



Press Release

## **MOODY'S REVISES ATLANTIA'S AND AUTOSTRADE PER L'ITALIA'S RATINGS**

Rome, 2 March 2020 – Following conversion of the *Milleproroghe* Decree into law, the rating agency, Moody's, has today completed its review for downgrade initiated on 3 January this year, lowering the rating assigned to Atlantia (the holding company) to 'Ba3' from the previous 'Ba2' and Autostrade per l'Italia's rating to 'Ba3' from 'Ba1'. Aeroporti di Roma's rating remains 'Baa3'.

The outlook for all the ratings remains negative.

The rating decision reflects the Group's exposure to growing political pressure following the unilateral changes to motorway concession arrangements in Italy, introduced by articles 13 and 35 of the *Milleproroghe* Decree, now converted into law, and ongoing uncertainty surrounding Autostrade per l'Italia's credit profile.

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

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**Aeroporti di Roma's Baa3 rating confirmed with negative outlook**

Madrid, March 02, 2020 -- Moody's Investors Service, (Moody's) has today downgraded to Ba3 from Ba2 the senior unsecured rating and to (P)Ba3 from (P)Ba2 the rating of the euro medium-term note (EMTN) programme of Atlantia S.p.A. (Atlantia). Moody's also downgraded to Ba2 from Ba1 the corporate family rating of Atlantia. Concurrently, Moody's downgraded to Ba3 from Ba1 the senior unsecured ratings and to (P)Ba3 from (P)Ba1 the senior unsecured EMTN programme rating of toll road operator Autostrade per l'Italia S.p.A. (ASPI). Moody's also confirmed the Baa3 senior unsecured and underlying senior secured ratings and the (P)Baa3 senior unsecured EMTN programme rating of airport operator Aeroporti di Roma S.p.A. (ADR). The outlook on all ratings is negative.

The rating action concludes the review initiated on 3 January 2020.

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 downside risks following the conversion into law of the Decree-Law No 162 of 30 December 2019 (Milleproroghe), by 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 new law will most likely be challenged in Italian and European courts and could be ultimately reversed, it further weakens the position of ASPI and Atlantia.

The downgrade of ASPI and Atlantia's ratings also reflects the apparent lack of progress in discussions linked to the future of the ASPI concession, which suggests that (1) an agreement on the renegotiation of the concession could be difficult to reach, given the fragmented views within the government coalition on how to resolve the ASPI situation; (2) that any potential outcome of the negotiation will result in terms much less favourable for ASPI than the current framework; and (3) that the government may attempt further detrimental actions against ASPI. A more confrontational stance by government and a rigid position on the part of Atlantia and ASPI may result in long legal battles involving Italian and European courts, which will increase the uncertainties for debtholders.

The confirmation of ADR's Baa3 ratings reflects its stronger underlying credit profile, the standalone nature of ADR's asset and financing arrangements, and some protections included in its concession contract that provides for partial delinkage from the wider group.

The negative outlook on the ratings reflect the persistent uncertainties and downside risks linked to the ultimate consequences of the collapse of the Polcevera viaduct on the Atlantia group's credit profile, which could result in the renegotiation of the ASPI concession and, in a downside scenario, revocation of the concession, thus increasing uncertainties and exposing the group to the risk of lengthy litigation procedures and sizeable fines.

Since the collapse of the Polcevera viaduct, in August 2018, Atlantia's group has faced (1) heightened regulatory pressures, as evidenced by the imposed toll freeze for 2020; (2) increased scrutiny of ASPI's motorway assets that are expected to result in 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; and (5) persistent uncertainties in respect of the future of ASPI's concession.

The provisions for motorway concessions included in the Law No 8 of 28 February 2020, which ratifies the Milleproroghe, follows the stagnation of the discussions with the Ministry of Transport and Infrastructure (MIT) over a potential renegotiation of ASPI's concession. The Law, if enforced, will negatively impact the group in case of revocation of ASPI's concession for material and continued non-performance given that (1) compensation on termination would be reduced by more than half as compared to the amount originally established in ASPI's concession; (2) it would be possible for the concession to be terminated even before the relevant compensation payment has been paid, potentially leaving creditors exposed without either a capital repayment or ongoing source of cashflow income to service debt; and (3) the legislation removes ASPI's right to terminate the concession contract and receive full compensation as a result of the changes in contractual terms.

The government's determination to pursue these changes in toll roads concessions despite the scope for legal challenges, even at the European level, evidences the strong political pressure on ASPI and Atlantia irrespective of the existing legal framework. However, while some government officials continue to indicate that a decision on the future of the ASPI concession will be taken in the coming months, the expectation that the government will revoke ASPI's concession is still not Moody's current base case because (1) the precise cause(s) of the Genoa incident and associated responsibilities have not been yet determined by the Italian court; (2) the government would be exposed to a lengthy litigation process and the risks of a multi-billion compensation payment given the retroactive and unilateral changes in ASPI's strong protections in the concession agreement; and (3) the government does not currently have sufficient resources to manage ASPI's network and other companies may be reluctant to take over the concession without a transparent and predictable regulatory framework.

In light of the changes in ASPI's concession terms and protracted uncertainties, Moody's will 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 that impacts ASPI, the Ba2 corporate family rating of the Atlantia group is supported by (1) the additional financial flexibility and sources of cash provided by Atlantia's other subsidiaries and equity investments; (2) Atlantia's large size and focus on the toll road and airport sectors; (3) 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, Italy, Chile, Brazil and also Mexico in the near future; (4) the reasonably established regulatory framework for its toll road operations, albeit characterised by increasing political pressures in Italy; and (5) 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 relatively shorter average concession life of the combined Atlantia-Abertis group; and (3) the material increase in consolidated debt leverage post acquisition of Abertis.

Atlantia's Ba3 rating is positioned one notch below the group's corporate family rating, reflecting the structural subordination of the creditors at the holding company level. ASPI's Ba3 rating reflects the ongoing uncertainties related to the potential renegotiation of its concession contract and, in a downside scenario, the potential for revocation of its concession agreement. ADR's Baa3 rating reflects the stronger stand-alone credit profile of the entity and some delinkage from the wider group's credit quality.

#### RATIONALE FOR THE NEGATIVE OUTLOOK

The outlook on Atlantia's, ASPI's and ADR's ratings is negative, reflecting the persistent uncertainties and the risks associated with the potential consequences of the collapse of the Polcevera viaduct on the group's credit profile.

#### WHAT COULD CHANGE THE RATING UP/DOWN

In light of the current negative outlook, upward rating pressure on Atlantia's, ASPI's and ADR's ratings is highly unlikely in the near future. The outlook could be returned to stable if there was clarity in respect of the consequences of the collapse of the Polcevera viaduct on the group's credit quality, which would not result in any additional negative impact on its business and financial profile.

Downward pressure on Atlantia's and ASPI's ratings would materialise in case (1) current criminal investigations were to identify breaches in the management of ASPI's motorway infrastructure or ASPI's direct responsibility in the collapse of the Polcevera viaduct; (2) the start of the revocation process of ASPI's concession 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; and (3) there was a significant deterioration in the liquidity profile of the Atlantia group.

With regard to ADR, notwithstanding some delinkage from the wider group's credit quality, negative pressures on Atlantia's consolidated credit quality 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, that could result in funds from operations (FFO)/debt ratio below 15%; (2) substantial negative impact related to the coronavirus outbreak, which could dampen international passenger volumes and affect the already weak financial profile of Alitalia; or (3) evidence of political interference, inconsistent implementation of the tariff-setting framework or material changes in the terms and conditions of ADR's concession.

#### 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](http://www.moodys.com) for a copy of these methodologies.

#### LIST OF AFFECTED RATINGS

Downgrades, previously on review for downgrade:

..Issuer: Atlantia S.p.A.

.... LT Corporate Family Rating, Downgraded to Ba2 from Ba1

....Senior Unsecured Medium-Term Note Program, Downgraded to (P)Ba3 from (P)Ba2

....Senior Unsecured Regular Bond/Debenture, Downgraded to Ba3 from Ba2

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

....Senior Unsecured Medium-Term Note Program, Downgraded to (P)Ba3 from (P)Ba1

....Senior Unsecured Regular Bond/Debenture, Downgraded to Ba3 from Ba1

....BACKED Senior Unsecured Regular Bond/Debenture, Downgraded to Ba3 from Ba1

Confirmations, previously on review for downgrade:

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

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

.... Underlying Senior Secured Regular Bond/Debenture, Confirmed at Baa3

....Senior Unsecured Regular Bond/Debenture, Confirmed at Baa3

## Outlook Actions:

..Issuer: Atlantia S.p.A.

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

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

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

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

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

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, the latter rated Baa2 under review for downgrade).

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 Rome airport system, which reported total passenger volumes of 49.4 million in 2019.

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