ASTM SpA

"2019 Full Year Results Presentation Conference Call"

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OPERATOR: Good morning. This is the Chorus Call operator. Welcome to the Presentation of the Yearly Results of ASTM. Following the initial presentation, there will be a Q&A session. Now, I would like to give the floor to Giuseppe Agogliati, Investor Relations of ASTM. You have the floor.

GIUSEPPE AGOGLIATI: Good morning, everyone. My name is Giuseppe Agogliati, Investor Relations of ASTM and I will introduce you to the 2019 results. The analysts [ph] needed to be muted also following the presentation. Attending we also have the President and the CEO, that is to say Rubegni and also our CEO as well as Umberto Tosoni, as well as Stefano Viviano, Finance ASTM and Mrs. Amelia Celia, Head of Sustainability, ASTM. You can also download the presentation on our website. After we present you the main slides, we will be available for Q&A. Let us then get started by presenting the financial results at Page 5.

If we focus on the main indicators, I would like to stress that EBITDA is at €661 million, plus 4.1%, this clearly mirrors the increase by €21 million for motorways. And also we see a slight decrease in the technology and services area. The net adjusted is at €170 million. Now, the reported net financial position is €1 billion and the ASTM and also the central fund service that we moved from €1.68 billion to the date we have in 2019. As regards the non-recurring items, we see 1.8 million, 1.98. And now, I will give the floor to the CEO.

UMBERTO TOSONI: I have a global message that is optimistic as regards the figures that we had presented a few weeks ago. Now this much is our expectations, that is to say, a growth in revenues for ASTM which you can see on Page 6. We are well over €2 billion with a growth that has been constant over the past few years, and it's been quite considerable between '18 and '19, and that applies especially to the concessions sector which really had the pull [ph]

factor when it comes to traffic. We are supposed to be 1.2% and it actually was 1.6%, so as you can see from the slide, we confirmed the expectations of this constant of the growth, but same applies to the EBITDA trend that also grew constantly and it achieved €752 million, that was just described.

As regards the net profit, you need to consider the adjusted figures and this clearly shows how ASTM performed, so €166 million of 2018 up to €170 million adjusted, clearly here we have the impact of the non-recurring items and you probably are already familiar with these 2 items because this is something that we have always been very transparent about, that is to say 2 sanctions that were linked to joint controls, that's because Ecorodovias [ph] our Brazilian subsidiary and provisioning for those concessions, but…so basically mature, so that is related to this provisional period. So we needed basically to provision for the terminal values of concessions. Now, if we set aside these 2 non-recurrent items, you see that the performance is perfectly aligned with constant growth.

As regards the net financial debt and the net financial position, it basically stays practically the same. It constantly decreased and according to business function, it will keep going on like that on the adjusted front, so we get to €1.3 billion basically.

If we then move on to Page 7, I don't know whether the Managing Director or better our administration and budget Manager, Alberto Pernigotti would like to say something on this.

ALBERTO PERNIGOTTI: Actually not much to talk. As regards revenues and EBITDA, well we've already seen that. The result clearly shows growth and the fact is that led to reduction in the reported figures if linked to 2 precise items, that is to say, the Brazilian situation. Clearly, we need to consider the

equity perspective here and also the fee provisioning for the terminal value of our concessions. So this is the operational side of our subsidiaries line by line, it basically…the result was very positive here. And clearly, there were some factors so that however did not push us to change our mind vis-à-vis Brazil and so basically we maintain the same opinion.

In Italy, provisions are linked to some regulations that has to do with deliberation, the regulation that was passed by the government and our companies are fully compliant. This pushed us to make some legal considerations with our legal team and therefore we really needed to think hard on how we wanted to go about reporting and provisioning.

UMBERTO TOSONI: So, thank you. Before we carry on, since we have turned to the present numbers, I would like to give you a picture of the overall condition of the Group. All of our business units are doing very well at the moment and if you consider the concessions sector, it must be said that regardless or better despite the current situation linked to COVID-19, well, it is weathering the storm. We made some forecast that we will look at in detail later on.

So we can say that given the financial soundness of our Group, and given our industrial strategy, well, we can say with a fair degree of confidence that we managed to put in place a number of actions both from the operation side so that we could basically deal with all expenses even those that were not fundamental. And also we managed to reduce in a way assets but we didn't do away with the key ones. The same goes for our investment strategy, the most way [ph] combined perimeter.

Basically all of the safety investments are guaranteed because our policy really is focused on increasing the overall level of safety in our infrastructure. That is why unlike our competitors, we really had a head

start with focusing on safety, really monitor safety very closely. And so, we basically focused very much on our security. And our idea is to have a real time diagnostics of the conditions of our motorway.

Clearly, all of that has to do with concessions…motorway concessions. But also, other business units have adopted the very same industrial and operational approach. We're really focused on efficiency boosting. We placed all of our employees in smart work…in smart working and we also did our utmost to be effective and efficient in achieving our goals without having any redundancy or producing any waste.

So, we really reduced the unnecessary to the minimum. And this applies to especially motorway safety and safety investments, generally such as traffic monitoring teams, patrolling the motorways works those are still running. All is needed to ensure safety is there. That's because the back office and all of the ancillary or remote activities have been precisely placed in remote had been reduced to the bare minimum.

Now, the same applied to for instance, road works. And in these activities where not strictly necessary, they were suspended. Clearly, that was in agreement with our Grantors. We really tried to be very cautious in this. We really tried to stop all of those administrative procedures that were underway.

Same applied to technology, and clearly all of our other subsidiaries and companies, because since we are one company, we really wanted, as I said to reduce to the bare minimum all of our activities. We put in place one of the measures that I've just described, and we also started the redundancy fund for our workers.

Clearly…we clearly first put all of our workers on leave. So this was just to say that, our industrial approach made it possible to work very closely with all of our partners. And therefore, we were able to control basically…to keep under control all of the effects of these crisis.

Let me now continue and look at the numbers. Well, obviously, we just have the 2 non-recurrent sales [ph] that modified the numbers regarding an important a major growth rate which would be tied to the situation.

I'd like to underscore 2 very industrial versions. The first one is about provisions. So the cheapest resolution, in other words, and I'm sure you all are aware of what it is about Mr. Agogliati just told you that basically we have challenged the resolution itself. The reasons being quite simply that for us, this is an attempt by government to unilaterally modify existing contracts and deals, doing that by law, but obviously, this is not correct, right for us. It is not, you know, correct or right in strictly legal terms, may I say so, legal [ph] contracts.

As you all know, deals, contracts have to be respected and complied with and there's 2 sides to be defended. The public side, our Grantor, and the private one, the Concessionaire, and they are virtuous. We have always been working with them following strictly contract rules and trying to improve every time you know, we could even beyond what contract was providing for as can be seen under your eyes, well obviously even the private side has to be defended and enjoy the same rights…a contract that identifies what everybody is up to do.

On the other hand, however, this has been challenged also on a substance ground. In other words, it is not possible to think that once the concession is expired unless things go the way they should, upon expiry everything should be ready, the tender already finished and know exactly who was

the winner of the concession between the one going out and the one coming in things should be very clear. And the one going out should get what he deserves to get what is due.

This is a credit vis-à-vis the public administration, and at this point, the whole…the entire contract will be fully exhausted and the new incoming element could come in. And at that point, obviously, everything would work greatly. This is the idea, well it's never been the case and since we have been forced, sometimes we have to remain there 5, 6, 7 years on average and after the expiry date, and we have to continue to act as motorway Concessionaires.

[Indiscernible] obviously, it is now possible to accept that the treatment of those who remain with the same responsibilities and duties be downgraded to that of a simple service provider. This is not contract, because a contract is one of a Concessionaire. So in substance terms, we need to look at what quality and titles we would have to manage on behalf of the public of the grantor.

Now, what Brazil has always been anticipated? Let me clarify, this is a [indiscernible] healthy…extremely healthy platform. It is working wonders in Brazil very well. There are opportunities for over 10,000 kilometers of new concessions, construction, building new infrastructures in Brazil, going forward to the next few years. We are, you know, well considered and regarded by the market and well positioned, as well as, by our main stakeholder, the Brazilian Grantor in that country. So obviously, we intend to extract value from this platform and to continue to work.

Well, these 2 things obviously come from very far away, you know, from a past fact over 10 years ago, these designs. They do not concern as…they regard subjects or a management prior to us coming in. We would have

walked away you know, with the pleasure but to make sure that there is continuity of the company we have to first and foremost believe and look at what is best for the company. So obviously we wanted to close these 2 outstanding facts in a…how can I say…how can I put it in a sustainable way? And this can be seen from the numbers, because, well these numbers are not so heavy for ASTM. Well, thank god, ASTM, you know, is also enjoying the effect that it is 50% with another partner and the effect of 1 to 5.

So this helps, by all means, as a result, it was more important for us. We thought to sign an agreement with the Prosecutor investigating, which we did. And obviously, we closed the outstanding issue with the companies coming from the past.

I'd like to move on to more numbers. Mr. Viviano, [indiscernible], finance.

STEFANO VIVIANO: This is Slide 8…no, Slide 9, I correct myself. Good morning. I think, it is important to combine and add to what our CEO just said, one additional feature of our Group, which is the very sound financial position. The very rigorous profile that has been true in the past that and increasingly so in the present and in a future against the background like the current one, so the integrated business model and industrial model together with a solid, sound financial position and a well-balanced resource management, I'm sure is an opportunity really in a challenging market a little…this one.

Let me start from the results in 2019. The net financial position was a feature very much…first and foremost, a strong growth…the operational growth. The cash flows come in from that at over €600 million. The Group has invested most of these resources in developing its own networks, the safety of its networks. It is fair to say that the Group has

always been performing and playing out this function, it's by the way its DNA, and it's focus, service, quality, technology-driven, so that €370 million of the cash flows have then been used to developing its network.

Net of the dividends paid out in the course of the year, the other cash flows are due to 2 extraordinary operations that have been characterized in 2019, notably I am thinking of the partial and voluntary of the…on the 5% SIAS previous stock…capital stock and the merger between ASTM and SIAS with the charges including up to €110…€112 million all-in-all. And the purchase of some holdings or minority stakes, I'm thinking of the ATIVA holding, another one which was bought in SITAF. And the rounding off of the holdings on the external ring road, all of this took place during the year.

Now these operations together with the consolidation of our cash, the Group's cash of ATIVA equal to about €80 million…€84 million, together with that, we get to €254 million of adjustment, which eventually leads on to the reported financial position to €1,352 million, as against the financial position, which has been adjusted net of these extraordinary items of which is about €1,100 and sharply improving 14% over the previous year.

Now, looking at the specific context and the premise I provided, this is a very much focused in…on the financial position and liquidity cash position, these being instruments that would allow the Group not just to getting past together with its flexibility, as was mentioned by our CEO, this specific circumstance, but will allow us to have a preferential condition and an advantage over the market to pick up the opportunity that 2020 could represent.

Please note one first thing, the strong cash position available in December 2019, €1.8 billion of cash and liquid resources that can be liquidated in a

very few days, 30 days maximum. This liquidity…this cash is…well, with this cash, the depreciation plan of debt is a plan, which is really not challenging the €2.9 billion of gross committed long-term debt reported in 2019 December, has an average of residual life of 5 years. There is no need for funding again, the only major maturity date is on 20/10/2020, which will expire mid-October 2020. So the companies there has already resources to really address and cope with this as well as to any other future deadlines.

As indicated by the rating agencies [indiscernible] the Group thanks to its position of liquidity, of cash and its cash generation also in a very challenging context like the specific one at the initial months of the first semester of 2020 has still the capability and the resources to address its deadlines for the 3…next 3, 4 years.

Equally important is to note the available resources. I'm still talking about 2019, in addition to the cash level and the financial instruments that have been used as funds where the company has been investing over the years, well, we have to add about €800 million of committed lines that are available, about €400 million of non-committed lines and not yet utilized and that we would get to the availability of the Group to €3,100 million, which number is by all means very similar to the growth that of the Group in December…end of December ’19.

Now with a view to demonstrating, how much and to what extent the Group is sound and healthy and it’s also very much regarded in this way by the financial system, we have decided to report what was done in the early months of 2020, financially speaking. Well, the Group basically in March and the first 15 days of April, the Group has been activating various forums about €800 million of financial lines, €150 million have been activated with the deadline at 3 years, that is the maturity, and this is

a line of 3 years, it has been signed already in March…beginning of March.

Then the major financial institution in Italy, a non-banking one has a private line of €250 million, 7 years amortizing, which will replace a…already present line, which hasn't been used, but which has a shorter availability and a depreciation profile, which is closer to us, these all at very similar, if not better conditions than the previous ones.

Another 2 lines of €50 million each have already been signed up…signed-off and approved by the reference committees of the various banks and the Board of Directors and these 2 lines will be used too. Well, they have a deadline June this year, as a maturity date. And the company also has already obtained the availability from 2 of the key Italian banks to put in place a backup line of €200 million, which is being implemented in the form of RCN [ph].

Now, this proves that we do not need any re-funding in the short or medium-term. There is no need for re-funding risk by ASTM, but against this very difficult and challenging background that like the one today, the financial system is supporting us, both rating agencies, but also investors.

Let me say something, in addition to these lines activation in less than 1-month, the Group already obtained a letter as regards tenders was started with the A21-A5 from international and national banks. And here the presence of international banks means that there is a code of protection about our soundness and creditworthiness. And this also applies to the international market and not just the Italian market.

During the previous call, we received quite a lot of questions about financial covenants. This is a topic that more relates to the fixed income

market. However, the equity business is also getting interested in this given the broader context.

We'd like to focus on a few key messages, out of €2.9 gross debts of billion, only €1 billion of this debt is covered by financial covenants, so about 35%. Of this €1 billion, €700 million outstanding debts have consolidated covenants and about €300 million have covenants that basically relate to a specific subsidiaries companies that are part of the Group. These covenants are basically regard…concerns financing lines prior to 2010 when we weren't consolidated yet. We consider the main covenants of our Group. Well, you have leverage, any [indiscernible].

Out of these €700 million debts at Group level €500 million as at 31st December in 2019, there's a mistake here, it's 2019, not 2029 [ph], clearly. Well, they had a limit that was fourfold basically, and €200 million had a 4.5…basically 4.5 times more. So the limit is fourfold for about the remainder amount, the levels that we shall share with the market and the banks when the board approves these accounts are those you see on the right-hand side of the table. 1.9 leverage and 9.2 times for the interest cover ratio.

So these are board margins also in difficult context as is the case for 2020. Also, things we feel reassured about 2020 despite of the situation. I would like to say that a covenant is a snapshot…a specific snapshot given context of a given timeframe. And it is important to bear in mind that it is not…shall we say a gauge of the health of company. So now, let me basically mention, what the rating agents have published respectively 1 and 2 weeks ago, Fitch on the 26th of March confirmed the BBB plus rating for both secured and unsecured notes of the ASTM [indiscernible] on April the 8th are confirmed Baa2 for both types of notes.

And basically, they highlighted the ability of ASTM to use their operations leverage in the best possible way to mitigate the effect of COVID-19 on cash flows and traffic volumes. Also, that is interesting to note the considerations of the rating agencies about the regulatory environment and the fact that the Group is actually able to resort to regulatory provisions or balancing out the situation. Also, I think it is important to receive the confirmation from Moody's about the outlook, which they defined stable.

Clearly, agencies as well as the company keep monitoring the situation and dynamically implement all of the financial and operational levers available to contain the operational impacts of COVID 19. And this clearly with a view to maintaining the financial position for 2020 in line with what we said in our press release yesterday.

Now, I would like to give the floor to the CEO, Mr. Tosoni.

UMBERTO TOSONI: Well, carrying on with our presentation, and then we'll leave some room to your questions. So please move on to Slide 15, which presents a breakdown of the traffic performance. I wouldn't dwell upon this too much. Unfortunately, we won't be able to maintain the levels of 2019 we had an average growth of plus 1.68 in 2019. And there was a strong positive performance of heavy traffic plus 3.41%. And we also gave an explanation for that. So this was linked to the transport of goods because of online sales, Amazon deliveries equally, that means there was an increase in heavy traffic and basically goods transportation on road.

I will move quickly to Slide 16, a couple of words on CAPEX. CAPEX is something we are quite proud of. Let me say that, because year-on-year 2018, there has been quite a considerable increase from €140 million we moved to €265 million. And that was clearly to the benefit of better

infrastructure safety, and also durability of our infrastructure. We are really working hard to increase the life of our infrastructure. We've been doing that for years. And we started rolling that out a long time ago in line with the financial planning of our Grantor.

But let's say that 2019 was really the most emblematic year when it comes to the sort of investments and activities, you see that the increase was quite considerable. And this increase basically applies to the most obsolete stretches of motorway. Basically, those were the stretches that most needed refurbishment work and improvement work. So and this was clearly implemented as per our financial planning.

Now, the scenario is on Slide 19, is the impact on traffic that we simulated. And it is our projection considering the beginning of 2020. This shows that our health emergency clearly linked to COVID-19. And the different decrease…or the subsequent decrease that was passed by our government meant there was a traffic block…mobility…block of mobility and hence heavy impact on traffic.

You can see that the latest week we considered that is to say, the last week of March shows an average decrease of minus 82%. This is a median of minus 92% of light vehicles, because clearly private cars are not allowed to travel around and this is something we expected, and they decreased by 55% of heavy duty vehicles, which are still authorized to drive around. And so, basically they are those who are weathering the storm so to speak.

Now, considering our code [ph] and assessments, we projected some potential scenarios. Today, I would briefly say that even in the worst case scenario, we have been more conservative than many other analyses in our business line. But we really started from the worst assumption for this month but also the next month, the month of May. We are hopeful that

the recovery will start earlier, but we assumed that until June there will be no such thing as a recovery so we considered a recovery starting from June and then throughout the summer, and our idea is to achieve shall we say a normal situation by year end.

We think that there will be quite a considerable recovery in the second part of the year. This vision as I said this scenario is conservative, but let me say that we didn't feel any financial impact because we will be in a position to guarantee right, should we say financial net position aligned with 2019, but also all of our covenants will be complied with.

Now, I would like to move on to the 2 tender processes underway. For the time being, they were suspended. Therefore, we are waiting for some notices or communications as regards the data referring to the A12 tender. The main elements here are related to the duration of the concession 12 years; it linked up 12 to 18. The investments value is about €2.5 billion…the investment value is about €1.6 billion and the concession value is estimated about €2.5 billion, but as we are well aware, the COVID emergency came to be and everything was suspended for the time being and to-date has not been fixed yet.

This applies to the A12-A10 tender or the SALT, the [indiscernible] as it is well known in Italian. You know this very well the concession value is estimated at €2.5 billion. We have investments of about €1.5 billion, €1.6 billion, and here to the duration is 12 years. Clearly, we are very much interested in this and we will monitor this very closely.

Slide 20, shows something that we consider quite important. We think this is a clear example of how our concept of one company actually works, and how we can really make the most of our synergy. This is really great

example of how we manage to rebuild in 70 days the Madonna del Monte viaduct. This is a viaduct that was destroyed by a landslide.

It had basically knocked down the pillars of the viaduct and everything was literally wiped away. So we basically set to work immediately and we made ourselves available to the authority, so by availing ourselves or the synergies within our Group, we were in a position to involve our project refinance experts, construction company. We also helped out the law enforcement agencies and the civil protection authority to clear these areas and guarantee safety and in a matter of 70 days we restored this viaduct.

Once again, this is an example of how positive cooperating between public and private can be, and also we acted in an emergency situation, and we went beyond red tape and shall we say a bureaucratic processes and given the emergency situation here, we were in a position to basically cleared subsidiary to start building. We didn't need to organize any tenders because those are time consuming.

So we were in a position to build the viaduct even prior to the approval of the project. In the meantime, we submitted to the Grantor. This really shows that we really need to think through bureaucracy. We have proposals on that and we really are at a disposal of our Grantor to provide suggestions as to speed up procedures like this. I am referring here to speeding up tender procedures, building works and so on.

Now, before I move on to Brazil and sustainability, I wanted to reiterate the concept that we think we are…we have quite considerable knowhow in this sector. That's why we are willing to cooperate with the government and the Grantor to grow up joint project. One the country will be over this nasty health crisis and hopefully it will be this summer. We

will be in a position to kick start or to jumpstart the country again. The concession structure actually allows for that, because it can change all of the levers, all the instruments that can basically trigger operations and indebtments.

And so operations can be kept up and running and very vital. So if we were in a position to use concessions positively, we would be in a position to relaunch investments and to relaunch this country. And I would like to reiterate that we are fully available and really willing to help out when it comes to re-launching our economy.

Now, Slide 21, you see here the main financial figures of EcoRodovias from Brazil. I will go through them quite quickly. You see growth, both in terms of revenues about 3 billion Reais plus 15%. You see that was also linked to the awarding of a few tender contracts and therefore we increased the assets we managed from 2,600 up to 3,000. We also growth in EBITDA with the adjusted net income growth you have grown equally, but the Brazilian side had to pay some sanctions and therefore it wasn't as positive, but I would say that the picture from Brazil is very reassuring.

Regarding the EPC construction, you have the numbers in a nutshell. So you understand as we were saying earlier on talking about our project. We want to keep a very high level of competitiveness of Itinera. And the evidence of this can be seen from the numbers, because you can see that there has been a major growth in the Groups revenues of the Itinera Group. Due to the award [ph] of important tenders abroad, they are a source of knowhow, of knowledge, very important for us, you know and a way to put our foot on the market in the countries that were part of our strategic scope. And this is perfectly in line with the plan.

Look at the backlog; it is still at €4.4 billion important levels of…there is a major drive ready to get us along the direction as scheduled. Italy is important but increasingly the United States is becoming important, Middle-East, Europe Northern Europe, we are extremely focused on that. And also getting activities started in Brazil that tied in the same Ecorodovias.

So with that, thank you very much. I'm ready to move it over to sustainability and Mrs. Amelia Celia, Head of Sustainability has done a great, excellent job. Thank you very much.

AMELIA CELIA: And good morning. Good morning to all of you. This is the first time that we have devoted a whole section on sustainability to underscore the commitment of the ASTM to work in a responsible way, integrated responsibility and sustainability in its business model to create shared values for the stakeholders long-term. We know that investors are [indiscernible] capital towards sustainable investments with returns based on risk profiles and they put ESG back towards increasingly in their portfolio.

Slide 25 indicates, you know, the sustainability of the Group and the pillars it relies on a governance system in particular very much aligned with ESG best practices, the sustainability plan 2017 through 2021, a remuneration system, which ties into sustainability goals, a transparent active engagement with all stakeholders, integrated ESG risks into risk management system as implemented by the Group's [indiscernible] policies, procedures, and management systems for material ESG topics creating shared value with all the stakeholders.

And finally, with a view to being transparent, sustainability reporting drawn up in accordance with GRI standards and the international best

practices and reporting annually our performance levels within and on ESGs.

Now, moving on to Slide 26, now you can see that in this ambit ASTM has defined a corporate governance structure formalizing roles, responsibilities to the single ESG theme. In the month of February 2020, the Board of Directors of ASTM has a set up in it a specific sustainability committee with the 3 independent Directors, the main task been supervising and looking over the sustainability matters and responsibilities that is up for a pre-existing risk committee.

Also, the ASTM bylaws, Articles of Association shows obviously, the composition of respect for gender balance, the number of independent Directors, which has to be adequate and guarantees minority shareholders to appoint Directors and statutory Auditors through the slate mechanism, voting system.

Slide 27, on 14 April 2020, that is yesterday, the Board of Directors of the company has approved the fourth sustainability report for 2019, qualified as a consolidated non-financial statement. According to the Italian decree 254, 2016 adopts the EU directive in this ambit and the financial statements are reviewed by Deloitte, and audited by Deloitte ready for the meeting.

What are the themes of the topics is that the document highlights the various aspects of Groups sustainability, but including also the analysis of the impact of the activities on the territory having during 2019, abroad about over €4.2 billion direct and indirect and related contributions and creation [ph] of work, that is 148,000 workers being employed.

Slide 28, these are the highlights of sustainability. Well, we have reported a few KPIs, over 6,000 employees with an open ended contract, nearly all of them 92% and the others and other activities achieved June 2019. The certification of the anti-corruption management system, in particular I'd like to mention this because we also had the confirmation in the evaluation of the CDP promoted by the main activities regarding climate change.

And finally, the training on sustainability topics, this got us a rating investment grade with a positive outlook, recognizing us as a company that has been adopting ESG reporting models, but also sustainability strategies adopted to get it inline in the international guidelines promoted by the United Nations, [indiscernible] and the European Union treating social climate and safety topics. These are the major highlights in 2019. Thank you very much for your attention. Thank you.

COMPANY REPRESENTATIVE: Thank you.

COMPANY REPRESENTATIVE: So, this really finishes our presentation. Mr. Agogliati, over to you. Thank you.

Q&A

GIUSEPPE AGOGLIATI: Well at this point, I'm ready to start with the Q&A and I would like to ask the moderator to manage the Q&A session.

OPERATOR: Yes, this is Chorus Call; we will now start the Q&A session. Thank you. First question coming from Nicolo Pessina from MedioBanca, please?

NICOLO PESSINA: Good morning. The first question is additional information on the [indiscernible] resolution. Should, we expect additional depreciation costs or provisions as we move along until a final clarification, a new resolution

comes out and is issued as to the interpretation these depreciation will…they have to be reduced from the terminal value that the company is entitled to receiving at the end of the concession?

Second question, an update please with the negotiations on the application of the [indiscernible] model, and the state of negotiation with the ministry of this model against the traffic risk, the downside being upon the shoulders of the concessionaire. So my question is, is the ministry open to add amendments to the authority's proposal? Final question, what conditions should be met to make sure that you could payout a dividend at the end of the year. Thank you.

UMBERTO TOSONI: Good morning, this is Tosoni. Regarding the chief [ph] resolution, may I clarify the following? I'm sure that depreciations were made by all means...no, I'm correcting myself, provisions were made in, as conservative measure by all means. They have nothing to do with the terminal value. They cannot be detracted [ph]. But they are part of the Grantors of risks. Well, the provisions of course will still be maintained and kept till the situation is cleared. But, it's based on a conservative policy.

Regarding the question on ART, ART I don't know whether I explained that already. But, you know talking about the impact of it, it is meaningful obviously, if a contract has because of ART to go through a rebalancing mechanism, the whole ART mechanism works based on the rebalancing concept. So, as far as we know, the impact is really minimum, because we are already part of and working on rebalancing concept. So as far as we know, the impact is really minimum, because we are already part of and working on rebalancing contracts, so we need to understand well the effects, the effects have already been assessed. We need to understand

how the greater [ph] efficiency mechanism or financing mechanism will work.

Now, regarding the ART provision and our dialogue with the Ministry and conversation with the Ministry, these 2 channels tend to be quite separate and apart admittedly, so there is still a mixture between one and the other that of ART is very theoretical and the one of the ministry that knows us very well and knows the real actual problems of the Concessionaire is a different one, so whether we can go back and revise some of the steps of the ART resolution and its applications on concession contracts, well this is possible of course, but will stem from a demand from the ministry than from ART, for a number of reasons and first and foremost the impact for us is not meaningful, far from it. We have nothing to challenge or criticise to ask.

The other thing is, well, the conditions are…and this is the last question, getting to your last question that we will have to…how long you know to allow us to payout dividends, the answer is simply we are very willing to do that based on the recovery of traffic, this has been one of the conditions. We do not pretend to fully go back to the pre-crisis situations because we understand that this is going to take a longer time, but it would be enough to see a recovery of traffic, allowing us to feel safe. Thank you.

NICOLO PESSINA: Thank you.

OPERATOR: The next question, Roberto Letizia from Equita, please?

ROBERTO LETIZIA: Good morning, thank you. Could you go through the level of sensitivity of the traffic, the one you have, the higher level of efficiency. Could you tell us what could possibly be an EBITDA range achievable you know based on the traffic **levels** that you have indicated with the moderate

recovery starting from June for instance? I am not thinking of a full recovery, by December it will be minus 1 may be, I think that we can afford that and with this assumption of traffic, what could possibly be the EBITDA range of the Group? Could you go back to telling us what could be a possible EBITDA with a greater efficiency?

Let me go back to the question on my colleague and understand if at year end we were to have the scenario of traffic evolution you have depicted? Would that be the one allowing you to pay a dividend, could you update the trend of tenders in Brazil? What tenders should we expect and does Brazil have any delay of tender because of COVID? Also, the first 2 weeks of April in terms of traffic, could you give us a clue? Thank you very much. So much for now.

COMPANY REPRESENTATIVE: Okay, then, let me now start from the first one. The traffic possibility. Now for sure these are all estimates, forecasts on which it is quite difficult and hard to produce numbers you know and the exact EBITDA. As you were saying EBITDA also allows for, and will allow all of the actions which are now putting on the table and out in the field to cut as much as we can all of the charges and costs, which are not strictly needed to guarantee operational functions. Well, of course, we have come up with traffic scenarios whereby this recovery should take place in 2 occasions, one a recovery in June and the second one in July, so we have been overly conservative in our vision and scenario. And by year end we are not justifying the previous position, so we will get to year end where the position which is by far lower, smaller than the forecast position, the numbers, our forecast in 2019.

So we will not recover it, but hopefully things will do much better for sure, but we wanted to produce 2 scenarios, one being very, very pessimistic and the second one pessimistic anyway to be able to, you

know come up against [indiscernible] and certainly not unexpected events. These are extremely conservative scenarios, as I said. But anyway, our financial position is anyway very much in line with that of 2019, so with that we can keep the same financial position and also warrant and guarantee covenants that are also in line, so much for now, but obviously related to that the level of traffic, well, these are all sensitivity exercises as you said, so it is difficult to set a gate level, a barrier. It will be assessed together with a number of other factors, how we managed to put in place all operations and our activities rescheduled, you know all the other initiatives and projects that are all suspended except out of the [indiscernible] so a number, a host of other factors which will all contribute to providing an overall evaluation and you know reflection on what it will be possible to be done, then we will make a decision, but we are optimistic. We believe we will be able to do whatever it takes to have then a positive result.

ROBERTO LETIZIA: What are the traffic forecasts in both scenarios, can I ask you? Thank you.

COMPANY REPRESENTATIVE: Look Roberto, these are internal use scenarios to try and to figure out from our financial assets and in terms of finances what can happen in case lockdown was to be extended well beyond the current expectations. Clearly, 2020 will be a bit of a poor year economically speaking. Then we will…we have all of our financial safeguards in order to make up for this. But clearly, the lack of traffic is linked to the contingent situation. And I would like to stress something. As regards the existing concessions, the force majeure event is absolutely regulated under the rebalancing clause. So what we need to do is just wait for this to finish. And we will certainly…basically place this under the rebalancing clause.

ROBERTO LETIZIA: Does that apply also to expired or terminated concession or is it different? I'm not worried as regard the debt, because this is really the last indicator

we need to focus on at the moment, because your situation looks absolutely sustainability. Clearly, I wasn't worried about the net financial position at all. I was just trying to understand the impact of the traffic or traffic loss on expired concessions?

COMPANY REPRESENTATIVE: Well, it is postponed as Mr. Tosoni was saying. The pandemics risk is a force majeure event, and which is rebalanced. That's regard the expired or terminated concessions. We have…the management basically exceeds that period for about 2 years. But, I would see things from a slightly different perspective. So, any provisioning will be positively influenced by less traffic. So in a certain sense, there is a sort of self rebalancing in this form. ART as well the ART contract envisages that.

Also let me add something to be crystal clear. The ART contract does not basically placed the traffic related risk on the Concessionaire only. There is a 5 year rebalancing, where rates are predefined based on cost incurred, and also the level of traffic. So in a slightly different way, I am not saying that principles are perfectly aligned with the current situation and this must be stressed once again.

Also, I was referring you to Mr. Pessina's question. Now, let's carry on with our questions. The question relates on the April figures, those are not stable for the first few weeks of April the figures seem to confirm the end of March roughly.

The negative percentages are basically the same as the one showed in the last slide deck. There were some days during the week, not Easter or Easter Monday, where the block was total, because nobody had a reason to leave their house, there were no grounds for leaving your homes or your premises, because work stopped during those days. So however in April…during the last week of April, we saw a very modest rally during

the week not at weekends. And if the trend continues with slow progression of businesses openings.

Well, we are fairly confident that things will pick up even earlier than what we forecast. Another key element is a traffic mix, because the heavy duty traffic when it comes to volume of accounts for 25% of the total volumes, but in terms of revenues, it accounts for 40%, which is the fact that heavy duty traffic weathered the storm so to speak is very good. And slowly but surely, restrictions will be instant, especially for businesses. That really is a positive sign for us. And we are hopeful that a percentage reduction in traffic volume one translating reduction of revenues.

And also let me add something here. Slowly but surely, some businesses are opening up next week onwards more businesses will open. And next to this, we will have to cope with regulations on social distancing. This will clearly mean there will be and should we say there will be a shift of traffic from a public system of transportation to private vehicles, and so more people basically will drive their own cars. So we think that, as I said there will be a shift a movement from public transportation to private vehicles, because private vehicles will mean you can actually implement social distancing clearly. If you drive alone as most of us do, it is much easier to protect yourself and to distance yourself from other people. We think this will have a major impact. We can't give you a figure for that, but we think it will definitely play a role.

I lost the last bit of your question.

ROBERTO LETIZIA: Was an update on the Brazilian situation and tenders, if delays are expected due to COVID-19? And also if there any variation in the control chain?

COMPANY REPRESENTATIVE: Okay, in Brazil it's pretty straightforward. The pandemics landed there after SIAS, at a later stage. At the moment, there infection rates are growing much more slowly than what happened here initially. Thank God, I'd like to say. However, the problem is that Brazil took action and they basically undertook a number of provisions, some tenders were suspended. So, it's through Ecorodovias, we produced a number of scenarios to basically maintain all of the necessary activities up and running and basically put off all of what is not necessary, [indiscernible] control chain. You are familiar with the fact that we intend to basically get the majority stake, but we do not change our long-term strategy.

We believe that we really want to be in the driving seat when it comes to this platform that we want to build on and further develop, but this is not the time for taking actions, so it's just basically wait and see given the very difficult moment we're all experiencing.

OPERATOR: The next question is by and Enrico Bartoli. You have the floor.

ENRICO BARTOLI: A couple of questions from my side. I would like to go back to the resolution #38. Could you give us some background on the technicalities of this regulation? If the Concessionaire risk is linked to the limited return on investments in the extension period or if there is something else we should be aware of?

And second question, CAPEX, can you tell us a bit about the first months of 2020 and to what extent CAPEX slowed down versus your budget? And so what would be the delta versus sort of what you planned?

And one question about the dividend. I was wondering that at year end you may decide to go for paying dividends, you would maintain a payout ratio of 60%. And [indiscernible] will be linked to the reporting of 2019?

And one more question, going back to Brazil. Following the [indiscernible] with the authorities in Sao Paolo, I was wondering whether there is any likelihood to make agreements with other concessions. But also, could you remind us of the impact on concessions when it comes to basically recovering traffic volumes and [indiscernible] years. I was wondering whether [indiscernible] you also have this recovery mechanism as you have a need to do basically. Thank you.

COMPANY REPRESENTATIVE: [Indiscernible]. As regards the Resolution 38, there isn't a direct to link with that. Our expired Concessionaire challenged it as a whole, so we are identifying a number of accounts shall we say for this challenge with our legal team, we think this resolution is not to be applied. So we basically do not consider what…we take act of the fact…we take note of the fact that the replay [ph] of the resolution by CIPE happened. We are confident that our legal…we are confident that this challenge will be accepted.

Clearly, we are well aware of that the judiciary process is a very lengthy. But we think that these challenges will be upheld and so we are fully aware that a resolution by CIPE could take place. So if our challenge was upheld, we still have some elements that we need to discuss with the ministry. The Concessionaire risk also covers some other provisioning that fall under other items that are still existing, so there is a sort of the cases there. And we really assessed [ph] it jointly with our legal team and the experts, consultants.

We also consulted our admin and finance experts to assess the impacts on financial statements. So that's it, we have our risk charges, but when you see the concession charges that applies to the CIPE resolution, but also to other sources of risk. Bear in mind the fact that those 2 expired

concessions came to an end. And so it is acceptable, you know, it is acceptable, it's perfectly acceptable that something goes up in a way over the years. And so that's my sum up with discussion with our experts.

COMPANY REPRESENTATIVE: Then there was a question on CAPEX, right? Let me tell you the following, our data refers to previous months, that is to say March, when the impact wasn't as massive. What we are seeing in the first week of April is not stabilized yet. But let's say that this is aligned with our forecast, because it is based on the provisions given by the authorities clearly. So the reduction over 50%. Well, yes, it's about 60% could reach 70%. But for the time being, we are currently at minus 57%.

Then there was a question on the dividend, right? The dividend policy is what we have confirmed our usual 160% of the net consolidated profit basically.

ENRICO BARTOLI ANALYST: The reported one, you mean?

COMPANY REPRESENTATIVE: Yes.

ENRICO BARTOLI: Okay.

COMPANY REPRESENTATIVE: With regard to your very last question Enrico. It was about [indiscernible]. There is good news. In Brazil, there is a way to make things up. There are basically contractual mechanisms to rebalance traffic flows. The situation is rather negative here in Italy. So reforms to the COVID prices and the rebalancing instruments are there and we will make use of them.

I don't know whether there were other questions?

ENRICO BARTOLI: Oh, yes, agreements, further agreements with other concessions?

COMPANY REPRESENTATIVE: Well, with Paraná and São Paulo, we basically cleared the air and we closed all of past deals. So we are very confident about that. We closed all of the outstanding issues.

As regards new opportunities…new business opportunities that might come up. Well, same applies here in Italy, following an emergency like this. And mind you, we are in a very sound condition, both financial…and financially and from an industrial standpoint, we have a very well…very active and dynamic team. So we are ready to restart and to grasp opportunities that might come up. And so, for Brazil, we adopt very same approach we have in Italy. We are ready and willing to work in our…and if you want in our context. And we do not want to basically go out of our limit and our competence area.

Nonetheless, if there were some golden opportunities following the crisis, we would go for that, because we are fairly confident that opportunities lie ahead. There will be opportunities to do work. So you know, really business opportunities and we think that it will be the same in Brazil. So we're really very watchful. And there are many different positive aspects in Brazil.

Hopefully in Brazil, they won't see such an exponential growth of cases. And for the time being, things do not look as bad as they might. The public administration in Brazil is much less bureaucratic than Italy and so they can make snap decisions, and they can react much faster. And this is one factor.

The other factor is positive signals, in the sense that the harvest season was very good. And you know, probably that most of the heavy-duty

trucks driving along Brazilian motorways actually transport produce and so agricultural products, grains, soya beans, many others. And so, since the harvest was very good, there is an increase in the number of trucks driving along our roads and that is certainly positive for our heavy duty traffic.

ENRICO BARTOLI: Thank you.

ANALYST: This is Marco [indiscernible]. Good morning and thank you. Talking about the provisions, the one that was done in 2019, should the course to the court fail, are you going to have to provide for more provisions? Or what has been provided for is enough already? Then I'd like to understand, back to EBITDA 2019. What was the impact of IFRS 16, IFRS…because the CAPEX level indicated for March was at 265 whilst the overall CAPEX and cash flow is €100 more million? So does that include an impact which is also to this provision and will have an impact on depreciations and on EBITDA? The final question is, could you confirm that you have done an offering for [indiscernible] together with your partner. Is this the right time to make highly meaningful investment? Thank you very much.

COMPANY REPRESENTATIVE: Okay. Back to provisions. Well, obviously we have challenged the resolution, the decision. Should this not be successful, we would feel certain indications the provisions we made do not cover for the negative consequences of a resolution. This resolution however, alas [ph] came out in October with a concept which…of efficacy which does not apply for us. You cannot intervene, it expired in 2016 and then the other one in 2017 and provision that will start being effective starting from October.

Well, we fully challenge the possibility of a retro activity. So this in itself is already [indiscernible] what the effect and implications of a non-

acceptance of our challenge. But obviously, the provisions which we have may…the result of the resolution. Otherwise, we wouldn't have challenged this. May I add that the topics…the arguments that we never brought up in our challenge because we thought that this was not part of the goal of this presentation.

In essence, in addition to the procedural side of the story, as we were saying, God Forbid you know foreseeing any final result, you know it's useless. We feel in peace stating that it is not possible to downgrade a status of a Concessionaire down to a provider of a pure service without even having a profit. Just to cover the mere costs run. This is not legal, not even rational…understandable because our status is not changing. We used to the Concessionaire before of a contract and we are still Concessionaire even though some of you, you know forces us to stay there with the responsibility [indiscernible].

Let me take something, an example from the labor code. If you continue with the same responsibilities and the same structures, and you report to the same person. Actually, you can legitimately claim something and this is going to be fully paid which is the reason why we feel, you know, relaxed in our interpretation. Everything is legitimate, you know, law making contracts, but contracts has to be respected by both sides. It's not about a unilateral decision. But contracts are there and they regulate in at least 2 in 3 concessions, the expired one and the 2-year interim period. This gives me an idea of the mechanism of version. 2 years provided for by-contract so they guarantee a certain treatment. The following one however requires more caution in terms of a provision. Our expectation has been sounded by technical, legal analysis, international regulators. They all confirm the role of a Concessionaire. The risks it has also economic implications.

Regarding, debts, the effects of the debts, of the application of IFRS 16. Well, we have a short…long term debt of €59 million, 22 drive-in from the first-time adoption shifting to this system January the 1st as of January the 1st of 2019 and 37 that have come along during the year. This is part of the construction world, renting equipment, machines, apparatus; it is very widespread as a mode of working.

Operational renting are broadly resulted to…as for the final net outcome, this application doesn't [indiscernible] major effect. If we get an EBITDA improvement which is then compensated for by more depreciation, the effect will weigh on the net result, the net profit.

Final question which is, I confirm that we have presented an offering which is not binding, so we are very much interested. The scenario is rapidly changing. As we were thinking [indiscernible] continues to be an excellent opportunity at time which I repeat is complicated and be ready, as I would say to pick up and seize the opportunity is the true strength in this case, as it's now. And on this, we are by far ready very much so. So, I think, I can say that we are now assessing, considering any condition even the sales people have modified their claims, their demands coming up against the reality of facts with a drop of traffic which is also important, even more important than for others because their structure is quite different from other Concessionaire, different from ours, which is very much driven by heavy wait, but in Portugal, for instance, it is down to zero. And it's very much seasonal because the tourist traffic is more relevant. So, yes, by all means, we are interested, the offer has been tabled and presented and we are now poised to address the upcoming stages. We'll see what will happen, I mean we were ready. Thank you.

OPERATOR: Next question, a follow up from Roberto Letizia, Equita, please.

ROBERTO LETIZIA: Now a flash question, what would have been the profit from 174 adjusted profit, what would have been the profit with the effects of the merger combined, I mean, in 2019? Thank you. Of the 126 of minorities of the adjusted results, how much of those are SIAS minorities that will disappear following the merger? Thank you.

COMPANY REPRESENTATIVE: I'm trying to get the specific number. Now, the merger had a legal effect on December 21. So, the legal effects of the merger came on December, firstly, accounting effects are back to January 01st.

Absolutely it is applied one declaration, one report of one financial statement, the fiscal merger activities, in terms of distribution; it is as if the merger didn't take place. So, as a result, we can see that on this share, Groups share of third parties some I think for instance in the sanctions in Brazil have a major weight. Brazil was divided between 40:60 SIAS and ASTM.

ROBERTO LETIZIA: So, nearly out of the share, 85% of this investigation goes to the Group, to the corporates shares, which already explains the Group's results, which is low over the expected number. The effects of these minorities from €93 million it would go down to €30 million, the reported result [indiscernible] the difference is the same that €30 million that remains, so the Group's result post merger would be around €370 million. Is that correct? Is that right?

COMPANY REPRESENTATIVE: €170 million, yes. But, it's €126 million of minorities which do not appear at the results after the merger. So both of those €176…sorry €297 million. We would land down to €260 million.

ROBERTO LETIZIA: Okay, perfect.

COMPANY REPRESENTATIVE: And that effect will not will no longer be there next year.

ROBERTO LETIZIA: Okay, so another question. Let me just give you another vision, which is not covered much, the terminal value, the terminal value, which continues to be right. This is something that expires and it should be given, but it's still up there, in the air suspended.

COMPANY REPRESENTATIVE: The counterparty must not be so…a sanction because it has to keep the terminal value of frozen because they are right. We weren't entitled to receive a special upon the 2 year expiry date of service, public service. We were entitled to receive our compensation. So, a whole new issue is opened up, we could sue the Grantor, which is forcing us to stick to where we are, without negotiating, or agreeing to their condition. I do not think that this is feasible for a public administration. Thank you.

ROBERTO LETIZIA: Thank you.

OPERATOR: At the moment, ladies and gentlemen, there are no additional questions.

COMPANY REPRESENTATIVE: Okay.

GIUSEPPE AGOGLIATI: If that is the case, and we don't have any questions, we close our conference call of the presentation of 2019. We thank all participants and remind them that we are most ready to step up to them if they have any additional clarifications, please do contact us. Thank you very much and bye-bye. Thank you.