

# **ASTM/SIAS**

## **"Full Year 2018 Results Conference Call"**

**Thursday, March 28, 2019, 10:30 ITA**

MODERATORS: GIUSEPPE AGOGLIATI, INVESTOR RELATIONS

OPERATOR:

Good morning. This is the Chorus Call operator. Welcome to the Presentation of the 2018 Financial Results of ASTM and SIAS. I'd like to remind you that all participants are in a listen-only mode. After the initial introduction and presentation, there will be an opportunity for you to ask questions. To request assistance via an operator during the conference call, dial "\*" followed by "0."

Now I'd like to give the floor to Giuseppe Agogliati, on behalf of the Group.

GIUSEPPE AGOGLIATI: Good morning and I'd like to thank all the people listening to us. I am Agogliati and together with my other Investor Relator, we will be introducing the full year results for ASTM and SIAS. All journalists are on a listen-only mode. Mr., the CIO and COO of the Group will take the floor. And Mr. Tosoni, Mr. Viviano. You will find the presentation of our results on the SIAS and ASTM website and displayed during the audio webcast function. After discussing with you the most important slides, we will be at your disposal to take your questions.

I'd like to first illustrate the financial results of SIAS on Page 5. Now let's focus on the main revenue indicators. I would like to highlight that EBITDA stands at €704 million, up by 6.2%. This growth came from the consolidation of Autovia Padana from the 1<sup>st</sup> May of 2018 and for €20 million for a toll increase and improvement of mix between light and heavy traffic. The net earnings improved to by 11% standing at €275 million and as a consequence the overall dividend proposed by the Board of Directors to the assembly is €0.70 per share. The net financial position lands at €1.239 billion, plus 5.3% compared to the 31<sup>st</sup> of December of the previous year, 1.66 times the EBITDA and compared to 1.86 as at 31<sup>st</sup> of December 2017.

Now let me highlight the key aspects here. The payment for the Concession of Autovia Padana was paid at €300 million investments on the road network for €149 million, payment of dividend of the holding €83 million and subsidiaries to third party shareholders for €20 million. The cash flow was €560 million and increase in corporate capital for Autovia Padana paid by Itinera €37 million and the cash flow and treasury, 19% of Autovia Padana was sold, was transferred and therefore €31 million are in the financial report.

Now thinking of SIAS, the exposures to bank loans is limited and a good proportion of it is at a fixed rate. On Slide 7, we have a report on where traffic is throughout the year showing that like-for-like we are essentially in line with 2017. By that we have a growth in revenues because of the increase of heavy traffic versus light traffic, as I have highlighted already, and also for the very good performance of SATAP A4 which grew by 1.5% considering also the 8.1 increase in toll rates from January 2018.

The next slide shows the tariff increases granted in January this year and it is shown that Autovia Padana demanded an increase by 2.7% and that recourse was filed for an appeal for the non-recognition, the non-awarding of this possibility. In the next slide, we see the Concessionaires and Concessions with an update on values.

Now on Page 10, we have Ecorodovias, a subsidiary. These are the figures approved as at the 14<sup>th</sup> of March. I'd like to leave the floor now to my colleague who will illustrate the ASTM figures.

COMPANY REPRESENTATIVE: Good morning, everybody. I am [indiscernible] and on this page you can observe the performance of the ASTM Group in the course of 2018, in particular in the revenues line, you see a growth by 20% to €1.7

billion in terms of revenues while in terms of EBITDA, the EBITDA grew by 7% to €771 million.

This is a result of the increase in toll rates Concessions as has been mentioned before and also the important growth in the Construction unit...business unit. Also that reflects the internationalization of our Group which is now well under way and also the revenues being shifted between domestic and foreign business. In terms of net income, of net earnings, plus 11% to €167 million, and dividend...the dividend per share is €0.53. The net debt is now declining to €1.269 billion.

On Slide 13, you can see how the market, the 2 core markets of ASTM are Toll Road Concessions and Construction that account respectively for 66% and 30%.

On Page 14, we are sharing the debt structure for ASTM. The long term debt i.e. the committed portion is as far as €2.7 billion, while cash and cash equivalent is €2.8 billion between committed and uncommitted. So it's 2.8 funding, in terms of funding.

For the entire Construction business, 2018 was a key year for the Group as a whole and for the Construction BU in particular with an increase by almost 60% in revenues with a consolidation of Halmar, U.S. company and with a backlog which is growing dramatically, plus 40%, especially of road. Also at the end of 2018, we received a good proportion of almost 50% of foreign business versus 50% domestic which was not the role in the past.

In conclusion, let's take a look at the backlog and how it evolved in the course of 2018 with new orders, €2.7 billion and an increase overall by €1 billion.

I'd like to leave the floor to Mr. Rubegni [ph] for the strategic update of the Group.

COMPANY REPRESENTATIVE: Let's say that as far as ASTM, the idea is to follow the strategic lines this ended in 2017, that is to say the goal is to reach the goals as set in 2021 plan. We can also highlight something else, the ASTM and SIAS Group has become a leading group in the Concession sector for future context and this is due to the fact that this one company started in advance. This has given the Group the possibility to proceed much swiftly than other groups. And in the field of Concessions this worked smoothly. We invested heavily on safety and security and we have improved the durability of works and this was rewarding.

So as far as Concessions are concerned, we are waiting for the new bid and the latest tenders. We had always taken part to these tenders. We have always won these tenders. We have taken part with engineering, technology in order to leverage all our strong points, competitiveness and also our expertise as far as Concessions are concerned.

Let's now give a look at the foreign market. Last year in Brazil, we had 3 awards, they are 135 and in Brazil it still goes on, we have another round of Concessions back in August, plus other 2 Concessions by the end of the year. And then starting from 2020, all the other major Concessions starting from Dutra [ph] that is San Paolo Rio, and then another series of major Concessions. So the goal is to proceed along these lines in terms of investments in Brazil in compliance and in line with our strategic plan that is to say, to make a hub in Brazil and to have an excellent hub in Brazil.

Competition is tight, but not really wild [ph], so in all tenders major competitors are namely 3 or 4 groups and there is a higher offer also in

terms of number of tenders in the latest round of tenders of a series of airports, 12 airports. So this is a market on the increase, the economy is improving, financial rates have reduced remarkably. So we think that the Brazilian market is likely to improve in the future years. And then as far as the future investments are concerned, we are now starting to see the information disclosure which is going to be delivered by the end of the month, capital beltway with Halmar, we have created other Concessions in the United States, so we are now trying to come to terms with PPP. We are not working on traffic at risk but...and we are going to work on the first joint ventures with other partners, through that we are going to have...we are going to take part in a more integrated part.

Our target is to take part to Greenfield tenders so that the group can also leverage the integrated advantages and also minimize risks. We are going to take part with the...in terms of...as a Concessions so we are going to offset risks 50%. So as for the Concessions in Italy, as for the future Concessions we are going to close Asti-Cuneo the project Asti-Cuneo by end of April and May with the new terms as indicated by the government. So without extensions, but with the terminal value which goes back to the previous terms or extensions. So this is not going to modify the financial terms. So we are going to keep it as it is with a much higher terminal value.

And as for the other tenders, we are looking forward to see them. So...but we are rather optimistic because while we are waiting for the tenders, we continue to manage the Concessions. So we continue to invest on safety and security because despite some of the Concessions have expired some others are doing well. So the goal is to give them back, I mean in good conditions or improved conditions in terms of durability of the work. So then, this year we have SITAF and we take part to see that as well.

The court has supported us for the shares also taken by ANAS in the City of Turin. So we, are rather confident to think of that shares which amounted to 19% shares acquired by ANAS will be given back to the public tender and our intention is to take part to this tender as soon as it will be released. I've already talked about Brazil and United States. We are also following another couple of projects in the northern of Europe following the development of Itinera in Sweden, where we have some Construction sites in progress.

As for the Construction sector is concerned, the goal of the group is not to exceed, I mean, we are not thinking to have major revenues. The only Itinera Company in Italy with no indebtedness so this is also a distinctive point. So the goal of Itinera is to focus on those areas where we can develop Greenfield project. So in the United States with Itinera USA and Halmar. Then in Brazil where we have Itinera Brazil and as a support of the other investment...sorry I forgot something important about Brazil sorry, we presented a test in San Paolo the project of the new Santos Bridge linking [indiscernible] with the Harbor of Santos which envisages an investment of 3 billion of reais with a rebalance of marginal cash flow in 6, 7 years. And hopefully we will also close this agreement...as an additional agreement to the contract by the end of the year or in the first quarter in 2020. So as for Itinera, the focus is on the northern European countries, Denmark and Norway, Sweden. And we are also active in Brennero together with OCN companies.

Then in Brazil, the support of Ecorodovias investments also to minimize risks deriving from the fact that we might also give these works to other companies, we decide...we have decided also to consider this also...we...in order to minimize risks of investments and also considering the schedule and timing of investment. So this is an advantage and together with the development of the core business and the executional

project will give us the possibility to have a tight control on the CAPEX, on the OPEX reducing risks of the Concession.

As for other...the other areas of Itinera from Italy where we are present with some projects with other companies on Napoli Bari. So the major of the focus is on the Northern Europe in the Gulf areas. We are present in Abu Dhabi with Reem [ph] Mall which is one of the major mall which is being built in this area. And we are also present in the Middle East area with a company in Oman. We are present in Africa. But our focus is to have a competitive company which is not growing extensively limiting its revenue, but which might work as an industrial instrument in order to develop Greenfield projects, because our strategy is not envisaging investments in the Brownfield. Brownfield investments have an high acquisition cost. Of course, we have more certainties but they are more expensive. There are more risks there and more possibilities of profits you might have. But are if you have all the instruments to manage risks you can be successful.

Another strategy of the Group is to focus on technology. To be technology oriented, to invest on technology, but then in Italy, we have one tender in the Smart Road sector and this is very much important with Sinelec. We have major company...we set up a company in the United States and this is another major issue an important strategy in our Group...for our Group. So basically, we wanted to be a reference point in Italy in the field of Concessions. We aim to complete the project of Asti-Cuneo SITAF tender in Brazil; we want to consolidate, this year we want to extend this project with the Santos project. We want to acquire another acquisition project in the United States Halmar, Halmar is one of the five major players in the New York area with a revenue of \$300 million and Halmar and Itinera USA can be used for this new PPP that are now starting.

Basically in that sense the plan of the group efficiency, synergy, one company diversification and something else which is very much important in 2018, there is something which is very important. In 2018, we wanted to set a goal we wanted to have a strategic partner. And we have also complied with this in our Business Plan fund Ardian, with Autovia Padana joined us as a partner, and then Nova Ergo [ph] still controlled by Gavio Group where the participation of fund Ardian grew by 40%.

This also...the group for future investments the possibility to have as a partner one of the major investment fund in the world with a portfolio of infrastructure which amount to 16 billion. The Arian Fund joined our Group and this gives you an idea of the capabilities of the group. And above all also considering the Geneva [ph] Bridge dramatic event, this can show you that the assessment and the value attributed to the group derive from...and come from the competence, the expertise of the group, as much as, the FX and the Business Plan and business development.

Then in the other slide you can see the aggregate data ASTM 2017-2018 and the revenue target 3.8 billion and today the consolidation of reais which is not consolidated, but we have another three years period ahead of us in order to implement this strategy [indiscernible] €2.3 billion of revenues. In 2019, we expect to increase the revenues remarkably so that we can reach our goal as stated in our plan by 2021, both in terms of revenues and EBITDA.

As matters the internationalization and diversification are concerned that envisage a portfolio of the ASTM Group of 100% Italy by 2021, we are going to have 50% Italy and 50% foreign business. Then something else which is very much important is that in 2021 we will have a duration...an extended duration of Concessions.

This duration of Concessions will be extended, as far as, all the investments in Italy and this is related to safety with a closure of financing of Asti-Cuneo with a terminal value or with the award of the contest, victory of the contest with an extension of Concessions in Brazil, but the Concessions that we have already acquired with the tenders and this already account for a long extension, plus also long series of the tenders in Brazil. For the United States, the goal is to acquire the first Concession by 2020 and to start...to make the first bid by the end of this year. This is the overview, these are the guidelines.

In conclusion, the Group ASTM/SIAS Group in Italy has become one of the major group both in Concessions and Construction sector. This is luckily due to the skills and expertise of the group, but also due to positive events, so Constructions has become the second group. As for Concessions I must tell you that our CEO has met very often also policymakers in order to proceed with Asti-Cuneo project and we have perceived the great deal of attention from policymakers also considering how they have managed to come through a solution for Asti-Cuneo and this has been appreciated by policymakers. Thank you very much.

## Q&A

OPERATOR:

I think we can start the Q&A session. Here's the Chorus Call operator speaking. We're going to start the Q&A session. If you'd like to ask a question, please dial "\*" and "1" on your phone, if you want to leave the reservation list, the booking list dial "\*" and "2." Please ask your question using the receiver. If you want to ask a question please again dial "\*" and "1" now.

First question comes from the teleconference from Nicolò Pessina of Mediobanca.

NICOLÒ PESSINA: Good morning to all. I have a few questions actually. The first is on the regulatory context in Italy. You have some financial plans that will need to be updated probably very soon. And so I would like to know more about your interaction with the ministry about them and particularly to know about the fact that the new toll regime...toll rate regime, if it will apply in the event of these updates or whether you will continue with the rules that are already applied to the existing Concession agreements.

Second question about cross financing from A4 to A33, could we have more details about the size of the terminal value that was recognized for A4 and as a consequence what will be the duration of the Concession for A33?

Question number 3 about the EBITDA. In 2017, you gave us a EBITDA target for 2021 of €900 million from Concessions in Italy. Today, we stand at around the €750, so I'm wondering whether this target is confirmed and whether you're always committed to attaining it?

My last question, can we have an update on the chart of the first quarter of '20...sorry,. not the chart...the traffic chart, as of January 2019?

UMBERTO TOSONI: Good morning. I am Tosoni from SIAS. I have noted down your questions and I will answer in the same order. First part on financial plans, financial plans are obviously in discussion now, there will be time until June to submit them, as you know. So we're working with the ministry following the existing regulations; therefore, the financial plans will be developed based on the current regulations that apply. And

therefore, all decisions will be made in line based on the CIPE decisions, the Price Committee.

[Indiscernible] is under discussion at the moment and these are the final days because we will close on the 29th, the negotiations will close tomorrow. So we have a number of questions ourselves that we'd like to submit to the relevant authority concerning the decisions because we do not feel that everything is as clear as we'd like it to be, so we'd like to get some explanations on a few details. So this is the state of the ART, it would be too early today to talk about the impact of the authorities decision, the ART decisions because we still need to understand the details clearly.

I'd like to also remind everybody that the agreements are absolutely sound and solid [indiscernible] and to us the provisions in the existing agreements are very clear and we are complying with them literally.

As for the cross financing of the Asti-Cuneo project, the situation as it had been anticipated by Mr. Rubegni seems to be very positive because our contacts with the ministry is on a positive mode, we are cooperating with them. We know that, I mean, the agreements....the preliminary agreements would not have any financial impact for us compared to the previous solution that the ministry had envisaged and submitted to the European Union and for which the European Commission had given a decision approving it. The only difference is in the technicalities, in other words, how we're getting to do it. So we will not find...for additional fund resources in the 4 additional years of the Turin-Milan by 2026, but in the form of a terminal value.

From a methodological point of view, things will not change much for us because the 2 levels rate and terminal values, you know, could be

alternative. In this case, we opted for the terminal value, which Group proportionately presents, it does not make a difference thinking of the 4 years that we would previously obtain on the Turin-Milan.

We know that this solution is already being discussed at the Ministry of Finance and NARS is going to be submitted to the CIPE, so we have reasons to believe that this will be the final step in this ongoing program that has been underway for many, many years now. Thank you.

Now the duration of the Concession for the Asti-Cuneo project, it's as per the agreement, 23.5 years from the end of Construction works, nothing has changed.

STEFANO VIVIANO: Good morning, I am Viviano, going back to the ART aspect, the ART system that would be reintroduced is a price cap system tending to rebalancing. And this...for this reason, it is not going to change much in most of our Concessions, which as you know, are already under our rebalance scheme and they will require a rebalancing and an update. The only addition could potentially be the introduction of the efficiency parameter, which in itself is not a negative fact, it's not bad news because it could be a tool through which we could eliminate certain constraints, regulatory constraints, or legislative constraints to make certain cost structures and the Concessionaries, which are not a compressible [ph] today, more flexible in order to provide a good quality service without impacting the standards of quality and safety provided to the country as a whole. Additionally, many of our Concessions were awarded through a European tender and since Pacta Servanda Sunt [ph] we needed to say that European tenders are harder to change because that would affect the conditions for others as well.

In terms of terminal value, the terminal value should not be understood as a financial risk because in any case it's something that the company will guarantee to itself the licensee or Concessionary company. Among the many Concessions potentially able to suspend the handover is the payment...effective payment of a terminal value, if that payment doesn't take place, the company granted the Concession will continue to self-manage the situation until the terminal value.

There was a question about the 2021 target, which was based on re-awarding of the A21 and Ativa tender consolidating Ativa at 100%, well now it's consolidated its equity. Now this will depend a lot on the actual launch of the tender. And unfortunately, I'm saying today, we have no news about the tender being launched.

On the other hand, the Concessions in the meanwhile will remain particularly for A21 and so as of today, we are still managing and operating, as for the 24 months of current regulation and also implemented in the agreement.

There was a question also on traffic, if I'm not mistaken, Nicolo. Yes, you asked us a question about the traffic in the 1st month of 2019. As you know, the disclosure will be issued later, but we can anticipate that traffic is giving us positive signals. Heavy traffic is still performing very well and that lighter traffic is performing also satisfactorily. The heavy traffic for the past 3 years has performed to a significant extent and beyond the typical connections that you can make with the industrial production pillar. In our opinion, there are new local factors that have an impact on heavy traffic.

Let me start from the illustration of the simplest that we touch every single day, e-commerce, the Amazon Warehouses in northern Italy are close to

our Motorway network and then there is another effect, which is perhaps even more significant,, which is production of goods. In the past, the manufacturing of goods would happen at the plant and there were raw materials being transported to the plant and finished products leaving it. Today products are increasingly transported in the form of semi-finished goods. And therefore, the plant positioning can happen in different areas, in different geographies depending on the processing step, on the manufacturing step. And this is one of the key elements in our opinion that will have an impact on traffic and will increasingly have an effect onto the traffic trends. And also, if the GDP or industrial growth will not be significant, as expected in our country in recent times. Thank you very much.

OPERATOR: Next question comes from Enrico Bartoli from MainFirst.

ENRICO BARTOLI: Yes, good morning, everybody. I have a few questions. First of all, the first question on the dividend policy, we had an increase in dividend in 2018 versus 2017. Can you please give us an indication on how dividend policy will be defined starting from this year?

Second question refers to the outlook on 2019. Last year, you gave guidelines, you had given us guidelines, can you please comment on your expectations, considering the [indiscernible] on tariff increase and the outlook on traffic and if you can also give an indication on the net profit of this year, which is quite difficult to be forecasted.

Then another question on Brazil. First of all, you said that by the end of this year and in the elements of 2020, you are going to take part to a few tenders. Could you please elaborate more on that? Could you please give us more details and then which is the maximum level of investment on

new Concession, for renewal of Concessions for Ecorodovias in operational terms and financial terms.

Last question also on Brazil. In Ecorodovias financial statement, the damage of €100 million...€250 million, could you please just give an update on this claim damage, damage claim, sorry, and the possibility or the likelihood that the company will have to pay for this damage.

COMPANY REPRESENTATIVE: As for the dividend policy, it's the same as you know and it's going to be stable, 60% SIAS, 60% consolidated profit of the Group per share, ASTM 100% of the profit of the separated financial statement. This year we've seen the impact on SIAS dividend, which has increased by 2 times, dividend yield is 5% at the highest level, not only of the sector, but among all the listed company in Italy. As on ASTM, the effect or the important growth is 13%. The real effect is going to be perceived next year, with the results of ASTM Spa and the dividend per quarter as cash payment by SIAS this year, and this dividend policy is the policy disclosed to the market when the better social agreement were published last year, the shareholders agreements were published last year, when the deal of Aurelia, Gavio family and ASPV [ph] from Luxembourg, of Arian Fund were disclosed.

As for 2019 outlook this year, we preferred to privilege quality, to focus on quality. We might provide you with more details in the future. As far as they're concerned this year, the tariff increase amounts to 0.42. This tariff increase has to take into account 2 elements. First, an point of the tariff increase that is to say such increase was converted into terminal value. So from a certain point of view, we are going to have 6.25% amount of EBITDA less, but this is not going to disappear because this will be recognized in term of terminal value. Then we made a mistake in the calculation of Autovia Padana tariff calculation, which since this was

an European context, we made a mistake, a mistake was made, so 0.35% versus 0.1%.

And the claim damage was also...is now underway, an appeal is underway. It's not lost, but it's profound [ph]. As on traffic in a rather...with a rather conservative approach, we forecasted an increase of 0.5%, subdivided into 0.5% and like for like because this year the traffic increase amounts to 2% roughly, taking into account that we have 2 months more of Autovia Padana management. As for like-for-like, we have 0.2%, the conservative expectation for light traffic and 1.4% roughly, in terms of heavy traffic increase. The first months are rather rosy with respect to these 2. As for Brazil, I give the floor to my colleague.

COMPANY REPRESENTATIVE: As for Brazil, this fact perceived our entrant, the company is not inquired because in Brazil now we don't have the 231 [ph]. So all the inquiries are referred to the employees that were fired by the company. We also know that this inquiry, this investigation also refers to all the licensed company in Paraná for the amount. I think you already know, because you may...you have read the newspapers, what we can tell you is that from the exams carried out by independent auditors, we had no benefits. We didn't get benefit. So we asked to verify and audit all the Paraná companies since the very beginning also at the contractual level, at the financial level. Ernst & Young, carried out this audit, so we didn't get any benefit. And many other licensees, I've also dealt with different numbers. But at present in this phase this is the overview. This is the position.

Then we had also credential approach, that is to say we have over residual of the profits of 2018 in the reserve. So as for the other tenders, the first tender that we are going to present is Sapav [ph] €9 billion, €10 billion in terms of investment 1,100 kilometers of Concession of road toll

Concession, then we'll take out to the BR-364, BR-3101. The first 1,100 kilometers [indiscernible] are now being released to present the tenders in the month of August, the other 2 are Concessions or 445 and 220 kilometers. The CAPEX...are estimated CAPEX, we are still waiting for the figures from the lessor. Centrale p[ph] was controlled by a tariff. So these are the projects that we are going to offer this year. In the meanwhile, we have already begun to study Lutra as per the financial situation in Brazil, the financial situation in Brazil.

If the...and just start with the Santos Bridge [ph] will be concluded, we will also to carefully assess the financial situation, we have to take into account also something, these Concessions requires the high investments, but they are scheduled for 3 years, the €3 billion for the Santos [ph] bridge is referred to 4years. As for the other Concessions, which are €9 billion of investments...that is €9 billion of investments are on a 10 year period. So, you immediately start to get the money from the pay tolls. So, the financial situation is being monitored, so we can also consider that starting from last year, we are going...we might have a capital induction in order to offset the debt to equity balance, this will have to be considered also with some eventual future acquisitions. So, we are not excluding this possibility, but it depends on the eventual acquisitions and the new contracts.

Then as for EBITDA, the EBITDA is stable, we are also extending, right, we are rather extending the life of Concessions. So in 2019, the Ecorodovias EBITDA is likely to grow. We have to take into account that after years and years of reduction from the number of passages of cars, we have a network with the highest traffic because it links, it connects all the harbors, so the wealthy part of the country. So we perceive it signal for recovery. Let's wait and see.

In 2019, we are foreseeing growing revenues and growing EBITDA and this is not going to take into account the new projects that hopefully will be acquired. As for the financial situation, this is something we are watching. And we think this will be solved with a follow-on, which was rather quick in Brazil. This depends on the approval by shareholders. Thank you very much.

OPERATOR: The next question is from Roberto Letizia of Equita SIM.

ROBERTO LETIZIA: Good morning. I would like to ask you a question about a detail of the Strategic Plan between now and 2021. This 1.8 billion, can you tell us what it is made up of between Ecorodovias and SIAS between Concessions and Constructions. And then, I would like to hear from you, if you are going to stay focused on to motorways or whether you are also considering potential infrastructure investments of different natures such as airports? In terms of the price cap, let me go back to this discussion asking you in the assumption that you are released from some of the constraints that you have on the treatment of the operating cost that Stefano was referring to before. So if these constraints were renewed, what would be the capacity of cost cutting on the yearly basis of...on A21 which is your best estimate as of today for the start of the tender also considering your interaction with the government, your negotiations with the government and also the reorganization of the group and you know, the processes that will lead to a consolidation of assets, specifically Ecorodovias, which are the most important hurdles preventing you from consolidating assets and what do you do...intent to do in order to remove them? And then a technical question, what will be the impact of the new business on the group accounts. The new...new business provided there is new business in 2019.

COMPANY REPRESENTATIVE: Can you repeat also the first one.

ROBERTO LETIZIA: The first is the split of 1.8...split of EBITDA target between Concessions, Construction and Ecorodovias, SIAS and Ecorodovias. Second, if you are going to stay in motorways or are you looking at other infrastructures highways and airports, and price gap, if you can be released by the OPEX. So your estimate about when you are going to start with this new tender in Ecorodovias. And how you are going to solve this hurdle and the impact from the IFRS?

ARTHUR: My name is Arthur. As for the first question 1.8 billion, the target of 2021 is 900 million, SIAS and Italia 700 and...750 [ph] Ecorodovias, and the remaining part Construction engineering and technology. Above all, the Construction part...amounted to 90 million so no changes of this plate. No, changes with respect to what the [indiscernible], we are confirming the goal of the plan.

ROBERTO LETIZIA: Thank you.

COMPANY REPRESENTATIVE: Thank you very much. Then, as for the other two questions as per the airports. With the Arian fund which manages...that manages different airports, we are not excluding also the participation even though this is not our...one of our business lines. Let's see in the future what might happen. For sure, our focus is on infrastructures. Then, there was something else, the estimate of the tender A21.

UMBERTO TOSONI: My name is Tosoni, at present we have no evidences we cannot...we are not able to be precise. I cannot give you an exact date. It's month now or more than one year, one year and half that we know that processes is underway, the ministry is making assessment, but at present we don't have precise date. Something that we can also consider is that in order to make a tender, first of all you need to have a bid, a project, a timeline to study

the project. And then you can proceed with the award. Obviously, with the timeframes that we have, it could be one or two years.

Then, you ask me a question about Brazil, the hurdles. Well, there is nothing that we could call a hurdle in this operation, but we are taking time because since we have changed the entire organization in Ecorodovias, sometimes dramatically we no longer have the old issue, but we have our General Manager Mr. Kafo [ph] is now taken the position because he is in-charge of all the operations, purchasing and engineering and technology area. And then, Marcello Guidotti, who is the CFO, and then for the entire legal department we have our own companies supporting them.

So, if you go deeper and deeper you need to then change the processes and change the entire tendering systems and bidding systems in order to be very sure that we will not experience problems. So this is a process that begin downstream of our acquisition. So we wanted to consolidate the asset between then and 2021. First, we will make the entire organization of the company more similar to what would like it to be, and then willing to do the new businesses, and then we will consolidate the assets once we have made sure that the entire organization and industrial processes are in line with what they should be.

There was a question about the price cap and cost structure. Well, I would like to supplement what has been said so far with additional information. From our point of view the reorganization of the cost part should not happen to the decrement of the safety maintenance et cetera quite the contrary. We expect...we envisage that there should be bonuses for and rewards for the people who reach certain standard of quality and safety. Of course, a cost component could be compressive, such as, the human resources cost, the labor cost, the companies and particularly SIAS have to

bear approximately 50 million cost for the tolling activities...the toll post activities, these activities can be carried out by capitalizing more on technology and lesson the human operator. Once we find an agreement on this point, we will be ready to take action also keeping...factoring in the social costs of such a project. So, the...on one hand this is going to bring in efficiencies, on the other hand this will have major social costs so the government and ourselves and the other players will have come to terms with that.

In terms of the IFRS accounting principles, there will be no modifications, the new principles have been introduced already, the one thing that we should comment on is IFRS16, and are companies that has a major impact not in our business however, because other than cars [ph] and some rentals and/or operating equipments in terms of [indiscernible]. And so, that doesn't have a big impact. So for ASTM that will involve more intangible assets, and therefore more debt for approximately €120 million for SIAS €12 million. On the other hand, the EBITDA level...a higher EBITDA, I mean won't have a big impact we are talking about 2 million worst cases. So no impact on the accounting principles in 2019.

ROBERTO LETIZIA: Can I do the follow-up now? My question is, if there is a tender for A21 that you know very well, because it's been one of your assets, what's the amount of the investments that could be tendered. What are we talking about, there are potential projects in the coming years so that might be relevant. What could be the extent and what would be the impact on the toll rates or the EBITDA will be kept the same because the amount of investments is irrelevant. Since, you gave a partial answer only, I'm proposing a figure to hear if it is correct. My estimate is approximately €900 plus million, in terms of terminal value for A4 in order to compensate for the new contract of the A21, is that reasonable?

UMBERTO TOSONI: Good morning again. I'm Tosoni. Now, to address your first question on A21, your question is interesting and we have already made some assumptions. But, you know, there is a big margin for change, it could span between 300 million for a minimum safety projects due to the new regulations or due to anything that one has to do in order to improve continuously the level of safety of the infrastructure, all the way to €1 or €1.5 billion because you have to think that that's particular motorway, there might be an interest in enlarging it with the third lane and that would escalate the amount of the investment or we could think of a series of compensatory intervention and project because the local authorities have discussed and have made many requests connected with the surrounding road network with bridges above it or tunnels under the A21. So there is a big margin for variation. Certainly, there will be projects that will not be postponed and anyone who gets the Concession will have to take care of those projects. Since the entire road and motorway network in Italy is pretty mature, it will require and that's part of our vision and this is what we are very forcefully explaining to the ministry and all the players involved.

This will require many major projects and major Construction work...sorry maintenance work. And so that's how we thought strategically of all of the work that needs to happen on the network, thinking of major project on the infrastructure, because we feel it is absolutely necessary to increase the durability of the...of such a infrastructure and that's the key criterion even without considering all other thoughts.

There was another question about the A21, the terminal value of the Asti-Cuneo. It is not far from the figure that you posited, because it corresponds actually to the value of the four years of the Turin Milan Concession that we need to add the EBITDA of Asti-Cuneo to the end of

the Concession, because in the old wording the Asti-Cuneo had to be cuffed...was going to be cuffed up until 2030.

ROBERTO LETIZIA: Thank you very much. Perfect.

OPERATOR: Next question is a follow-up by Nicolò Pessina of Mediobanca.

NICOLÒ PESSINA: I have a couple of very quick follow-ups. The first one Ecorodovias, we talked about a possible capital increase. I am wondering in this scenario if you were ready...if you are ready or interested in subscribing and opted most of your stake in Ecorodovias is held together with a Brazilian partner, would the partner be interested in having you if they were not interested in subscribing third part of the capital, would you be interested in covering the stake? Question on the A21, I imagine it is no longer in the cards that there will be a short Concession so I think the scenario is no longer valid. Do you agree with that? And my last question on the Greenfield in the United States, you mentioned the Washington Beltway, so I think there is an interest in getting out of the traditional business of Halmar that is the State of New York and the northeast of the country? One last question, I am wondering why this particular interest for infra...structures with belated payments. If I am looking of these structures with these situations, well the availability payment...sorry I am correcting the translation...the government has resource...has revised their thoughts and expectations about them until the capping to me will be affected by this? Do you agree?

STEFANO VIVIANO: I am Stefano, for Ecorodovias, well the relationship with the shareholder, I mean, the relations are...we are in excellent terms with them and this is demonstrated by the fact that the company could develop its business and Ecorodovias participated in 3 new tenders...bided for 3 new tenders lately. Now, 49.2% is now held by IGLI and if by 2021 we were looking at a

consolidation it would not be necessary to do much to attain the objective. From our point of view, the current structure net of the government is working well.

The question on A21 between now and 2030, it is interesting because one of the positives...but we are seeing is that there is less interest apparently to aggregate Concessions with different duration into one single Concession. And so, from a certain point of view, this is increasing further the competitive advantage of the current operator.

In the United States, the [indiscernible] projects are certainly a key element. The viability payment is more associated with the risk management and the approach of a new market which is not so well known and that does not have a recent history in terms of PPP Concessions and so that is more...it is characterized by more cautious approach in addressing new markets. Halmar with a capital Beltway in Maryland is in a contiguous state and Halmar would act as an EPC contractor, and therefore the Halmar strategy would not change in this respect. They already imposed sin major infrastructure including road infrastructure, although it is not a [indiscernible] Concession. It will not participate in the Concessions because 4 Concessions we have created and that how company in the United States which is held by SIAS and ASTM.

NICOLÒ PESSINA: Very clear. Thank you.

OPERATOR: Next question. Follow-up from Bartoli.

ENRICO BARTOLI: Yes, a short follow up on the IOS because during the conference you mentioned the goal, your goal to acquire Concession in 2020 with the tender this year. I was wondering which is the vehicle you are going to use for this Concession, and which type of consolidation are we going to

see on SIAS on ASTM. Last, there is a cost cutting. Could you give us a few details on the state-of-the-art in 2018, both in 2017 and 2018, we had one-off in terms of EBITDA for the efficiency implementation, should we expect something like this also for 2019. Thank you.

COMPANY REPRESENTATIVE: As for the tender in the United States, we are making an assessment. We are making agreements to prevent joint venture. In joint venture, we are going to have the Group SIAS and ASTM with the share...similar share...share similar to the other players that are Spanish players or investment funds. We are going to have the Group ASTM and SIAS with shares that we are agreeing. Before opening the document, we have 2 or 3 options and what we would like to obtain is to have the same Concession share as the APC share so that for all the partners we have the same Concession risks met with the Construction risk.

As far the consolidation, we are now assessing that for the major tenders we prefer to have a more prudential approach just like Dr. [indiscernible] said other than risk and traffic but also on the shares risk. We want to enter a market which has created a lot of problems in the PPP to some companies, and we want to be extremely prudential. Then as poor Concession that require lower investment, we are now considering to participate or consolidate some acquisitions. Then for the other major ones, we want to take part with the government that might give us a possibility to control the company but not with consolidation shares.

As for the cost cutting, we started with a plan 3 years ago. Now, in terms of NPV, companies have reached roughly 150 million of savings that will be developed also in the future plans. An important part has been done, and our part is now being assessed in terms of reorganization and centralization of functions in order to avoid replications also in terms of staff. This is for the consolidated part.

As for the non-consolidated part, it is also important to consolidate also the work on SITAF, the work which is being done on SITAF, and also the works made on Tangenziale Esterna, the external ring road. You know that Tangenziale Esterna has refinanced, they sold [ph] that in July last year and also after closing the derivatives or [indiscernible] derivatives 2 weeks ago. It had an average cost of debt all in bridge cost of debt to 3.8% versus 6.5% in June last year.

So this is a company combining the growth rate of traffic which is quite remarkable and the fact that in absolute terms...in relative terms the GTM [ph] is 27,000. This makes it the first Top 8 leading licenses, A21 Turin-Piacenza has very...the DGM [ph], this is just to give you an idea of the extent of the traffic on this section. As for heavy traffic, it is above the tender estimate. What is lacking is the light traffic, because we still need to work on some major roads before the ring road which are [indiscernible] whereas the Rivoltana [ph] is the only one which has been completed. This is just to give you an idea of the savings on Tangenziale Esterna, the ring road which amount...will amount to 60 million per year.

OPERATOR: There are no questions at the moment.

COMPANY REPRESENTATIVE: See you soon. Thank you very much.