

PRESS RELEASE

**DBRS MORNINGSTAR DOWNGRADES RATINGS ON SOCIETÀ DI PROGETTO
BREBEMI S.P.A. TO "BB (high)" FROM "BBB (low)".
CHANGED ALSO THE TREND TO "STABLE" FROM "NEGATIVE"**

Brescia, 13 June 2022 – DBRS Morningstar downgrades Società di Progetto Brebemi S.p.A.'s Issuer Rating as well as the ratings on its Senior Secured Loan, Class A1 Notes, Class A2 Notes, and Class A3 Notes to "BB (high)" from "BBB (low)". DBRS Morningstar also changed the Trend on all ratings to "Stable" from "Negative".

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

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DBRS Morningstar Downgrades Ratings on Società di Progetto Brebemi S.p.A. to BB (high) from BBB (low), Changes Trend to Stable from Negative

INFRASTRUCTURE

DBRS Ratings GmbH (DBRS Morningstar) downgraded 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) to BB (high) from BBB (low). DBRS Morningstar also changed the trend on all ratings to Stable from Negative, with a recovery rating of RR2 on all debt instruments.

KEY RATING CONSIDERATIONS

Based on DBRS Morningstar's rating case, the ratings downgrade reflects a delay in traffic recovery returning to 2019 levels. DBRS Morningstar now expects light vehicles to return to pre-pandemic levels in H1 2024 compared with 2022 as per its previous rating case and total traffic to return to pre-pandemic levels in 2023, with a materially negative knock-on effect on traffic projections and projected metrics. The trend change to Stable from Negative reflects higher visibility and the Italian macroeconomic outlook's expected recovery as the Coronavirus Disease (COVID-19) pandemic eases.

EXPECTED DETERIORATION OF KEY FINANCIAL METRICS UNDER DBRS MORNINGSTAR RATING CASE

The ratings downgrade consider DBRS Morningstar's view that the minimum debt service coverage ratio (DSCR) across the forecast horizon has now decreased to 1.11 times (x) in 2024 from last year's rating case of 1.32x and the revenue breakeven resilience has significantly decreased to 4.4% from last year's assessment of 18.4% (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 has materially deteriorated and the minimum DSCR and the revenue breakeven resilience are now more aligned with the BB (high) category. Although noting the weak DSCR in 2023 and 2024, DBRS Morningstar's rating case acknowledges an improvement in the ratio at or higher than the 1.20x mark from 2025 onward.

In June and December 2021, ProjectCo did not pay the relevant interest payments of EUR 11.2 million and the relevant principal amount of EUR 5.8 million on the junior notes, which were thus capitalised.

STABLE MACROECONOMIC ENVIRONMENT

On 29 April 2022, DBRS Morningstar confirmed the Republic of Italy's long-term and short-term ratings at BBB (high) and R-1 (low), respectively, with Stable trends. Italy's economy has rebounded solidly from the pandemic shock, with GDP expanding by 6.6% in 2021 after a severe contraction of 9.1% in 2020. Nevertheless, Italy's economic performance slowed down in Q4 2021 because of continued shortages in raw materials, higher inflation, and the spread of coronavirus variants. Russia's invasion of Ukraine has significantly clouded Italy's economic outlook, with the International Monetary Fund projecting that GDP growth will decelerate to 2.3% in 2022 from 4.2% as projected in October 2021. Because Italy depends on Russian natural gas, risks are tilted to the downside as the conflict in Ukraine might be more prolonged than anticipated, leading to further sanctions and/or energy

supply shortages.

Coronavirus cases in Italy are currently low and there are no longer any restrictions on mobility. Since May 2021, the improved public health situation, the lifting of restrictions, and the use of the green pass have led to a partial recovery in traffic volumes to pre-pandemic levels. About 80% of the Italy's population is currently vaccinated with at least two doses, which is in the high range for European countries.

TRAFFIC UPDATE AND EXPECTED DELAYED RECOVERY

Traffic on the Autostrada A35 in 2021 performed in line with DBRS Morningstar's expectations. Total traffic increased by 32.7% in 2021 compared with levels in 2020, but is still -5.4% lower than levels in 2019 because light vehicles in FY2021 were still 12.5% lower than in 2019 even though heavy vehicles were 13.1% higher than in 2019. Brebemi's robust traffic volumes for heavy vehicles can be attributed to an increase in industrial and distribution activities in close proximity to the motorway, with Brebemi outperforming many of its peers for both heavy and light vehicles.

Also, during the first four months of 2022, light vehicles increased by 45% compared with the same period in 2021, but were -6.1% lower than the same period in 2019. Heavy vehicles were 22.6% higher than 2019 levels for the same period. Total traffic grew by 32.8% compared with the same period in 2021 and by 1.9% compared with the same period in 2019.

DBRS Morningstar received Brebemi's most recent traffic projections that incorporates the latest macroeconomic trends in Italy, including the impact of the coronavirus pandemic on the expected traffic and recovery trend. Against this backdrop, under its rating case scenario, DBRS Morningstar assumes that light-vehicle traffic will rebound to 2019 levels by H1 2024 and total traffic by H1 2023. Heavy-vehicle traffic fully recovered in 2021. Overall, DBRS Morningstar expects several years of delay in the ramp-up period, which was originally expected to be completed in 2021.

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 ProjectCo's economic equilibrium. The PEF is updated at the end of each regulatory period (i.e., the five-year period of the PEF's effectiveness). In October 2021, the regulatory concession period from October 2016 to October 2021 expired. Pending the formal commencement of the updating and rebalancing procedure and with the support of external advisors, Brebemi initiated preparatory and functional activities for negotiations with the grantor of the proposal to rebalance the PEF. The rebalancing mechanism in the Concession Agreement is a favourable structural feature ensuring that, upon the occurrence of certain events, the PEF's economic and financial balance 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 PEF, but elected to wait for potential remedial actions to be discussed and agreed with the grantor at the beginning of the new regulatory period after October 2021. In the meantime, as no agreement has been reached, the regulator froze tariffs in 2021—a decision that ProjectCo has challenged.

Some parameters of the new Economic and Financial Plan, in particular the rate of fair return on invested capital, have not been agreed on the formal rebalancing proposal that Brebemi sent in December 2021. The proposed PEF is mainly based on an extension of the concession's duration and includes a new traffic study updated in light of the new macroeconomic environment and the impact of the coronavirus pandemic in Italy. However, the grantor rejected the concession holder's proposal in January 2022. The parties negotiated a solution and, in March 2022, the grantor and ProjectCo reached a general agreement on the various rebalancing items. DBRS Morningstar believes that the rebalancing agreement currently under discussion could potentially increase the refinance risk on the Class A3 Notes. Although not taking any further action at the moment, DBRS Morningstar will closely monitor any potential negative impact on the credit quality of the Class A3 Notes.

STRONG LIQUIDITY

DBRS Morningstar notes that, as of 30 April 2022, ProjectCo's liquidity included unrestricted bank accounts of EUR 65.3 million and a debt service reserve account of EUR 33.4 million, which DBRS Morningstar considers sufficient to meet Brebemi's debt service obligations of EUR 33.4 million on 30 June 2022 and EUR 35.6 million on 31 December 2022.

RATING DRIVERS

Factors that could lead to positive rating actions under DBRS Morningstar's rating case would be a sustained improvement in the traffic forecast driving metrics to pre-pandemic levels, particularly the minimum DSCR across the forecast horizon above 1.30x and a stronger breakeven on revenue not lower than 20%. On the other hand, further deterioration in traffic to levels lower than currently expected could lead to a negative rating action.

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, and (4) an experienced management team. Brebemi's ratings are constrained by the: (1) traffic volume forecasting risk, (2) country risk, (3) regulatory risk, (4) very weak revenue breakeven resiliency below the bottom of the range specified by DBRS Morningstar's methodology, and (5) a reduction of or delay in receiving the termination amount and associated refinancing risk.

ENVIRONMENTAL, SOCIAL, GOVERNANCE CONSIDERATIONS

There were no Environmental/Social/Governance factors that had a significant or relevant effect on the credit analysis.

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/396929/dbrs-morningstar-criteria-approach-to-environmental-social-and-governance-risk-factors-in-credit-ratings>.

Notes:

All figures are in euros unless otherwise noted.

The principal methodology is Rating Public-Private Partnerships (19 August 2021), <https://www.dbrsmorningstar.com/research/383244/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 (17 May, 2022), <https://www.dbrsmorningstar.com/research/396929/dbrs-morningstar-criteria-approach-to-environmental-social-and-governance-risk-factors-in-credit-ratings>, and DBRS Morningstar Criteria: Recovery Ratings for Non-Investment-Grade Corporate Issuers (19 August 2021), <https://www.dbrsmorningstar.com/research/383238/dbrs-morningstar-criteria-recovery-ratings-for-non-investment-grade-corporate-issuers>.

The primary sources of information used for these ratings include Brebemi's annual reports and financial statements, quarterly investor presentations and traffic updates, management projections and budgets, updated traffic report from October 2021, issuer presentation, and management meetings. DBRS Morningstar considers the information available to it for the purposes of providing these ratings to be of satisfactory quality.

The conditions that lead to the assignment of a Negative or Positive trend are generally 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: <https://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/398314>. This rating is endorsed by DBRS Ratings Limited for use in the United Kingdom.

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-- Rating Public-Private Partnerships (19 August 2021), <https://www.dbrsmorningstar.com/research/383244/rating-public-private-partnerships>.

-- DBRS Morningstar Criteria: Approach to Environmental, Social, and Governance Risk Factors in Credit Ratings (17 May 2022), <https://www.dbrsmorningstar.com/research/396929/dbrs-morningstar-criteria-approach-to-environmental-social-and-governance-risk-factors-in-credit-ratings>.

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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	Recovery Rating	Attributes
13-Jun-22	Issuer Rating	Trend Change	BBB (low)	Stb		EU U
13-Jun-22	Issuer Rating	Downgraded	BB (high)	Stb		EU U

Date Issued	Debt Rated	Action	Rating	Trend	Recovery Rating	Attributes
13-Jun-22	EUR 15.0 million Senior Secured Amortising Floating-Rate Notes (Class A1 Notes)	Trend Change	BBB (low)	Stb	RR2	EU U
13-Jun-22	EUR 15.0 million Senior Secured Amortising Floating-Rate Notes (Class A1 Notes)	Downgraded	BB (high)	Stb	RR2	EU U
13-Jun-22	EUR 307.0 million Senior Secured Loan	Trend Change	BBB (low)	Stb	RR2	EU U
13-Jun-22	EUR 307.0 million Senior Secured Loan	Downgraded	BB (high)	Stb	RR2	EU U
13-Jun-22	EUR 558.0 million Senior Secured Zero-Coupon Notes (Class A3 Notes)	Trend Change	BBB (low)	Stb	RR2	EU U
13-Jun-22	EUR 558.0 million Senior Secured Zero-Coupon Notes (Class A3 Notes)	Downgraded	BB (high)	Stb	RR2	EU U
13-Jun-22	EUR 934.0 million Senior Secured Amortising Fixed-Rate Notes (Class A2 Notes)	Trend Change	BBB (low)	Stb	RR2	EU U
13-Jun-22	EUR 934.0 million Senior Secured Amortising Fixed-Rate Notes (Class A2 Notes)	Downgraded	BB (high)	Stb	RR2	EU U

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