



Press Release

**FITCH RATINGS RESOLVES ITS PLACEMENT ON CREDITWATCH
NEGATIVE OF ATLANTIA'S EUR3 BILLION EMTN PROGRAMME AND
AFFIRMS AUTOSTRADe PER L'ITALIA RATINGS TO 'A-'**

Rome, 21 April 2017 – Atlantia informs that the rating agency Fitch has today resolved its placement on creditwatch with negative implications of Atlantia Euro Medium Term Note Programme worth €3 billion, downgrading the programme's rating to 'BBB+' with a stable outlook, primarily reflecting the structural subordination of Atlantia bondholders. The agency also has affirmed Autostrade per l'Italia ratings at 'A-' with a stable outlook⁽¹⁾.

The full text of the announcement is provided below.

(1) Long-Term Issuer Default Rating, EMTN Programme of €7 billion, Atlantia EMTN Programme of €10 billion pushed down to ASPI and senior unsecured bonds

FITCH AFFIRMS ASPI AT 'A-'; DOWNGRADES ATLANTIA EMTN AT 'BBB+'

Fitch Ratings-London/Milan-21 April 2017: Fitch Ratings has affirmed Autostrade per l'Italia Spa's (ASPI)'s Long-Term Issuer Default Rating (IDR) at 'A-'. Fitch has also downgraded the senior unsecured rating on Atlantia Spa's EUR3 billion EMTN programme to 'BBB+' from 'A-' and removed it from Rating Watch Negative. The Outlooks are Stable.

A full list of rating actions is at the end of this Rating Action Commentary.

In affirming the rating of ASPI, Atlantia's Italian toll road concession subsidiary, Fitch considered the solid traffic performance of the Italian network, its stable financial performance and moderate current and projected leverage in the context of the long maturity of its main concession (2038). The lack of structural enhancements in the group's debt structure is compensated by well-established access to capital markets, a diversified range of bullet maturities and a solid liquidity position, which mitigates refinancing risk.

Atlantia is an acquisitive holding company and this reduces the long-term visibility of its capital structure. However, our rating case does not factor in potential future acquisitions or potential asset disposals.

The downgrade of Atlantia's EUR3 billion EMTN considers the structural subordination of Atlantia bondholders to ASPI creditors. ASPI debt does not contain credit material financial covenants but its concession agreement contains some ring-fencing provisions that substantially allow ASPI to upstream cash to shareholders only via ordinary and extraordinary dividends. As a result, in absence of an upstream guarantee, we rate bonds issued under this EMTN programme one-notch lower than that of an Atlantia-ASPI consolidated entity. This notching difference could be widened in the future if Atlantia's debt materially grows or its equity interests in ASPI and/or other core subsidiaries materially decrease.

GROUP REORGANISATION

Atlantia intends to finance its international expansion by disposing a minority stake (up to 15%) of its Italian toll road business to financial investors. The group completed a reorganisation in December 2016 to facilitate the sale.

Overseas toll road concessions previously owned by ASPI were moved to Atlantia, as was the company operating the electronic toll collection system (Telepass). Atlantia's bonds were pushed down to ASPI, except EUR1 billion of retail bonds, which have remained at the Atlantia level. They still benefit from an ASPI guarantee. However, from a credit standpoint, the reorganisation has not yet materially altered the previous debt structure since Atlantia and ASPI still cross guarantee most (about 60%) of their respective debt issuances.

In looking at the Atlantia group, we focus on Atlantia-Aspi as a consolidated entity. This is because their debt (recourse) is primarily serviced by the cash flow generated by the Italian toll road business, which accounts for about 70% of group consolidated EBITDA. Under our approach, the businesses funded with non-recourse debt (airports, overseas concessions) are deconsolidated and contribute to the recourse perimeter through dividends they distribute to Atlantia. In line with this approach, Fitch adjusted leverage ratio is calculated as "Net recourse debt/(recourse Ebitda + dividends from deconsolidated entities)".

OPERATIONAL UPDATE

Atlantia delivered strong operating and financial performances in 2016. Robust traffic growth (+3.2%) and moderate tariffs hikes (+1.1%) supported the cash flow generation. Leverage was stable (4.2x) and below last year's rating case (4.5x). Liquidity remains solid and covers debt maturities until 2018 in our forecasts.

Fitch Rating Case

The Fitch rating case assumes moderate traffic growth of about 1% on average until 2021 while tariffs will rise 2.7% on average during the period based on the tariff formula, which is linked to both inflation and successful capex execution. Compared with the sponsor's case, Fitch uses conservative assumptions on opex, capex, interest rates and dividends received from overseas businesses.

The effect of the group's exposure to more growth-oriented assets in Latin America and airports is still modest, as Fitch only takes into account the dividends received from those subsidiaries bearing non-recourse debt. These dividends are currently modest compared with EBITDA from Italian toll roads.

KEY RATING DRIVERS

Large Network, Moderate Volatility: Volume Risk - Midrange

ASPI is the largest Italian toll road operator, managing a network of around 3,000km in Italy. The network is critical for the mobility of the whole country and is exposed to limited competition. Traffic was resilient through the 2008-2011 crisis, but experienced a shock in 2012-2013 when volume fell about 9% due to a collapse of domestic consumption in response to austerity measures. Although traffic growth picked up in 2014 (1%), 2015 (3%) and 2016 (3.2%), it remains 5% below the 2007 peak.

Inflation and Capex Linked Tariff: Price Risk - Midrange

The concession framework is robust as it links inflation-indexed (70%) tariff hikes to capex execution, thus partly de-linking the group's cash flow generation from negative traffic performance. Tariffs regularly increased over the past years although, in our view, risk of political interference remains, especially if Italian macroeconomic performance should deteriorate.

Large Scale, Experienced Operator: Infrastructure Development & Renewal - Stronger

The group's capex plan between 2017 and 2029 is large (EUR14 billion) but also flexible in size as, in our view, it could be reduced to around EUR11 billion-EUR12 billion if traffic does not materially pick up over the medium term. We believe Atlantia is well-equipped to deliver its investment programme as it has extensive experience and expertise in executing investments on its network.

Refi Risk Well-Managed: Debt Structure - Midrange

The non-amortising nature of the debt and lack of material structural protection are weaknesses. However, a well-diversified range of bullet maturities, demonstrated access to bond markets, and proactive and prudent debt management all help mitigate refinancing risk.

The group has also well-established relationships with the government-owned financial arm Cassa Depositi e Prestiti (CDP, BBB+/Negative) and the EIB (AAA/Stable), which provide funding to ASPI at favourable rates. Liquidity is comfortable as cash and committed credit lines cover debt maturities until 2018, in Fitch's rating case.

Debt Service

In the updated Fitch rating case, leverage is expected to remain at around 4x until 2021 and progressively decreases thereafter when ASPI's investment plan is almost completed. However,

Atlantia is acquisitive and this reduces the long-term visibility of its capital structure. Our rating case does not fact neither potential future acquisitions nor potential asset disposals.

Peers

The main peers for ASPI are Abertis (BBB+/Stable), Brisa Concessao Rodoviaria (BBB/Stable), Autoroutes Paris-Rhin-Rhone (APRR) (BBB+/Positive) and Sias (BBB+/Stable). Atlantia shares a number of common features with the French-based APRR. Both issuers have similar concession maturities and pricing systems as well as similar network sizes. Both networks play a critical role in the mobility of their countries. APRR's traffic was more resilient than Atlantia's during the economic downturn but its rating is still one notch lower as it is more leveraged.

ASPI is rated one notch higher than Abertis as it has a much longer concession tenor and more resilient historical traffic performance. Compared with Sias, Atlantia is more leveraged. But Atlantia is more highly rated because of its much longer concession tenor, more straightforward group and debt structure and recognition in capital markets.

RATING SENSITIVITIES

Negative

The ratings could be downgraded if leverage (pre-IFRIC 12) consistently exceeds 5.5x on a three year horizon under Fitch's rating case. Adverse changes to Italian regulatory framework or a sustained move towards debt-funded acquisitions with material impact on the debt metrics could be also credit negative.

Although there is no formal credit link between ASPI/Atlantia's ratings and those of the sovereign (BBB+/Negative), ASPI/Atlantia's exposure to the domestic economy could give rise to correlated movements in the two ratings.

Atlantia's EUR3 billion EMTN programme is credit-linked/rated and one notch lower than our assessment of Atlantia-Aspi consolidated entity, whose rating is in line with ASPI's Issuer Default Rating (IDR). The EMTN rating therefore will move in line with ASPI's IDR. The notching difference could also be widened if Atlantia's unguaranteed debt materially grows or its equity interests in ASPI and/or other core subsidiaries materially decrease.

Positive

A faster-than-expected deleveraging under Fitch's rating case would be credit-positive but unlikely to trigger an upgrade until the Italian economy and traffic are on a sustained growth path.

SUMMARY OF CREDIT

Atlantia is an Italy-based infrastructure group. ASPI is one of the largest toll road operators globally. The group has progressively expanded to Latin American toll roads (Brazil, Chile, Poland) and airports. Its business profile is becoming slightly more complex and diversified from its historical core (recourse Italian) toll roads network.

The rating actions are as follows:

ASPI:

Long-Term IDR: affirmed at 'A-'; Outlook Stable

Short-Term IDR: affirmed at 'F2';

EMTN programme of EUR7 billion: affirmed at 'A-'; Outlook Stable;

Senior unsecured bonds: affirmed at 'A-'; Outlook Stable;

ATLANTIA:

EMTN programme of EUR10 billion (guaranteed by ASPI): affirmed at 'A-'; Outlook Stable;
EMTN programme of EUR3 billion: downgraded to 'BBB+'/'Stable from 'A-'/'RWN';
Senior unsecured bond (unguaranteed): downgraded to 'BBB+'/'Stable from 'A-'/'RWN';

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Additional information is available on www.fitchratings.com

Applicable Criteria

Parent and Subsidiary Rating Linkage (pub. 31 Aug 2016)

<https://www.fitchratings.com/site/re/886557>

Rating Criteria for Infrastructure and Project Finance (pub. 08 Jul 2016)

<https://www.fitchratings.com/site/re/882594>

Rating Criteria for Toll Roads, Bridges and Tunnels (pub. 11 Aug 2016)

<https://www.fitchratings.com/site/re/886038>

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