Atlantia

Press Release

MOODY'S UPGRADES TO "Baa2" WITH POSITIVE OUTLOOK AEROPORTI DI ROMA'S RATING

Rome, 4 December 2014 – Atlantia announces that Moody's Investors Service has today upgraded to Baa2 from Baa3, with positive outlook, the senior unsecured rating of Aeroporti di Roma S.p.A. (ADR).
Concurrently, Moody's has upgraded to Baa2 from Baa3 the rating on the EUR1.5 billion medium-term note (EMTN) programme and to Baa1 from Baa2 the senior secured rating of Romulus Finance s.r.l.. The outlook on the ratings is positive.
The upgrade in the ratings reflects the significant improvement of the operating performance and the company's financials.

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

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MOODY'S
INVESTORS SERVICE

Rating Action: Moody's upgrades Aeroporti di Roma's senior unsecured rating to Baa2; positive outlook

Global Credit Research - 04 Dec 2014

Upgrades senior secured rating to Baa1

London, 04 December 2014 -- Moody's Investors Service has today upgraded to Baa2 from Baa3 the senior unsecured rating of Aeroporti di Roma S.p.A. (ADR). Concurrently, Moody's has upgraded to (P)Baa2 from (P)Baa3 the provisional rating on the EUR1.5 billion medium-term note (EMTN) programme and to Baa1 from Baa2 the senior secured rating of Romulus Finance s.r.l. (Romulus). The outlook on all the ratings is positive.

RATINGS RATIONALE

Today's rating action recognises ADR's strong financial performance underpinned by traffic growth of 5.9% in the first 10 months of 2014, primarily driven by an increase in airline capacity, and by tariff increases provided for under the new regulatory framework approved at end-2012.

Traffic growth combined with tariff increases, still moderate level of investments and lack of dividend distributions by ADR resulted in a lower than anticipated leverage of 1.4x on a net debt/ LTM EBITDA basis as of end-September 2014. Whilst the current leverage remains low, Moody's notes that ADR's capital investment programme of EUR2.5 billion over the period until 2023 is sizeable. The capital expenditure plans for the current regulatory period until 2016 have been revised since the signing of the regulatory framework, which suggests a degree of flexibility in terms of timing. Moody's notes, however, that ADR's Fiumicino airport will face capacity constraints, if it does not progress with the projects included in the plan.

A further consideration for the upgrade has been the proposed partnership between Alitalia (unrated) -- ADR's major airline which accounts for around 42% of traffic volumes at Fiumicino -- and Etihad Airways (unrated), which was approved by the European Commission on 14 November 2014. This partnership is positive as it should provide more stability to the operations of the loss-making Italian carrier, which has only been able to avoid insolvency owing to capital injections from its Italian shareholders. The airline's passenger volumes were down by 3.1% in the first nine months of 2014 primarily due to the network rationalisation process. Moody's expects that Alitalia will be able to continue its operations, although the extent of the positive impact of the partnership agreement with Etihad Airways, which is due to be completed before the end of this year, on the traffic volumes of the Italian airline is yet to be seen.

ADR's rating is underpinned by (1) the company's long-term concession to operate airports in Rome, which is one of Europe's major capital cities; (2) the relatively resilient traffic characteristics, despite macroeconomic pressures and some competition from high-speed rail with regard to its domestic traffic; and (3) the current low financial leverage. The rating is, however, constrained by (1) the newly established regulatory framework, which whilst providing for defined principles of economic return has a limited track record of consistent implementation; (2) material exposure to a single airline with a weak credit profile - Alitalia; (3) the capacity constraints that the Fiumicino airport faces; and (4) the substantial capital expenditure programme, which will drive the financial requirements of ADR and poses execution risk, albeit somewhat mitigated by the presence of Atlantia S.p.A. (Baa1 stable) as a major shareholder.

Moody's acknowledges the prudent financial policies of ADR's majority owner - Atlantia. The Italian infrastructure group may, however, look to dispose of a minority stake in the company. Whilst the features of Romulus's secured debt put certain constraints around management activity and dividend distributions, there is a potential for ADR to increase its leverage given the headroom against the financial covenants the company currently exhibits. The uncertainty around the future shareholder and capital structure currently weighs on ADR's and Romulus's ratings.

The Baa1 rating on Romulus's senior secured notes reflects their seniority in the wider ADR capital structure. The senior secured debt currently accounts for around 30% of ADR's consolidated indebtedness. Moody's notes that given the provisions of the debt documentation, the share of the secured debt will decrease over time, although the pace will depend on the pace of implementation of the investment programme and shareholder distribution policy.

RATIONALE FOR POSITIVE OUTLOOK

The positive outlook reflects potential upward pressure on ADR's and Romulus's ratings given the company's strong financial profile and Moody's expectation of the consistent application of the tariff-setting mechanism.

WHAT COULD CHANGE THE RATING UP/DOWN

ADR's and Romulus's ratings could be upgraded if (1) there was a longer track record of implementation of the regulatory framework in accordance with the agreed principles; and (2) it was unlikely that the company would pursue more aggressive leverage targets over long term so that funds from operations (FFO)/debt remains at least around 20%.

Given the positive outlook, downward rating pressure is not anticipated in the near term but could develop as a result of (1) inconsistencies in the implementation of the regulatory and tariff-setting framework applicable to ADR -- for example, as a result of political interference and/or discriminatory measures that would negatively affect the company's business and financial risk profile; (2) a significant reduction in traffic volumes, if not mitigated by measures to preserve cash flows; (3) a deterioration in the financial profile, which would result in a limited headroom against the financial covenants; or (4) material negative pressures on the Italian macroeconomic environment and the Government of Italy's (Baa2 stable) sovereign rating.

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Operational Airports outside of the United States published in May 2008. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

Aeroporti di Roma S.p.A. owns a concession to exclusively operate the airports serving the city of Rome until 2044. The airport system comprises Fiumicino and Ciampino airports. The largest airport, Fiumicino, is currently the seventh busiest airport in Europe by passenger volume.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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