

PRESS RELEASE

**DBRS MORNINGSTAR CONFIRMS RATINGS ON SOCIETÀ DI
PROGETTO BREBEMI S.P.A. TO "BB (high)".**

CONFIRMS ALSO THE TREND TO "STABLE"

Brescia, 13 June 2023 – DBRS Morningstar confirms 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)".

DBRS Morningstar also confirmed the Trend on all ratings to "Stable".

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

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PRESS RELEASE

JUNE 13, 2023

DBRS Morningstar Confirms Ratings on Società di Progetto Brebemi S.p.A. at BB (high) with a Stable Trend

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 BB (high) with Stable trends. The recovery rating on all debt instruments is RR2.

KEY RATING CONSIDERATIONS

Based on DBRS Morningstar's base case, the rating confirmation reflects an improvement in traffic revenues and volumes well ahead of the previously predicted full traffic recovery in 2023 and light vehicles (LVs) in H1 2024. As of 2022, total traffic increased by 12.0% compared with 2021 levels, and exceeded 2019 levels by 6.0%, primarily because of a better-than-expected recovery in LVs (14.7% higher in 2022 than in 2021 and 0.4% higher than in 2019). Heavy vehicles (HVs), which are less sensitive to macroeconomic or pandemic-like shocks, still grew by 6.5% year over year (YOY) in 2022 (20.4% higher than in 2019). Furthermore, new projections for the macroeconomic scenario in Italy are sufficiently better than previously expected. Good traffic performance is also partly explained by the fact that Brebemi is still in the ramp-up stage and it has therefore outperformed its peers in the Italian region, which had already performed better than other toll roads in other regions.

These better-than-expected volumes have slightly improved key financial metrics, commensurate with ProjectCo's current rating level. The minimum debt service coverage ratio (DSCR) from 2025 onwards is now 1.23 times (x), up from 1.20x in DBRS Morningstar's 2022 base case. Breakeven resilience is now 5.31%, which DBRS Morningstar still considers to be low and supportive of the current ratings as it is well below the 20% to 40% level required for a premature project with full ramp-up yet to be completed. Although DBRS Morningstar anticipates a weak DSCR in 2024, its base case acknowledges an improvement in the ratio at or higher than 1.20x from 2025 onward.

On 28 April 2023, 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. Coronavirus Disease (COVID-19) cases in Italy are currently low and there are no longer any restrictions on mobility. Italy officially lifted its coronavirus emergency status in April 2022 and, as of May 2023, approximately 85% of Italy's population was vaccinated.

On the macroeconomic front, Italy's economy has rebounded solidly from the pandemic and the European energy crisis, with GDP expanding by 3.7% YOY in 2022 on the back of 7.0% YOY growth in 2021. Nevertheless, persistent inflation will likely continue to erode households' real purchasing power this year and tightening monetary policy will likely hamper Italy's growth in 2024.

Furthermore, Russia's invasion of Ukraine and its proximity to Europe have made it increasingly difficult to predict Italy's economic outlook. To lessen Italy's dependence on Russian gas, the country has embarked on a nationwide revamp of decadent energy centres and is expected to use capital received by the EU Recovery Fund to invest in renewable energy capabilities and road infrastructure. Regardless, this process will likely not be completed in the short to medium term, given the long delays in the deployment of this

capital.

RATING DRIVERS

A sustained improvement in traffic volumes that drives metrics to pre-pandemic levels, particularly the minimum DSCR across the forecast horizon to above 1.30x and a stronger breakeven on revenue of not lower than 20%, could lead to a positive rating action under DBRS Morningstar's base case. 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) experienced management team. Brebemi's ratings are constrained by the: (1) traffic volume forecasting risk, (2) country risk, (3) regulatory risk, (4) weak 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.

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 in case of determined extraordinary events. In December 2020, according to Cal S.p.A.'s (the Grantor) determination, the regulatory concession period from October 2016 to October 2021 expired.

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 set at EUR 1,205 million but under review pursuant to the acceptance of Addendum 4 that would increase the amount to 1,450 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 and 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.

On 1 April 2021, negotiations began with the aim of increasing toll tariffs along with certain other amendments to the PEF. The Grantor rejected the concession holder's original 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. In March 2023, the Grantor and ProjectCo met to highlight assessments regarding the feasibility of possible solutions to rebalance the PEF in line with the authorities' specific observations. Brebemi is currently working with consultants to verify all proposed solutions.

Some parameters of the new Economic and Financial Plan have not been agreed on Brebemi's formal rebalancing proposal that has been ongoing since December 2021. The proposed PEF is mainly based on an extension of the concession's duration of seven years, an increase in the terminal value to EUR 1.4 million from EUR 1.2 million, and a new traffic study updated in light of the new macroeconomic environment and the impact of the coronavirus pandemic in Italy. ProjectCo has agreed to these amendments with the Grantor, and they have been submitted to the Ministry of Infrastructure and Sustainable Mobility (MISM) and to the Autorità di Regolazione dei Trasporti for review. DBRS Morningstar expects changes to these amendments from the MISM, which could affect the agreed-upon tariff, extension of the concession, or terminal value.

DBRS Morningstar believes that, if a concession extension is agreed, this may potentially increase the refinancing risk on the Class A3 Notes, which depend on the terminal value to repay the debt. DBRS Morningstar is monitoring the situation in case of any potential rating implications on the Class A3 Notes.

Toll Charges

In June 2022, Brebemi requested from a tariff change of 5.61% from 2023 to 2026 and 4.49% in the following years from the Grantor. The MISM has not yet approved this change and tariffs have been frozen during 2022–23, similar to other Italian toll road operators. DBRS Morningstar expects tariffs to increase from 2024 onward, given the rebalancing mechanism embedded in the PEF, but notes that there is still limited visibility on when it will be approved or by how much the tariffs might increase. DBRS Morningstar will continue to monitor the situation and possible rating implications, if any. Finally, Brebemi has stopped providing discounts to Telepass users since October 2022, as reflected in DBRS Morningstar's base case.

Strong Liquidity

DBRS Morningstar notes that, as of 8 June 2023, ProjectCo's liquidity included unrestricted bank accounts of EUR 87.9 million and a debt service reserve account of EUR 37.5 million, which DBRS Morningstar considers sufficient to meet Brebemi's debt service obligations of EUR 37.9 million on 30 June 2023 and EUR 40.3 million on 31 December 2023.

ENVIRONMENTAL, SOCIAL, GOVERNANCE CONSIDERATIONS

General 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 (17 May 2022) 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.

DBRS Morningstar applied the following principal methodology:

-- Global Methodology for Rating Public-Private Partnerships (30 August 2022), <https://www.dbrsmorningstar.com/research/402155/global-methodology-for-rating-public-private-partnerships>.

The following methodologies have also been applied:

-- 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>.

-- DBRS Morningstar Global Criteria: Recovery Ratings for Non-Investment-Grade Corporate Issuers (1 September 2022), <https://www.dbrsmorningstar.com/research/402218/dbrs-morningstar-global-criteria-recovery-ratings-for-non-investment-grade-corporate-issuers>.

The credit rating methodologies used in the analysis of this transaction can be found at: <https://www.dbrsmorningstar.com/about/methodologies>.

A description of how DBRS Morningstar analyses corporate finance transactions and how the methodologies are collectively applied can be found at: <https://www.dbrsmorningstar.com/research/397223/interplay-of-global-corporate-finance-rating-methodologies-when-analyzing-corporate-finance-transactions>

The primary sources of information used for these ratings include Brebemi's 2022 annual reports and financial statements, quarterly investor presentations and traffic updates, management projections and budgets, updated traffic report December 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.

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.

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>. For further information on DBRS Morningstar historical default rates published by the Financial Conduct Authority (FCA) in a central repository, see <https://data.fca.org.uk/#/ceres/craStats>.

The sensitivity analysis of the relevant key rating assumptions can be found at: <https://www.dbrsmorningstar.com/research/415733/>.

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

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Initial Rating Date: 7 October 2019

Last Rating Date: 13 June 2022

Information regarding DBRS Morningstar ratings, including definitions, policies, and methodologies, is available on www.dbrsmorningstar.com or contact us at info@dbrsmorningstar.com.

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Ratings

Società di Progetto Brebemi S.p.A.

Date Issued	Debt Rated	Action	Rating	Trend	Recovery Rating	Attributes
13-Jun-23	Issuer Rating	Confirmed	BB (high)	Stb		 

Date Issued	Debt Rated	Action	Rating	Trend	Recovery Rating	Attributes
13-Jun-23	EUR 15.0 million Senior Secured Amortising Floating-Rate Notes (Class A1 Notes)	Confirmed	BB (high)	Stb	RR2	EU U
13-Jun-23	EUR 307.0 million Senior Secured Loan	Confirmed	BB (high)	Stb	RR2	EU U
13-Jun-23	EUR 558.0 million Senior Secured Zero-Coupon Notes (Class A3 Notes)	Confirmed	BB (high)	Stb	RR2	EU U
13-Jun-23	EUR 934.0 million Senior Secured Amortising Fixed-Rate Notes (Class A2 Notes)	Confirmed	BB (high)	Stb	RR2	EU U

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