Atlantia

Press Release

STANDARD & POOR'S UPGRADES AEROPORTI DI ROMA TO 'BBB+' OUTLOOK NEGATIVE

Rome, 2 December 2013 – Atlantia announces that today, Standard & Poor's, has resolved Aeroporti di Roma S.p.A. (AdR) "CreditWatch with positive implications", dating back to 26 November, upgrading the Atlantia group subsidiary by 2 notches to 'BBB+', the outlook is negative.

Hence, the ratings of the two main operating companies of the Group Autostrade per l'Italia and Aeroporti di Roma is at the same level as Atlantia.

Also the rating of ADR's new Euro Medium Term Notes (EMTN) Programme has been upgraded to 'BBB+' (negative outlook). In view of the initial issue of the senior unsecured bonds, for up to €650 million, approved by the General Meeting of AdR's shareholders on 27 November 2013, AdR has embarked on a series of meetings with institutional investors based in Europe's leading financial centres.

The announcement issued by the ratings agency, Standard & Poor's, is attached.

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STANDARD & POOR'S RATINGS SERVICES
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Research Update:

Aeroporti di Roma Upgraded To 'BBB+/A-2' On Financial Strength, Outlook Negative

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Research Update:

Aeroporti di Roma Upgraded To 'BBB+/A-2' On Financial Strength, Outlook Negative

Overview

- Standard & Poor's published its revised corporate criteria on Nov. 19, 2013.
- We assess Aeroporti di Roma's financial risk profile as "intermediate" based on the low volatility of the company's operating results.
- We are raising our ratings on Aeroporti di Roma to 'BBB+/A-2' from

'BBB-/A-3'. We are removing all ratings from CreditWatch where we placed them with positive implications on Nov. 26, 2013, as a result of the new criteria.

- The outlook is negative, reflecting that on Aeroporti di Roma's majority owner Atlantia.

Rating Action

On Dec. 2, 2013, Standard & Poor's Ratings Services raised its ratings, including the long-term and short-term corporate credit ratings, on Italian airport operator Aeroporti di Roma to 'BBB+/A-2' from 'BBB-/A-3'. We removed all ratings from CreditWatch, where we placed them with positive implications on Nov. 26, 2013. The outlook is negative.

Rationale

We base our upgrade primarily on our reassessment of Aeroporti di Roma's financial risk profile under our revised criteria. Our criteria recognize the relative stability of cash flows in the airport sector, therefore leading us to apply a "low volatility" industry benchmark. The upgrade also reflects our view that Aeroporti di Roma's improved financial measures will remain supportive of an "intermediate" financial risk profile despite the company's accelerated capital expenditures (capex). Given Aeroporti di Roma's dominant competitive position in Italy, we expect its earnings to remain fairly resilient to the difficult operating environment in the country and for its main airline carrier Alitalia SpA (not rated). The upgrade also reflects our expectation that Aeroporti di Roma will refinance more than one year in advance of its February 2015 debt maturities.

As we previously anticipated, Aeroporti di Roma has maintained its positive earnings' and profitability trend. This was strongly supported by increases in aviation tariffs under the new regulatory framework implemented in March 2013 and the management's demonstrated consistent grip on cost control. This more than offset negative traffic growth, which was mainly due to weak domestic demand. Overall, passenger volumes in 2013 have fared much better than our previous base-case forecast, despite the difficult economic environment and major tariff increases this year. In our view, this confirms Aeroporti di Roma's solid business risk profile, which we continue to assess as "strong" under our revised criteria.

Our "strong" business risk assessment on Aeroporti di Roma incorporates our view of the transportation infrastructure industry's "low" risk and "moderately high" country risk based on the company's domestic operations: All its assets are located in Italy and it generates all revenues in Italy. Key considerations in our assessment of the company's "strong" competitive position are Aeroporti di Roma's important competitive advantage as Italy's largest airport, the supportive regulatory regime in which it operates, and the company's demonstrated cost efficiency, although this is tempered somewhat by its high exposure to a dominant and ailing customer, Alitalia.
We view Aeroporti di Roma's absolute profitability as "average" relative to other transportation infrastructure peers. We forecast that Aeroporti di Roma will report an improved EBITDA margin of close to 55% this year, but we expect some margin deterioration in 2014-2015 because of continued weak traffic combined with growth initiatives to modernize and expand the airport's infrastructure. These will result in higher near-term operating expenses, but should contribute to revenue growth in the long term.

Our "intermediate" assessment of Aeroporti di Roma's financial risk profile is based on:

- Our expectation that the company's financial policy will continue to support moderate leverage and credit measures consistent with the current rating;
- Ample operating cash flow-generating ability to largely cover the accelerating investments in the airport's infrastructure;
- Some flexibility and discretion over the magnitude of capital spending; and
- Our view that under the stress of Alitalia, Aeroporti di Roma will

sustain weighted average financial ratios consistent with the "intermediate" financial risk profile.

Our base case assumes:

- A contraction of Italy's GDP by 1.9% this year and a rebound to positive 0.5% in 2014, as well as a 0.7% contraction of eurozone GDP this year and a rebound to a positive 0.8% in 2014.
- A decline in passenger volume of 2% this year and a low- to mid-single-digit decline in 2014, incorporating some possible reorganization of Alitalia's network.
- Moderate aeronautical charge increases linked to capital expenditures.
- A reduction in EBITDA margins to about 50% in 2014-2015, after an improvement to close to 55% this year.
- Acceleration in capex to €130 million-€140 million this year and €250 million-€280 million in 2014.

Based on these assumptions, we arrive at the following credit measures:

- A weighted average ratio of funds from operations (FFO) to debt of 20%-23% over 2013-2015.
- A weighted average ratio of FFO cash interest coverage of 4x-5x over 2013-2015.
- Free operating cash flow of about €70 million-€100 million this year, likely reverting to a moderately negative number in 2014 and 2015.

We derive our rating on Aeroporti di Roma from the group credit profile (GCP) of the Italian toll-road operator Atlantia SpA (BBB+/Negative/A-2), Aeroporti di Roma's majority owner, and application of our group ratings methodology. We assess Aeroporti di Roma as "strategically important" to Atlantia given that it is a profitable business that we believe is important to Atlantia's long-term strategy, that it is unlikely to be sold, will be supported by Atlantia's management, and is a successful business on its own. We assess the GCP of Atlantia at 'bbb+' in line with our corporate credit rating on the company. We assess Aeroporti di Roma's stand-alone credit profile (SACP) also at 'bbb+'. As per our criteria, "strategically important" subsidiaries can be rated three notches higher than their SACP. However, they are capped at one notch below the GCP unless the SACP is already equal to or higher than the GCP. In the latter case, the long-term corporate credit rating can be at the GCP level, which is the case for Aeroporti di Roma.

Liquidity

We consider Aeroporti di Roma's liquidity to be "adequate" under our criteria, and we anticipate that sources will cover uses by more than 1.2x over the next 12 months, with no shortfall thereafter. This is because we expect that Aeroporti di Roma will complete its refinancing this year, more than one year in advance of its 2015 maturities. We note that the company has a mounting refinancing requirement, with a bulk of debt maturing in February 2015, when A2 and A3 Romulus Finance loans amounting to €375 million, a term loan amounting to €140 million, and the revolving credit facility (RCF) of €150 million fall due. We understand that the company will enlarge and extend its revolving credit facility (RCF) to €250 million, from €150 million currently, as part of the refinancing.

As of Sept. 30, 2013, the company's sources of liquidity for the next 12 months were:
About €115 million of available cash. The company had about €25 million in a restricted debt-service reserve account, which we do not include in our liquidity sources.
€150 million available under the revolving credit facility, maturing in February 2015.
About €210 million cash flow from operations, according to our base-case scenario.
We anticipate that principal uses of liquidity over the same period include:
€250 million-€280 million of capital spending (maintenance and expansionary).

Liquidity is further supported by qualitative factors, including Aeroporti di Roma's ability to absorb high-impact, low-probability events, with limited need for refinancing, and to reduce capital spending in times of weak traffic. Furthermore, Aeroporti di Roma appears to have sound relationships with its lenders and has prudent financial risk management.

The financial documentation that governs Aeroporti di Roma's debt and the Romulus debt includes two financial covenants that are tested semiannually and which trigger events of default if the thresholds are violated. The covenants are a minimum concession life coverage ratio of 1.5x (7.2x as of June 30, 2013) and a minimum debt service coverage ratio of 1.1x (1.8x as of June 30, 2013). In addition, there will be a leverage covenant in the new RCF documentation (also to be included in Romulus documentation when the RCF is put in place), which will be tested quarterly and which will trigger an event of default if the thresholds are violated. The covenant limit is less than 3.75x and compares with an estimated 2.25x for Aeroporti di Roma at Dec. 31, 2013. We expect that the company will retain "adequate" headroom under the covenants.

Outlook

The negative outlook on Aeroporti di Roma reflects that on its parent Atlantia.

Downside scenario

We could lower our rating on Aeroporti di Roma if we take a similar rating action on Atlantia. In our view, a weak economy combined with the escalating country risk in Italy could adversely affect traffic volumes on Atlantia's Italian network. We also believe that sovereign stress may increase the risk of economic, regulatory, or fiscal pressures--such as unfavorable changes in taxation or amendments to concession agreements. This could, in turn, affect Atlantia's operating environment and undermine an improvement in its credit measures that support our 'BBB+' rating on Atlantia, therefore also affecting our ratings on Aeroporti di Roma.

We could also lower the rating on Aeroporti di Roma if any material and unexpected setbacks in operating performance harmed the company's profitability and credit ratios and consequently led us to lower our assessment of its business risk to "satisfactory" and/or its financial risk to "significant." This could result from a significant decline in passenger traffic to levels permanently below our current base-case forecasts due to, for example, a significant deterioration in the business environment in Italy, combined with Alitalia ceasing its operations, and Aeroporti di Roma's inability to quickly recover the majority of the airline's traffic.

We believe that a potential one-notch downgrade of the Republic of Italy would not automatically trigger a downgrade of Atlantia and Aeroporti di Roma because the rating on Italy does not fully constrain Atlantia's and Aeroporti di Roma's creditworthiness at the current rating level. Under our criteria for rating an entity above the sovereign, Atlantia and Aeroporti di Roma, which operate in sectors with "high" sensitivity to Italian country risk, could be rated two notches above the rating on Italy. This is because we believe there is a reasonable likelihood that both companies would be able to withstand a sovereign default, which our stress-test scenarios have confirmed. We would lower the rating on Atlantia and Aeroporti di Roma, however, if we downgraded Italy by more than one notch.

Upside scenario

A positive rating action is unlikely in the medium term, but would be tied to a sustainable improvement in Aeroporti di Roma's credit profile and a positive rating action on Atlantia in the meantime.

Ratings Score Snapshot

Corporate Credit Rating: BBB+/Negative/A-2

Business risk: Strong

- Country risk: Moderately high
- Industry risk: Low
- Competitive position: Strong

Financial risk: Intermediate
- Cash flow/Leverage: Intermediate

Anchor: bbb+

Modifiers
- Diversification/portfolio effect: Neutral (no impact)
- Capital structure: Neutral (no impact)
- Liquidity: Adequate (no impact)
- Financial policy: Neutral (no impact)
- Management and governance: Satisfactory (no impact)
- Comparable rating analysis: Neutral (no impact)

Stand-alone credit profile: bbb+
- Group credit profile: bbb+
- Entity status within group: Strategically important (no impact)

Related Criteria And Research

- Corporate Methodology, Nov. 19, 2013
- Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Methodology And Assumptions: Liquidity Descriptors for Global Corporate Issuers, Nov. 19, 2013
- Corporate Methodology: Ratios And Adjustments, Nov. 19, 2013
- 2008 Corporate Criteria: Rating Each Issue, April 15, 2008
- Methodology For Linking Short-Term And Long-Term Ratings For Corporate, Insurance, And Sovereign Issuers, May 07, 2013
- Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- Group Rating Methodology, Nov. 19, 2013
- Key Credit Factors For The Transportation Infrastructure Industry, Nov. 19, 2013

Ratings List

Upgraded; CreditWatch/Outlook Action

	To	From
Aeroporti di Roma SpA		
Corporate Credit Rating	BBB+/Negative/A-2	BBB-/Watch Pos/A-3
Senior Unsecured	BBB+	BBB-/Watch Pos
Senior Secured	BBB+	BBB-/Watch Pos

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