baa3', Autostrade per l'Italia and ADR ratings from 'Baa1' to 'Baa2'. All ratings remain on review for downgrade.

The full text of Moody's announcement is provided below.

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Rating Action: Moody's downgrades Atlantia's rating to Baa3; maintains review for downgrade

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Autostrade per l'Italia's and Aeroporti di Roma's ratings also downgraded to Baa2 and maintained on review for downgrade

London, 25 October 2018 -- Moody's Investors Service (Moody's) has today downgraded to Baa3 from Baa2 the senior unsecured rating and to (P)Baa3 from (P)Baa2 the rating of the euro medium-term note (EMTN) programme of Italian motorway and airport infrastructure company Atlantia S.p.A. (Atlantia). Concurrently, Moody's downgraded to Baa2 from Baa1 the issuer and senior unsecured ratings, and to (P)Baa2 from (P)Baa1 the senior unsecured EMTN programme rating, of toll road operator Autostrade per l'Italia S.p.A. (ASPI). Moody's also downgraded to Baa2 from Baa1 the senior unsecured and senior secured ratings and to (P)Baa2 from (P)Baa1 the senior unsecured EMTN programme rating of airport operator Aeroporti di Roma S.p.A. (ADR). All ratings remain on 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 persistent downside risks weighing on the Atlantia group's credit profile. The group remains particularly susceptible to the heightened political event risk characterising the Italian sovereign, which saw its rating recently downgraded to the Baa3 level (with stable outlook). Such continued political risk is detrimental to the Atlantia's group credit quality, due to (1) the uncertainties and potential consequences linked to the collapse of the Morandi bridge, managed by ASPI, and (2) a credit profile already strained by the sizeable acquisition of toll road operator Abertis Infraestructuras S.A. (Abertis). The cumulative effect of these factors has eroded the credit quality of the Atlantia group to a level that Moody's sees as no longer commensurate with the previous Baa1 rating.

The continued review for downgrade on the ratings reflects the risks linked to the potential commencement of a termination procedure in respect of the ASPI's concession, which would further increase uncertainties and expose the group to the risk of lengthy litigation procedures and sizeable fines.

Notwithstanding the persistent downside risks linked to the collapse of the Morandi bridge, the Baa2 consolidated credit profile of the Atlantia group continues to positively 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, following the acquisition of Abertis will be increasingly diversified and comprise essential motorway links mostly located in Italy, Spain, France, Chile and Brazil; (3) the reasonably established regulatory framework for its toll road operations, albeit characterised by some instances of political interference; and (4) a track record of relatively prudent financial policies. These factors are balanced by (1) the group's fairly complex structure following the Abertis acquisition; (2) the material increase in consolidated debt leverage post-transaction; (3) the shorter average concession life of the combined Atlantia-Abertis group compared with the Atlantia profile pre-transaction. Atlantia's Baa3 rating is positioned one notch below the group's consolidated credit profile, reflecting the structural subordination of the creditors at the holding company. ASPI's and ADR's Baa2 ratings remain in line with the consolidated credit profile of the Atlantia group.

The potential consequences of the Morandi bridge collapse continue to exert negative pressure on the credit profile of ASPI and Atlantia. While the causes of the incident remain unknown, some ministers have indicated the intention to start the process to terminate ASPI's concession, should material non-performance in respect of the company's maintenance obligations emerge. Any formal notification of non-compliance with its concession obligations and the commencement of a termination 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.

ASPI's concession provides for a specific procedure for early termination in the event of material and continued non-performance. Whilst termination under the terms of ASPI's concession agreement would trigger compensation requirements, there is no precedent in the Italian framework of such circumstances. It is likely

that the amount of compensation for ASPI would have to be negotiated, which could potentially lead to protracted discussions, initiation of a court case and delays in the payment. This is a significant risk because the compensation linked to a potential termination would be the source to meet potential bondholders' claims in light of the voluntary put option granted under ASPI's bond documentation in the event of a concession termination (EUR7.3 billion outstanding covered by put option provision). ASPI has indicated that, under its bond documentation, the debt repayment following a put event would not be due until actual termination of the concession which, according to the terms of its concession agreement, is subject to payment of compensation. Under a termination scenario, the liquidity and financial flexibility exhibited by the group as well as measures aimed at preserving cash to withstand a potentially protracted period of uncertainty will be important elements, while the consequences for ASPI's and Atlantia's credit profiles would also depend on the developments of the discussions with the grantor in respect of concession termination, as well as timing and size of any compensation payment that may be received by ASPI in relation to outstanding debt.

Notwithstanding the potentially significant negative rating implications of the commencement of a termination procedure, Atlantia's and ASPI's credit profiles also remain exposed to the ultimate financial impact of the incident and any additional consequences for the business risk profile of its Italian motorway operations. The severity of the incident and the high number of casualties that followed the collapse of the Morandi bridge heightens regulatory and political pressures for ASPI and exposes the group to the risk of a more confrontational stance from the concession grantor, protracted litigations and sizeable external claims and legal costs, potentially beyond the modest protection levels provided by its insurance policies.

More generally, and considering the political reactions to the incident, we note that ASPI may also be required and/or may decide that it is in its commercial interest to make payments beyond the contractual liabilities under the terms of the concession agreement and will be subject to pressure to contribute to the costs linked to the state of emergency, while operational and maintenance costs linked to the management of ASPI's motorway network could also increase as a result of regulatory pressures. The full extent of the potential financial impact of the incident remains difficult to estimate at this stage.

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 if the collapse of the Morandi bridge appeared likely to result in significant increased costs or loss of revenues leading to a financial profile no longer consistent with ratios guidance (i.e. consolidated ratio of Funds From Operations (FFO)/Debt weakening to significantly and permanently below 12%). This ratio guidance may be increased if political risks appear to be crystallising or if the incident appears likely to result in a detrimental impact on the regulatory framework applicable to Atlantia's Italian motorway operations.

Significant downward pressure would also materialise as a consequence of the start of a termination of ASPI's concession or materially detrimental government actions linked to a termination scenario, with the magnitude of any downgrade depending on the potential size and timing of any compensation. In addition, downward pressure on Atlantia's and ASPI's ratings could also materialise as a consequence of (1) a material change in the terms and conditions of key concessions or political interference or (2) further negative pressure on the government of Italy's sovereign rating (Baa3 stable). In the context of the Abertis acquisition, Moody's had also previously indicated that downward pressure on Atlantia's rating would also result from a substantial change in the business risk profile of the combined group as a result of significant involvement in higher risk and/or greenfield projects.

With regard to ADR, further contained negative rating pressure on Atlantia's credit profile may not immediately result in a downgrade of ADR's rating, reflecting Moody's view that there is some delinkage from the wider group's credit quality deriving from ADR's debt structure and terms, as well as protections included in ADR's concession contract. Nevertheless, Moody's cautions that significant negative pressures on Atlantia's credit profile could still result in downward pressures on ADR's rating. More generally, negative pressure on ADR's rating would also result from (1) a weakening of the company's financial profile with FFO/Debt below the high teens in percentage terms; (2) evidence of political interference, inconsistent implementation of the tariff-setting framework or material changes in the terms and conditions of ADR's concession; or (3) further negative pressure on the Italian sovereign rating.

PRINCIPAL METHODOLOGIES

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 this methodology.

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., Aeroporti di Roma S.p.A., and Azzurra Aeroporti S.r.l. (holding company for Aéroports de la Côte d'Azur, the latter rated Baa2 stable). The group's total EBITDA amounted to almost EUR3.7 billion in 2017. When completed, the acquisition of Abertis will enable the group to have operations in 15 countries with a combined EBITDA of more than EUR7 billion.

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 almost EUR2.5 billion in 2017.

Aeroporti di Roma S.p.A. is the concessionaire for the Rome airport system, which reported total passenger volumes of 47 million in 2017. ADR reported EBITDA of approximately EUR550 million in 2017.

LIST OF AFFECTED RATINGS

Downgraded and placed on review for further downgrade

..Issuer: Atlantia S.p.A.

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

....Backed Senior Unsecured Regular Bond/Debenture, downgraded to Baa2 from Baa1

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

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

....LT Issuer Rating, downgraded to Baa2 from Baa1

....Senior Unsecured MTN Program, downgraded to (P)Baa2 from (P)Baa1

....Senior Unsecured Regular Bond/Debenture, downgraded to Baa2 from Baa1

....Backed Senior Unsecured Regular Bond/Debenture, downgraded to Baa2 from Baa1

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

....Senior Unsecured MTN Program, downgraded to (P)Baa2 from (P)Baa1

....Senior Unsecured Regular Bond/Debenture, downgraded to Baa2 from Baa1

....Underlying Senior Secured Regular Bond/Debenture, downgraded to Baa2 from Baa1

Outlook Actions:

..Issuer: Atlantia S.p.A.

....Outlook, Remains Rating Under Review

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

....Outlook, Remains Rating Under Review

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

....Outlook, Remains Rating Under Review

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