COMUNICATO STAMPA

DBRS MORNINGSTAR HA CONFERMATO I RATING DI SOCIETA' DI PROGETTO BREBEMI A "BBB (LOW)" CON TREND NEGATIVO
RIMOSSO IL RATING "UNDER REVIEW WITH NEGATIVE IMPLICATIONS"

Brescia, 10 giugno 2021 – DBRS Morningstar ha ieri comunicato che il rating emittente ed il rating sul debito "senior secured" di Società di Progetto Brebemi S.p.A. sono stati confermati al livello "BBB (LOW) with Negative trends".
DBRS Morningstar ha altresì rimosso il rating da "Under Review with Negative Implications" dopo che era stato posto in tale condizione lo scorso 18 giugno 2020.

Si riporta di seguito il testo integrale del comunicato dell'agenzia di rating.

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PRESS RELEASE JUNE 09, 2021

DBRS Morningstar Confirms Società di Progetto Brebemi S.p.A. at BBB (low) with a Negative Trend; Removes Ratings from Under Review with Negative Implications

INFRASTRUCTURE

DBRS Ratings GmbH (DBRS Morningstar) confirmed Società di Progetto Brebemi S.p.A.'s (Brebemi or ProjectCo) Issuer Rating as well as the ratings on its EUR 307.0 million Senior Secured Loan, EUR 15.0 million Senior Secured Amortising Floating Rate Notes (Class A1 Notes), EUR 934.0 million Senior Secured Amortising Fixed Rate Notes (Class A2 Notes), and EUR 558.0 million Senior Secured Zero Coupon Notes (Class A3 Notes) at BBB (low) with Negative trends.

DBRS Morningstar also removed the ratings from Under Review with Negative Implications, where they were placed on 18 June 2020 due to the significant headwinds and uncertainties generally facing toll roads as a result of the Coronavirus Disease (COVID 19) outbreak and the potential for these conditions to specifically affect Brebemi's credit profile. The Under Review with Negative Implications status reflected DBRS Morningstar's view that a downgrade was possible because of the: (1) likely breach of financial covenants in December 2020 and June 2021, (2) deterioration of key financial metrics across the forecast horizon, and (3) reduced headroom because of the trend change to Negative on the Republic of Italy on 8 May 2020.

KEY RATING CONSIDERATIONS

The rating confirmations and Negative trends consider DBRS Morningstar's view that, while the risk of a technical default has been addressed with the negotiation of a covenant holiday with ProjectCo's creditors, Brebemi has taken modest remedial actions so far to restore its key financial metrics to a level more commensurate with the current rating category. Against this backdrop, on 30 April 2021, DBRS Morningstar also confirmed the Republic of Italy's ratings at BBB (high)/R 1 (low) with Negative trends.

MACROECONOMIC ENVIRONMENT AND TRAFFIC VOLUMES

Italy, one of the countries hardest hit by the coronavirus pandemic in Europe, has also been one of the first countries to impose strict lockdown measures since 9 March 2020 to slow down the spread of the disease. Shelter in place orders mandating that people stay at home and isolate themselves, except for certain indispensable activities, and the closure of certain non essential business activities materially affected both passenger and to a lesser extent commercial traffic. In 2020, as a result, total traffic volume along the A35 Motorway (A35) decreased by 28.7% compared with the previous year, distributed between light vehicles (36.2%) and heavy vehicles (9.1%). Between January 2021 and April 2021, light traffic volumes remained below pre pandemic levels due to the government's ongoing measures, while heavy traffic volumes recovered to a level in line or above the pre pandemic levels. In the short to medium term, heavy traffic volumes are supported by the establishment of several logistic centres close to the A35 alignment (an assumption not currently incorporated in DBRS Morningstar's financial projections). The emergency state in Italy has been extended until 31 July 2021.

On 3 May 2021, DBRS Morningstar confirmed the set of macroeconomic scenarios for select economies published on 17 March 2021, including Italy. Italian GDP contracted by 8.9% in 2020 and is now expected to rebound by 5.0% in 2021 and by 3.5% in 2022. The Italian unemployment rate increased to 9.1% in 2020 and is now expected to further increase to 11.0% in 2021, before slightly reducing to 10.5% in 2022.

Against this backdrop, under its rating case scenario, DBRS Morningstar continues to assume that it will take approximately two years for light vehicle traffic and approximately six months for heavy vehicle traffic along the A35 to return to pre pandemic trends. Overall, DBRS Morningstar expects several years of delay in the ramp up period, which was originally expected to be completed in 2021.

COVENANT HOLIDAY ON 30 JUNE 2020, 31 DECEMBER 2020, AND 30 JUNE 2021

In July 2020, the relevant qualifying secured creditors of the Class A1 Notes, Class A2 Notes, Class A3 Notes, and EUR 172.0 million Subordinated Secured Floating Rate Notes (Junior Notes) approved a Security Trust and Intercreditor Deed (STID) proposal from ProjectCo regarding consent to a covenant holiday for testing certain financial ratios (namely the bond life coverage ratio (BLCR), the historical debt service coverage ratio (DSCR), and the projected DSCR ratio) that would run for 12 months. The 12 month period includes the test dates falling on 30 June 2020, 31 December 2020, and 30 June 2021 and eliminates the risk of a potential technical default on those dates. DBRS Morningstar notes that, as of 30 April 2021, ProjectCo's liquidity included unrestricted bank accounts of EUR 66.7 million and a debt service reserve account of EUR 48.6 million, which DBRS Morningstar considers sufficient to meet Brebemi's debt service obligations of EUR 31.9 million on 30 June 2021 and EUR 33.4 million on 31 December 2021.

MODEST REMEDIAL ACTIONS SO FAR TO RESTORE PROJECTCO'S KEY FINANCIAL METRICS

Under DBRS Morningstar's rating case, excluding June 2021, the minimum DSCR across the forecast horizon has now decreased to 1.32 times (x) from DBRS Morningstar's original assessment of 1.40x at closing, and the revenue breakeven resilience has decreased to 18.4% from DBRS Morningstar's original assessment of 23.4% at closing (below the 20% to 40% level required for a premature project with full ramp up yet to be completed). As a result, Brebemi's financial risk assessment score has deteriorated; however, DBRS Morningstar notes that the minimum DSCR still supports the assigned rating category, albeit with a much reduced headroom, and the revenue breakeven resilience is only modestly below the required threshold.

DBRS Morningstar considers the remedial actions that ProjectCo has taken so far to restore its key financial metrics to a level more commensurate with the current rating category as modest. In 2020, Brebemi negotiated with Argentea Gestioni (the Operator) for an extension in the payment terms related to the operating and maintenance fees to 90 days from 60 days, which had a positive one off impact of approximately EUR 3.0 million on cash flow available for debt service. As part of the STID proposal, the relevant qualifying secured creditors did not give their permission for ProjectCo to dispose of the EUR 20 million public grant to be received from the Grantor in 2029 on a nonrecourse basis (pro soluto). DBRS Morningstar notes, however, that the EUR 20 million payment instalment for 2021 has already been received, earlier than in previous years.

CONFIRMATION OF THE REPUBLIC OF ITALY'S RATINGS

On 30 April 2021, DBRS Morningstar confirmed the Republic of Italy's ratings at BBB (high)/R 1 (low) with Negative trends. The coronavirus pandemic continues to weigh on Italy's public finances and prospects for growth. At this stage, there is still little evidence of significant economic scarring that would undermine Italy's already fragile growth and, in turn, its debt sustainability in coming years. Faced with considerable uncertainty over the economic recovery, however, the trends remains Negative.

As mentioned in the previous press release dated 18 June 2020, DBRS Morningstar notes that Italy's sovereign rating could become a limiting factor for ProjectCo in various ways, including (1) if the concession is not re awarded to ProjectCo at the expiration of the Concession Agreement, repayment of the Class A3 Notes will rely on receipt of a termination amount from either the Grantor, whose credit quality is ultimately linked to the credit quality of the Republic of Italy, or a new entity replacing ProjectCo; (2) ProjectCo is receiving and will continue to receive public grants amounting to EUR 20 million per year until 2029; (3) the creditworthiness of the sovereign negatively affects the average credit quality of the financing counterparties, currently in the BBB range; and (4) the soundness of the rebalancing mechanism could be affected by a weakening in the sovereign risk. Although some of these weaknesses are already factored into Brebemi's ratings, further negative actions on the Republic of Italy's ratings could

ultimately pressure the project's creditworthiness.

NEW REGULATORY PERIOD AND POTENTIAL REBALANCING OF THE ECONOMIC AND FINANCIAL PLAN

The Piano Economico Finanziario (PEF or Economic and Financial Plan) is an important constituent of the Concession Agreement, which aims to safeguard the economic equilibrium of the concessionaire. The PEF is updated at the end of each regulatory period (i.e., the five year period of the PEF's effectiveness). The next regulatory period starts in October 2021.

The rebalancing mechanism in the Concession Agreement is a favourable structural feature ensuring that, upon the occurrence of certain events, the economic and financial balance of the PEF is restored to set levels. The rebalancing may occur through (1) an extension of the concession term, (2) a tariff increase, (3) a public grant, (4) an increase in the termination amount (currently EUR 1,205 million), or (5) a combination of the above.

Although the coronavirus pandemic is considered an extraordinary event, ProjectCo decided not to request an extraordinary rebalancing of its Economic and Financial Plan, but elected to wait for potential remedial actions to be discussed and agreed with the Grantor at the start of the new regulatory period in October 2021. DBRS Morningstar considers the likelihood of ProjectCo receiving some form of support from the Grantor as high, although the nature, extent, and timing of such potential support is still uncertain.

RATING DRIVERS

DBRS Morningstar notes that ProjectCo is now weakly positioned within the assigned rating category. An improvement in the overall macroeconomic environment in Italy, thanks to the successful rollout of the coronavirus vaccination plan and the lifting of government imposed measures in response to the pandemic, as well as the subsequent improvement in the overall traffic volumes and ProjectCo's key financial metrics could lead to a trend change to Stable from Negative. However, even a modest deterioration from the current DBRS Morningstar rating case projections and associated financial risk assessment could trigger a rating downgrade.

RATING RATIONALE

Brebemi's ratings are supported by the: (1) strong economic fundamentals of the service area, (2) sound contractual and regulatory framework, (3) low service complexity and performance standard risk, (4) minimum DSCR in the medium term supporting the credit profile, and (5) an experienced management team. Brebemi's ratings are constrained by the: (1) traffic volume forecasting risk, (2) country risk, (3) regulatory risk, (4) revenue breakeven resiliency below the bottom of the range specified by DBRS Morningstar's methodology, and (5) reduction of or delay in receiving the termination amount and associated refinancing risk.

ESG CONSIDERATIONS

A description of how DBRS Morningstar considers ESG factors within the DBRS Morningstar analytical framework can be found in the DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings at https://www.dbrsmorningstar.com/research/373262.

Notes:
All figures are in euros unless otherwise noted.

The principal methodology is Rating Public Private Partnerships (19 August 2020), https://www.dbrsmorningstar.com/research/365975/rating public private partnerships, which can be found on dbrsmorningstar.com under Methodologies & Criteria. Other applicable methodologies include DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings (3 February 2021), https://www.dbrsmorningstar.com/research/373262/dbrs morningstar criteria approach to environmental social and governance risk factors in credit ratings.

For more information regarding rating methodologies and Coronavirus Disease (COVID 19), please see the following DBRS Morningstar press release: https://www.dbrsmorningstar.com/research/357883.

The primary sources of information used for these ratings include Brebemi's annual reports and financial statements, management projections and budgets, and management meetings. DBRS Morningstar considers the information available to it for the purposes of providing this rating to be of satisfactory quality.

DBRS Morningstar does not audit the information it receives in connection with the rating process, and it does not and cannot independently verify that information in every instance.

Generally, the conditions that lead to the assignment of a Negative or Positive trend are resolved within a 12 month period. DBRS Morningstar trends and ratings are under regular surveillance.

For further information on DBRS Morningstar historical default rates published by the European Securities and Markets Authority (ESMA) in a central repository, see: http://cerep.esma.europa.eu/cerep web/statistics/defaults.xhtml. DBRS Morningstar understands further information on DBRS Morningstar historical default rates may be published by the Financial Conduct Authority (FCA) on its webpage: https://www.fca.org.uk/firms/credit rating agencies.

The sensitivity analysis of the relevant key rating assumptions can be found at: https://www.dbrsmorningstar.com/research/379909.

This rating is endorsed by DBRS Ratings Limited for use in the United Kingdom.

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Rating Public Private Partnerships (19 August 2020), https://www.dbrsmorningstar.com/research/365975/rating public private partnerships.

DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings (3 February 2021), https://www.dbrsmorningstar.com/research/373262/dbrs morningstar criteria approach to environmental social and governance risk factors in credit ratings.

Information regarding DBRS Morningstar ratings, including definitions, policies, and methodologies, is available on www.dbrsmorningstar.com.

Ratings

Società di Progetto Brebemi S.p.A.

Date Issued	Debt Rated	Action	Rating	Trend	Attributes
09 Jun 21	Issuer Rating	Confirmed	BBB (low)	Neg	EU U
09 Jun 21	EUR 15.0 million Senior Secured Amortising Floating Rate Notes (Class A1 Notes)	Confirmed	BBB (low)	Neg	EU U
09 Jun 21	EUR 307.0 million Senior Secured Loan	Confirmed	BBB (low)	Neg	EU U
09 Jun 21	EUR 558.0 million Senior Secured Zero Coupon Notes (Class A3 Notes)	Confirmed	BBB (low)	Neg	EU U
09 Jun 21	EUR 934.0 million Senior Secured Amortising Fixed Rate Notes (Class A2 Notes)	Confirmed	BBB (low)	Neg	EU U

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