autostrade per l'italia

Press release

AUTOSTRADE PER L'ITALIA GROUP'S QUARTERLY RESULTS ANNOUNCEMENT FOR THREE MONTHS ENDED 31 MARCH 2019

Consolidated results for Q1 2019[1]

- **Traffic on Group's motorway network up 2.0%**
- **Operating revenue of €896m up €23m**
- **Gross operating profit (EBITDA) of €484m down €55m (down €5m on like-for-like basis)**
- **Profit attributable to owners of parent amounts to €146m, down €39m (down €4m on like-for-like basis)**
- **Capital expenditure totals €125m**
- **Operating cash flow totals €246m, down €129m (up €8m on like-for-like basis)**
- **Group's net debt at 31 March 2019 totals €8,825m, almost unchanged with respect to 31 December 2018**

Rome, 10 May 2019 – The Board of Directors of Autostrade per l'Italia SpA, chaired by Giuliano Mari, met on 9 May 2019 to approve the Autostrade per l'Italia Group's quarterly results announcement for the three months ended 31 March 2019 ("Q1 2019").

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(1) In addition to the reported amounts in the consolidated financial statements, this press release also presents and analyses alternative performance indicators ("APIs"), such as EBITDA, operating cash flow and capital expenditure. A detailed description of the principal APIs used in the following consolidated financial review, including an explanation of the term "like-for-like basis", used in describing changes in certain consolidated financial indicators, is provided in the "Explanatory notes" below.

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Operating review for the principal Group companies

Traffic performance

Traffic on the motorway network operated by Autostrade per l'Italia and the Group's other motorway operators rose 2.0% in the first quarter of 2019, compared with the same period of 2018. The number of kilometres travelled by vehicles with 2 axles is up 1.6%, with the figure for those with 3 or more axles up 3.8%.
The comparison with the first quarter of 2018 is influenced by the negative impact of the heavy snowfall seen between the end of February and early March 2018, partially offset by the fact that Easter week was earlier in 2018 (Easter Sunday was on 1 April in 2018). After stripping out these factors, traffic on Autostrade per l'Italia network in up 1.4%.

	KM TRAVELLED (IN MILLIONS) (1)		
OPERATOR	Q1 2019	Q1 2018	% CHANGE
Autostrade per l'Italia	10,350.3	10,144.8	2.0%
Autostrade Meridionali	390.2	389.3	0.2%
Tangenziale di Napoli	226.5	223,3	1.5%
Autostrada Tirrenica	47,4	45,8	3.4%
Raccordo Autostradale Valle d'Aosta	27,4	26,8	2.1%
Società Italiana per il Traforo del Monte Bianco	2,7	2,7	-0,1%
Total Italian operators	**11,044.5**	**10,832.8**	**2.0%**

(1) The figures for March 2019 are provisional.
The figures are in millions of kilometres travelled, after rounding to the nearest decimal place.

Capital expenditure

Capital expenditure by Autostrade per l'Italia and the Group's other motorway operators in the first quarter of 2019 amounts to €125m.

€M	Q1 2019	Q1 2018
Autostrade per l'Italia -projects in Agreement of 1997	47	47
Autostrade per l'Italia - projects in IV Addendum of 2002	27	12
Autostrade per l'Italia: other capital expenditure (including capitalised costs)	43	26
Other operators (including capitalised costs)	2	2
Total investment in infrastructure operated under concession	**119**	**87**
Investment in other intangible assets	4	4
Investment in property, plant and equipment	2	2
Total capital expenditure	**125**	**93**

With regard to the works envisaged in the Agreement of 1997, work continued in the first quarter of 2019 on widening the A1 between Barberino and Florence North to three lanes, with mechanical boring of the Santa Lucia Tunnel currently under way alongside the existing motorway, and between Florence South and Incisa, where work is in progress on Lot 1 North. Work is also continuing on completion of off carriageway works for the *Variante di Valico* and the Florence North-Florence South section.

In terms of the works contained in the IV Addendum of 2002, work continued in the first quarter of 2019 on construction of link roads serving the Municipality of Fano, connected with the widening of the A14 motorway to three lanes, already opened to traffic.

With regard to the new road and motorway system serving Genoa (the so-called "*Gronda di Genova*"), for which the final design was approved by the Grantor in September 2017, the related detailed designs for all the 10 lots forming the project were submitted to the Ministry of Infrastructure and Transport between February and August 2018. Preparations for the start-up of work are in progress (expropriations, the movement of existing services interfering with construction, surveys, etc.) whilst awaiting the Grantor's approval of the designs.

Autostrade per l'Italia's other capital expenditure includes approximately €20m invested in major works, primarily construction of the fourth free-flow lane for the A4 in the Milan area and improvements to feeder roads for the Tuscan stretch of the A1, as well as amounts earmarked to fund work on sections already open to traffic.

Group financial review

Introduction

The international financial reporting standards (IFRS) endorsed by the European Commission and in effect as at 31 March 2019 were used in the preparation of the accounts for the first quarter of 2019.

With regard to the new IFRS in effect, IFRS 16 "Leases" was adopted for the first time from 1 January 2019. This has not, however, had a significant impact on the operating results and financial position for the first quarter of 2019. Following the acquisition of the Abertis group, in view of certain pre-existing differences with regard to presentation and the use of performance indicators by the Abertis group with respect to the Atlantia Group, the Autostrade per l'Italia Group's reclassified consolidated income statement for the first quarter of 2018 - in line with that of the Atlantia Group - includes certain differences with respect to the information published in the results announcement for the three months ended 31 March 2018. In particular, the item corresponding to provisions and uses of provisions for repair and maintenance and provisions for risks and charges has been included in the components that contribute to EBITDA. It should be noted, instead, that certain work of an extraordinary nature, relating to renewal of the infrastructure operated by Società Italiana per Azioni per il Traforo del Monte Bianco, continues to be presented below EBITDA for the first quarter of 2018 in "Amortisation, depreciation, impairment losses, reversals of impairment losses and provisions for renewal work". As a result, the changes have not had an impact on the Autostrade per l'Italia Group's EBITDA with respect to the amount reported in the results announcement for the three months ended 31 March 2018.

The scope of consolidation as at 31 March 2019 is unchanged with respect to 31 December 2018.

With regard to the collapse of a section of the Polcevera road bridge on the A10 Genoa-Ventimiglia motorway on 14 August 2018, work relating to demolition and reconstruction of the road bridge is proceeding, whilst support for the people and businesses directly affected by the collapse continues to be provided. No further provisions were made in the first quarter of 2019 and the total cost reported in the financial statements for the year ended 31 December 2018, amounting to €502m (including €454m in provisions), is therefore broadly unchanged.

In particular, during the first quarter of 2019, Autostrade per l'Italia made available a total of €178m at the request of the Special Commissioner for Genoa, without prejudice to the reservations expressed in correspondence with the Commissioner and in the legal challenges brought. This sum handed over amounts to €122m after deducting the payment on account made in relation to the start-up of work and VAT, which were included in the provisions made as at 31 December 2018. The funds provided are essentially connected with preparations for reconstruction of the road bridge. In addition, the sum of €24m was paid in the first quarter of 2019 in the form of compensation for the families of the victims and those injured as a result of the collapse. This sum was also already included in the provisions made as at 31 December 2018. Finally, the decision to exempt road users in the Genoa area from the payment of tolls during the first quarter of 2019 has resulted in a reduction in toll revenue of €5m.

Consolidated operating results

"**Operating revenue**" for the first quarter of 2019 totals €896m, up €23m on the same period of 2018 (€873m).

"**Toll revenue**" of €814m is up €18m on the same period of 2018 (€796m), primarily due to traffic growth of 2.0% (2.2% also taking into account the positive effect of the traffic mix). The decision to exempt road users in the Genoa area from the payment of tolls during the first quarter of 2019 has resulted in an estimated reduction in toll revenue of approximately €5m.

"**Other operating income**" amounts to €82m (broadly in line with the first quarter of 2018).
"**Net operating costs**" of €412m are up €78m on the same period of 2018 (€334m).
The "**Cost of materials and external services**" amounts to €249m, an increase of €143m compared with the first quarter of 2018 (€106m). This reflects the costs connected with preparations for the start of work on reconstruction of the Polcevera road bridge (€123m), which has essentially had a zero impact on EBITDA as these costs were covered by the use of provisions for repair and replacement (€122m) accounted for in the "Operating change in provisions". After stripping out the above charges linked to the events of 14 August 2018, the cost of materials and external services is up €20m, primarily due to increased network maintenance, including resurfacing work, which in 2018 was impacted by new and more complex tender procedures (launched in 2017).

“**Concession fees**”, totalling €105m, are up €2m compared with the first quarter of 2018 (€103m), primarily reflecting the component of tolls corresponding with the additional concession fee payable to ANAS, also accounted for in toll revenue.

“**Net staff costs**” of €123m are down €2m on the same period of 2018 (€125m). This essentially reflects an increase in the capitalised portion of such costs and a slowdown in turnover (a reduction of 81 on average), above all among toll collectors, partially offset by an increase in the average cost.

The **“Operating change in provisions”** generated income of €65m (zero in the first quarter of 2018). After stripping out the impact of use of the provisions for the repair and replacement of motorway infrastructure to fund preparations for the reconstruction of the Polcevera road bridge (€122m, for which provision had already been made as at 31 December 2018), the item registers an expense of €57m, primarily reflecting the performance of the interest rates used to adjust the present value of the provisions for the repair and replacement of Autostrade per l’Italia’s motorway infrastructure (an increase of €44m), partially offset by an updated estimate of the repairs to be carried out on the network over the concession term (an increase of €13m).

“**Gross operating profit**” **(EBITDA)** of €484m is thus down €55m compared with the first quarter of 2018 (€539m). On a like-for-like basis, EBITDA for the period is down €5m (1%).

“**Amortisation and depreciation, impairment losses and reversals of impairment losses**”, totalling €168m, is up €14m on the first quarter of 2018 (€154m).

“**Operating profit**” **(EBIT)** of €316m is thus down €69m on the first quarter of 2018 (€385m).

“**Net financial expenses**” of €105m are down €6m compared with the same period of 2018 (€111m), essentially reflecting the reduced amount of debt in the first quarter of 2019.

The “**Share of the (profit)/loss of investees accounted for using the equity method**” amounts to a loss of €1m (a loss of €3m for the first quarter of 2018), reflecting the Group’s share of the profit or loss of its associates.

“**Income tax expense**” of €63m is down €19m compared with the first quarter of 2018 (€82m), broadly in line with the reduction in pre-tax profit from continuing operations.

“**Profit for the period**” thus amounts to €147m, a reduction of €42m compared with the first quarter of 2018 (€189m). On a like-for-like basis, profit for the period is down €4m (2%).

“**Profit for the period attributable to owners of the parent**”, amounting to €146m, is down €39m compared with the first quarter of 2018 (€189m). On a like-for-like basis, profit for the period attributable to owners of the parent is down €4m (2%).

“**Profit attributable to non-controlling interests**” amounts to €1m, a reduction of €3m compared with the first quarter of 2018 (€4m).

RECLASSIFIED CONSOLIDATED INCOME STATEMENT [(*)]

€m	Q1 2019	Q1 2018	Increase/(Decrease) Absolute	%
Toll revenue	814	796	18	2
Other operating income	82	77	5	6
Total operating revenue	**896**	**873**	**23**	**3**
Cost of materials and external services	-249	-106	-143	n/s
Concession fees	-105	-103	-2	2
Net staff costs	-123	-125	2	-2
Operating change in provisions	65	-	65	n/s
Total net operating costs	**-412**	**-334**	**-78**	**23**
Gross operating profit (EBITDA)	**484**	**539**	**-55**	**-10**
Amortisation, depreciation, impairment losses, reversals of impairment losses and provisions for renewal work	-168	-154	-14	9
Operating profit (EBIT)	**316**	**385**	**-69**	**-18**
Financial income/(expenses), net	-105	-111	6	-5
Share of profit/(loss) of investees accounted for using the equity method	-1	-3	2	-67
Profit/(Loss) before tax from continuing operations	**210**	**271**	**-61**	**-23**
Income tax expense	-63	-82	19	-23
Profit/(Loss) from continuing operations	**147**	**189**	**-42**	**-22**
Profit/(Loss) from discontinued operations	-	-	-	-
Profit for the period	**147**	**189**	**-42**	**-22**
(Profit)/Loss attributable to non-controlling interests	1	4	-3	-75
(Profit)/Loss attributable to owners of the parent	**146**	**185**	**-39**	**-21**

	Q1 2019	Q1 2018	Increase/ (Decrease)
Basic earnings per share attributable to the owners of the parent (€)	**0,23**	**0,30**	**-0,07**
of which:			
- from continuing operations	0,23	0,30	-0,07
- from discontinued operations	-	-	-
Diluted earnings per share attributable to the owners of the parent (€)	**0,23**	**0,30**	**-0,07**
of which:			
- from continuing operations	0,23	0,30	-0,07
- from discontinued operations	-	-	-

(*) The reconciliation with the statutory consolidated income statement is provided in the section, “Explanatory notes”.

Consolidated financial position

As at 31 March 2019, “**Non-current non-financial assets**”, totalling €18,284m, are down

€78m compared with 31 December 2018 (€18,362m). This primarily reflects the amortisation of intangible assets deriving from concession rights (€146m), partially offset by investment during the period in construction services for which additional economic benefits are received (€31m) and an updated estimate of future investment in construction services for which no additional benefits are received (€24m).

"**Working capital**" reports a negative balance of €2,107m (a negative balance of €2,256m as at 31 December 2018). The reduction of €149m essentially reflects a decrease in the current portion of provisions (€147m), mainly in relation to both the above use of provisions for the repair and replacement of motorway infrastructure to fund preparations for the reconstruction of the Polcevera road bridge (€122m), and the use of provisions for charges essentially to pay compensation to the families of the victims and the injured (€24m).

"**Non-current non-financial liabilities**", totalling €4,424m, are down €25m compared with 31 December 2018 (€4,449m). This primarily reflects:

a) a reduction of €98m in the non-current portion of provisions for construction services required by contract, essentially due to reclassification of the current portion (€125m);
b) an increase in the non-current portion of other provisions, totalling €67m, primarily following an updated estimate of the present value on completion of the works to be carried out on the repair and replacement of motorway infrastructure.

As a result, "**Net invested capital"** totals €11,753m, an increase of €96m on the figure for 31 December 2018 (€11,657m).

"Equity" amounts to €2,928m (€2,844m as at 31 December 2018). "**Equity attributable to owners of the parent**", totalling €2,581m, is up €88m compared with 31 December 2018 (€2,493m). This essentially reflects profit for the period (€146m), partially offset by an increase in fair value losses on cash flow hedges (€58m, after the related taxation). "**Equity attributable to non-controlling interests**" of €347m is down €4m compared with 31 December 2018 (€351m), reflecting profit for the period (€1m), partially offset by the dividends paid by a number of Group companies to non-controlling shareholders (€5m).

The Group's "**Net debt**" as at 31 March 2019 amounts to €8,825m, an increase of €12m compared with 31 December 2018 (€8,813m).

RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*)

€m	31 March 2019	31 December 2018	Increase/ (Decrease)
Non-current non-financial assets (A)	18.284	18.362	-78
Working capital (B)	-2.107	-2.256	149
Gross invested capital (C=A+B)	16.177	16.106	71
Non-current non-financial liabilities (D)	-4.424	-4.449	25
NET INVESTED CAPITAL (E=C+D)	11.753	11.657	96
Equity attributable to owners of the parent	2.581	2.493	88
Equity attributable to non-controlling interests	347	351	-4
Total equity (F)	2.928	2.844	84
Non-current net debt (G)	9.364	9.850	-486
Current net funds (H)	-539	-1.037	498
Net debt (I=G+H)	8.825	8.813	12
NET DEBT AND EQUITY (L=F+I)	11.753	11.657	96

(*) The reconciliation with the statutory consolidated statement of financial position is provided in the section, "Explanatory notes".

As at 31 March 2019, the Group has cash reserves of €2,739m, consisting of €1,171m in cash and/or investments maturing in the short term, €213m in term deposits allocated to finance the execution of construction services and €1,355m in undrawn committed lines of credit.

The Group has lines of credit with a weighted average residual term to maturity of approximately six years and two months and a weighted average residual drawdown period of approximately three years.

The residual weighted average term to maturity of the Group's interest-bearing debt is approximately six years as at 31 March 2019. 99% of the Group's interest-bearing debt is fixed rate, taking into account the hedging derivative instruments entered into. In addition, 9% of the Group's debt is denominated in currencies other than the euro (sterling and yen).

The average cost of the Group's medium/long-term borrowings in the first quarter of 2019 was approximately 3.5%.

Consolidated cash flow

"**Net cash from operating activities**" in the first quarter of 2019 amounts to €198m, a reduction of €94m compared with the first quarter of 2018 (e292m). This reflects a combination of the following:

- a reduction of €129m in operating cash flow, with an outflow of €137m linked to the cost of demolition and reconstruction of the Polcevera road bridge and the compensation paid to the families of the victims and the injured. On a like-for-like basis, operating cash flow for the first quarter of 2019 is up €8m (2%) on the first quarter of 2018.
- a reduction in the outflow for movements in operating capital and non-financial assets and liabilities (totalling €35m). Cash flows for the first quarter of 2019 reflect the increase in other current assets following payments on account for demolition and reconstruction work, as requested by the Special Commissioner for Genoa (€46m, after VAT), whilst the figure for the first quarter of 2018 was primarily influenced by a decrease in trade payables resulting from reduced capital expenditure in the first quarter of 2018, compared with the last quarter of 2017 (€83m).

"**Cash used for investment in non-financial assets**", totalling €128m, is up €25m on the first quarter of 2018 (€103m), primarily due increased capital expenditure in the period (€32m).

"**Net equity cash outflows**" of €5m in the first quarter of 2019 are in line with the same period of 2018 (€6m). These outflows reflect dividends declared by Group companies for payment to non-controlling shareholders.

In addition, other changes during the first quarter of 2019 have resulted in an increase of €77m in net debt. This reflects an increase in fair value losses on derivative financial instruments (€74m), due to the reduction in the relevant interest rates recorded as at 31 March 2019. On the other hand, other changes during the first quarter of 2018 resulted in a decrease of €53m in net debt, above all due to recognition of the impact of first-time adoption of IFRS 9 (€34m before the related taxation).
The overall impact of the above cash flows increased net debt by €12m in the first quarter of 2019, compared with 31 December 2018.

CONSOLIDATED STATEMENT OF CHANGES IN NET DEBT (*)

€m	Q1 2019	Q1 2018
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Operating cash flow	246	375
Change in operating capital	-24	-98
Other changes in non-financial assets and liabilities	-24	15
Net cash generated from/(used in) operating activities (A)	**198**	**292**
NET CASH FROM/(USED IN) INVESTMENT IN NON-FINANCIAL ASSETS		
Capital expenditure	-125	-93
Purchases of investments	-3	-10
Net cash from/(used in) investment in non-financial assets (B)	**-128**	**-103**
NET EQUITY CASH INFLOWS/(OUTFLOWS)		
Dividends declared by Autostrade per l'Italia and Group companies and payable to non-controlling shareholders	-5	-6
Net equity cash inflows/(outflows) (C)	**-5**	**-6**
Increase/(Decrease) in cash and cash equivalents during period (A+B+C)	**65**	**183**
Other changes in net debt (D)	**-77**	**53**
Decrease/(Increase) in net debt for period (A+B+C+D)	**-12**	**236**
Net debt at beginning of period	**-8.813**	**-9.351**
Net debt at end of period	**-8.825**	**-9.115**

(*) The reconciliation with the statutory consolidated statement of cash flows is provided in the section, "Explanatory notes".

Regulatory and legal aspects

Transport Regulator – Tariff regimes

On 29 March, Autostrade per l'Italia, alongside other operators (both members and non-members of Aiscat), filed a legal challenge with Piedmont Regional Administrative Court contesting resolution 16 issued by the Transport Regulator ("ART") on 18 February 2019. The legal action challenges the legality of the resolution, alleging that the regulator has exceeded its powers and does not have the authority to establish tariff regimes in connection with Autostrade per l'Italia's Single Concession Arrangement, as well as accusing ART of violating EU and constitutional norms regarding legal certainty and legitimate expectations. In addition, the Company also took part in the relevant consultation process, contesting the scope of application of the tariff regime devised by ART on the basis of the same arguments presented in the above legal challenge, and submitting its observations on the related financial aspects.

Based on the terms of the consultation, the procedure is scheduled to be completed by 28 June 2019.

For the purposes of full disclosure, on 2 April 2019, Autostrade per l'Italia lodged an extraordinary appeal with the President of Italy against the memorandum issued by the Ministry of Infrastructure and Transport on 4 December 2018, in which the Ministry brought an indefinite halt to the process of revising the financial plan, in view of the authority assigned to ART.

Correspondence with the Ministry of Infrastructure and Transport regarding the procedure initiated following the collapse of a section of the Polcevera road bridge

On 3 May 2019, Autostrade per l'Italia responded to the requests for clarification received from the Grantor on 16 August and 20 December 2018 and on 5 April 2019. The document, which has been presented within the deadline set by the Ministry, repeats the Company's belief that it has acted properly and reiterates its concerns and objections regarding the procedure initiated. Autostrade per l'Italia expressed a willingness to provide further information if requested to do so.

Outlook and risks or uncertainties

We expect to record a broadly stable operating performance in 2019 compared with the previous year on a like-for-like basis (after excluding non-recurring items connected with the collapse of the Polcevera road bridge in Genoa). The Group's results are, in any event, subject to the impact of movements in the interest rates used to discount provisions for the repair and replacement of motorway infrastructure.

In order to ease the worst bottlenecks in the country's infrastructure and to also support Italy's growth and competitiveness, Autostrade per l'Italia continues to be ready to start work on a series of new projects. This will involve total investment of over €6bn in projects on which work can begin before the end of 2019, in addition to €1.7bn for projects on which work could start in 2020.

Finally, we feel it is necessary to reiterate the potential risks resulting from the letter of complaint sent to Autostrade per l'Italia by the Ministry of Infrastructure and Transport on 16 August 2018, alleging serious breaches of the Company's contractual obligations in relation to the collapse of the Polcevera road bridge, from the subsequent letter of 20 December 2018 and, latterly, from the letter of 5 April 2019, in which the Ministry (the Grantor of the company's concession) detailed its allegations regarding the Company's alleged failure to meet its obligations relating to the safety and maintenance of the road bridge. The Company replied to these letters on 3 May 2019, stating its belief that it has provided ample evidence that it has acted correctly and reiterating its concerns and objections regarding the procedure initiated.

Explanatory notes

Like-for-like performance indicators

The following table shows a reconciliation of like-for-like consolidated amounts, for the two comparative periods, for gross operating profit (EBITDA), profit for the period, profit for the period attributable to owners of the parent and operating cash flow and the corresponding amounts presented in the reclassified consolidated financial statements shown above.

		Q1 2019				Q1 2018			
€m	Note	Gross operating profit (EBITDA)	Profit for the period	Profit attributable to owners of the parent	Operating cash flow	Gross operating profit (EBITDA)	Profit for the period	Profit attributable to owners of the parent	Operating cash flow
Reported amounts (A)		**484**	**147**	**146**	**246**	539	189	185	375
Adjustments for non like-for-like items									
Impact connected with collapse of a section of the Polcevera road bridge	(1)	-6	-4	-4	-137	-	-	-	-
Change in discount rate applied to provisions	(2)	-38	-30	-27	-	6	4	4	-
Sub-total (B)		**-44**	**-34**	**-31**	**-137**	6	4	4	-
Like-for-like amounts (C) = (A)-(B)		**528**	**181**	**177**	**383**	533	185	181	375

Notes:

The term "like-for-like basis", used in the above consolidated financial review, indicates that amounts for comparative periods have been determined by eliminating:

1) from consolidated amounts for the first quarter of 2019, the reduction in toll revenue, the charges recognised in the income statement and the impact on operating cash flow of payment of a part of the amounts for which provision was already made as at 31 December 2018, after the related taxation;
2) from consolidated amounts for the first quarters of 2019 and 2018, the after-tax impact of the difference in the discount rates applied to the provisions accounted for among the Group's liabilities.

Alternative performance indicators

The Group's performance is assessed on the basis of a number of alternative performance indicators ("APIs"), calculated on the same basis used in the Group's Annual Report for 2018, to which reference should be made. In application of the CONSOB Ruling of 3 December 2015, governing implementation in Italy of the guidelines for alternative performance indicators ("APIs") issued by the European Securities and Markets Authority (ESMA), the composition of each indicator and reconciliations with reported amounts are provided below:

- "**Gross operating profit (EBITDA)**", the synthetic indicator of earnings from operations, calculated by deducting the operating change in provisions and operating costs, with the exception of amortisation, depreciation, impairment losses, reversals of impairment losses and provisions for the costs to be incurred over time in relation to the renewal of infrastructure operated under concession by Società Italiana per Azioni per il Traforo del Monte Bianco ("SITMB"), from operating revenue;
- "**Operating profit (EBIT)**", the indicator that measures the return on the capital invested in the business, calculated by deducting amortisation, depreciation, impairment losses, reversals of impairment losses and the above provisions for the costs to be incurred over time in relation to the renewal of infrastructure operated under concession by SITMB from EBITDA. Like EBITDA, EBIT does not include the capitalised component of financial expenses relating to construction services, which is shown in a specific item under financial income and expenses in the reclassified income statement, whilst being included in revenue in the consolidated income statement in the statutory financial statements;
- "**Net invested capital**", showing the total value of non-financial assets, after deducting non-financial liabilities;
- "**Net debt**", indicating the portion of net invested capital funded by net financial liabilities, calculated by deducting "Current and non-current financial assets" from "Current and non-current financial liabilities";

- "**Capital expenditure**", indicating the total amount invested in development of the Group's businesses, calculated as the sum of cash used in investment in property, plant and equipment, in assets held under concession and in other intangible assets, excluding investment linked to transactions involving investees;
- "**Operating cash flow**", indicating the cash generated by or used in operating activities. Operating cash flow is calculated as profit for the period + amortisation/depreciation +/- impairments/reversals of impairments of assets +/- provisions/releases of provisions in excess of requirements and uses of provisions + other adjustments + financial expenses from discounting of provisions +/- share of profit/(loss) of investees accounted for using equity method +/- (losses)/gains on sale of assets +/- other non-cash items +/- deferred tax assets/liabilities recognised in profit or loss.

A number of APIs, calculated as above, are also presented after certain adjustments applied in order to provide a consistent basis for comparison over time. These "like-for-like changes", used in the analysis of changes in gross operating profit (EBITDA), profit for the period, profit for the period attributable to owners of the parent and operating cash flow, have been calculated by excluding, where present, the impact of: (i) changes in the scope of consolidation, and (ii) events and/or transactions not strictly connected with operating activities that have an appreciable influence on amounts for at least one of the two comparative periods. The section, "Explanatory notes – Like-for-like performance indicators", included in this announcement, provides a reconciliation of like-for-like indicators and the corresponding amounts presented in the reclassified consolidated financial statements, in addition to details of the adjustments made.

Reconciliation of the reclassified and statutory financial statements

Reconciliations of the income statement, statement of financial position and statement of cash flows, as prepared under IFRS, with the corresponding reclassified financial statements presented above are shown below.

RECONCILIATION OF THE CONSOLIDATED INCOME STATEMENT WITH THE RECLASSIFIED CONSOLIDATED INCOME STATEMENT

€m

Reconciliation of items	Q1 2019						Q1 2018					
	Reported basis			Reclassified basis			Reported basis			Reclassified basis		
	Ref.	Sub-items	Main entries	Ref.	Sub-items	Main entries	Ref.	Sub-items	Main entries	Ref.	Sub-items	Main entries
Toll revenue			814			814			796			796
Revenue from construction services			31						15			
Revenue from construction services - government grants and cost of materials and external services	(a)	28					(a)	13				
Capitalised staff costs - construction services for which additional economic benefits are received	(b)	2					(b)	1				
Revenue from construction services: capitalised financial expenses	(c)	1					(c)	1				
Revenue from construction services provided by sub-operators	(d)	-					(d)	-				
Other revenue	(e)		82				(e)		77			
Other operating income				(e+d)		82				(e+d)		77
Revenue from construction services provided by sub-operators				(d)	-					(d)	-	
Total revenue			**927**						**888**			
TOTAL OPERATING REVENUE						**896**						**873**
Raw and consumable materials			**-152**		-152				**-22**		-22	
Service costs			**-193**		-193				**-150**		-150	
Gain/(Loss) on sale of elements of property, plant and equipment			**-**		-				**-**		-	
Other operating costs			**-120**						**-117**			
Concession fees	(f)		-105				(f)		-103			
Lease expense			-2		-2				-3		-3	
Other			-13		-13				-11		-11	
Use of provisions for construction services required by contract and other provisions				(j)	83					(j)	67	
Revenue from construction services: government grants and capitalised cost of materials and external services				(a)	28					(a)	13	
Use of provisions for renewal of motorway infrastructure				(i)	-					(i)	-	
COST OF MATERIALS AND EXTERNAL SERVICES						-249						-106
CONCESSION FEES				(f)		-105				(f)		-103
Staff costs	(g)		**-130**				(g)		**-131**			
NET STAFF COSTS				(g+b+k)		-123				(g+b+k)		-125
OPERATING CHANGE IN PROVISIONS						65						-
Operating change in provisions			**59**						**-2**			
(Provisions)/ Uses of provisions for repair and replacement of motorway infrastructure			65		65				2		2	
(Provisions)/Uses of provisions for renewal of motorway infrastructure			-6						-2			
Provisions for renewal of airport infrastructure	(h)	-6					(h)	-2				
Uses of provisions for renewal of airport infrastructure	(i)	-					(i)	-				
Provisions/(Uses) of provisions for risks and charges			-		-				-2		-2	
TOTAL NET OPERATING COSTS						**-412**						**-334**
GROSS OPERATING PROFIT (EBITDA)						**484**						**539**
Use of provisions for construction services required by contract			**88**						**72**			
Use of provisions for construction services required by contract	(j)	83					(j)	67				
Capitalised staff costs - construction services for which no additional economic benefits are received	(k)	5					(k)	5				
Amortisation and depreciation	(l)		**-156**				(l)		**-152**			
Depreciation of property, plant and equipment			-6						-6			
Amortisation of intangible assets deriving from concession rights			-146						-143			
Amortisation of other intangible assets			-4						-3			
(Impairment losses)/Reversals of impairment losses	(m)		**-6**				(m)		**-**			
AMORTISATION, DEPRECIATION, IMPAIRMENT LOSSES, REVERSALS OF IMPAIRMENT LOSSES AND PROVISIONS FOR RENEWAL WORK				(l+h+m)		**-168**				(l+h+m)		**-154**
TOTAL COSTS			**-610**						**-502**			
OPERATING PROFIT/(LOSS)			**317**						**386**			
OPERATING PROFIT/(LOSS) (EBIT)						**316**						**385**
Financial income			**27**						**23**			
Dividends received from investees	(n)		-				(n)		1			
Other financial income	(o)		27				(o)		22			
Financial expenses			**-133**						**-135**			
Financial expenses from discounting of provisions for construction services required by contract and other provisions	(p)		-10				(p)		-8			
Other financial expenses	(q)		-123				(q)		-127			
Foreign exchange gains/(losses)	(r)		-				(r)		-			
FINANCIAL INCOME/(EXPENSES)			**-106**						**-112**			
Net financial expenses				(c+n+o+p+q+r)		**-105**				(c+n+o+p+q+r)		**-111**
Share of profit/(loss) of investees accounted for using the equity method			**-1**			**-1**			**-3**			**-3**
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS			**210**			**210**			**271**			**271**
Income tax (expense)/benefit			**-63**			**-63**			**-82**			**-82**
Current tax expense			-45						-53			
Differences on tax expense for previous years			2						-			
Deferred tax income and expense			-20						-29			
PROFIT/(LOSS) FROM CONTINUING OPERATIONS			**147**			**147**			**189**			**189**
Proft/(Loss) from discontinued operations			**-**			**-**			**-**			**-**
PROFIT FOR THE PERIOD			**147**			**147**			**189**			**189**
of which:												
Profit attributable to owners of the parent			**146**			**146**			**185**			**185**
Profit attributable to non-controlling interests			**1**			**1**			**4**			**4**

RECONCILIATION OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION WITH THE RECLASSIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€m	31 March 2019						31 December 2018					
Reconciliation of items	**Reported basis**			**Reclassified basis**			**Reported basis**			**Reclassified basis**		
	Ref.		**Main entries**	*Ref.*	**Sub-items**	**Main entries**	*Ref.*		**Main entries**	*Ref.*	**Sub-items**	**Main entries**
Non-current non-financial assets												
Property, plant and equipment	*(a)*		89			89	*(a)*		82			82
Intangible assets	*(b)*		18.003			18.003	*(b)*		18.093			18.093
Investments	*(c)*		85			85	*(c)*		84			84
Deferred tax assets	*(d)*		107			107	*(d)*		103			103
Other non-current assets	*(e)*		-			-	*(e)*		-			-
Total non-current non-financial assets (A)						**18.284**						**18.362**
Working capital												
Trading assets	*(f)*		542			542	*(f)*		534			534
Current tax assets	*(g)*		35			35	*(g)*		32			32
Other current assets	*(h)*		146			146	*(h)*		79			79
Investments held for sale or for distribution to shareholders or related to discontinued operations				*(w)*		4				*(w)*		4
Current portion of provisions for construction services required by contract	*(i)*		-442			-442	*(i)*		-406			-406
Current provisions	*(j)*		-688			-688	*(j)*		-835			-835
Trading liabilities	*(k)*		-1.353			-1.353	*(k)*		-1.319			-1.319
Current tax liabilities	*(l)*		-75			-75	*(l)*		-30			-30
Other current liabilities	*(m)*		-276			-276	*(m)*		-315			-315
Non-financial liabilities related to discontinued operations				*(x)*		-				*(x)*		-
Total working capital (B)						**-2.107**						**-2.256**
Gross invested capital (C=A+B)						**16.177**						**16.106**
Non-current non-financial liabilities												
Non-current portion of provisions for construction services required by contract	*(n)*		-2.541			-2.541	*(n)*		-2.639			-2.639
Non-current provisions	*(o)*		-1.261			-1.261	*(o)*		-1.194			-1.194
Deferred tax liabilities	*(p)*		-594			-594	*(p)*		-589			-589
Other non-current liabilities	*(q)*		-28			-28	*(q)*		-27			-27
Total non-current non-financial liabilities (D)						**-4.424**						**-4.449**
NET INVESTED CAPITAL (E=C+D)						**11.753**						**11.657**
Total equity (F)			**2.928**			**2.928**			**2.844**			**2.844**
Net debt/(Net funds)												
Non-current net debt/(net funds)												
Non-current financial liabilities	*(r)*		**9.755**			**9.755**	*(r)*		**10.260**			**10.260**
Non-current financial assets	*(s)*		**-391**			**-391**	*(s)*		**-410**			**-410**
Total non-current net debt/(net funds) (G)						**9.364**						**9.850**
Current net debt/(net funds)												
Current financial liabilities	*(t)*		**1.214**			**1.214**	*(t)*		**1.236**			**1.236**
Bank overdrafts repayable on demand		*33*			*33*			*-*			*-*	
Short-term borrowings		*275*			*275*			*245*			*245*	
Current derivative liabilities		*1*			*1*			*1*			*1*	
Intercompany current account payables due to related parties		*7*			*7*			*7*			*7*	
Current portion of medium/long-term borrowings		*862*			*862*			*949*			*949*	
Other current financial liabilities		*36*			*36*			*34*			*34*	
Current financial liabilities related to discontinued operations				*(aa)*	*-*					*(aa)*	*-*	
Cash and cash equivalents	*(u)*		**-1.241**			**-1.241**	*(u)*		**-1.791**			**-1.791**
Cash		*-587*			*-587*			*-1.139*			*-1.139*	
Cash equivalents		*-5*			*-5*			*-*			*-*	
Intercompany current account receivables due from related parties		*-649*			*-649*			*-652*			*-652*	
Cash and cash equivalents related to discontinued operations				*(y)*	*-*					*(y)*	*-*	
Current financial assets	*(v)*		**-512**			**-512**	*(v)*		**-482**			**-482**
Current financial assets deriving from concession rights		*-408*			*-408*			*-408*			*-408*	
Current financial assets deriving from government grants		*-32*			*-32*			*-22*			*-22*	
Current term deposits		*-31*			*-31*			*-21*			*-21*	
Current portion of other medium/long-term financial assets		*-33*			*-33*			*-22*			*-22*	
Other current financial assets		*-8*			*-8*			*-9*			*-9*	
Financial assets held for sale or related to discontinued operations				*(z)*	*-*					*(z)*	*-*	
Total current net debt (H)						**-539**						**-1.037**
Total net debt (I=G+H)						**8.825**						**8.813**
NET DEBT AND EQUITY (L=F+I)						**11.753**						**11.657**
Assets held for sale or related to discontinued operations	*(-y-z+w)*		4				*(-y-z+w)*		4			
Liabilities related to discontinued operations	*(-x+aa)*		-				*(-x+aa)*		-			
TOTAL NON-CURRENT ASSETS	*(a+b+c+d+e-s)*		**18.675**				*(a+b+c+d+e-s)*		**18.772**			
TOTAL CURRENT ASSETS	*(f+g+h-u-v-y-z+w)*		**2.480**				*(f+g+h-u-v-y-z+w)*		**2.922**			
TOTAL NON-CURRENT LIABILITIES	*(-n-o-p-q+r)*		**14.179**				*(-n-o-p-q+r)*		**14.709**			
TOTAL CURRENT LIABILITIES	*(-i-j-k-l-m+t-x+aa)*		**4.048**				*(-i-j-k-l-m+t-x+aa)*		**4.141**			

RECONCILIATION OF THE STATEMENT OF CHANGES IN CONSOLIDATED NET DEBT AND THE CONSOLIDATED STATEMENT OF CASH FLOWS

€m		Q1 2019		Q1 2018	
Reconciliation of items	*Note*	**Consolidated statement of cash flows**	**Changes in consolidated net debt**	**Consolidated statement of cash flows**	**Changes in consolidated net debt**
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES					
Profit for the period		**147**	**147**	**189**	**189**
Adjusted by:					
Amortisation and depreciation		155	155	152	152
Operating change in provisions, excluding uses of provisions for renewal of motorway infrastructure		-85	-85	2	2
Financial expenses from discounting of provisions for construction services required by contract and other provisions		10	10	8	8
Share of (profit)/loss of investees accounted for using the equity method		1	1	3	3
Impairment losses/(Reversal of impairment losses) and adjustments of current and non-current assets		6	6	-	-
Net change in deferred tax (assets)/liabilities through profit or loss		20	20	29	29
Other non-cash costs (income)		-8	-8	-8	-8
Operating cash flow			**246**		**375**
Change in operating capital	(a)		-24		-98
Other changes in non-financial assets and liabilities	(b)		-24		15
Change in working capital and other changes	(a+b)	-48		-83	
Net cash generated from/(used in) operating activities (A)		**198**	**198**	**292**	**292**
NET CASH FROM/(USED IN) INVESTMENT IN NON-FINANCIAL ASSETS					
Investment in assets held under concession		-119	-119	-87	-87
Purchases of property, plant and equipment		-2	-2	-2	-2
Purchases of other intangible assets		-4	-4	-4	-4
Capital expenditure			**-125**		**-93**
Purchases of investments		-3	-3	-10	-10
Net change in current and non-current financial assets	(c)	-11		-12	
Net cash from/(used in) investment in non-financial assets (B)	**(d)**		**-128**		**-103**
Net cash generated from/(used in) investing activities (C)	**(d-c)**	**-139**		**-115**	
NET EQUITY CASH INFLOWS/(OUTFLOWS)					
Dividends declared by Group companies	(e)		-5		-6
Dividends paid	(f)	-4		-22	
Net equity cash inflows/(outflows) (D)			**-5**		**-6**
Net cash generated during period (A+B+D)			**65**		**183**
Redemption of bonds		-593		-	
Repayments of medium/long term borrowings (excluding finance lease liabilities)		-62		-61	
Repayments of lease liabilities		-1		-	
Net change in other current and non-current financial liabilities		18		-499	
Net cash generated from/(used in) financing activities (E)		**-642**		**-582**	
Change in fair value of hedging derivatives	(g)		-74		11
Financial income/(expenses) accounted for as an increase in financial assets/(liabilities)			-1		-1
Effect of foreign exchange rate movements on net debt and other changes	(h)		-2		43
Other changes in net debt (F)			**-77**		**53**
Net effect of foreign exchange rate movements on net cash and cash equivalents (G)		**-**		**-**	
Decrease in net debt for period (A+B+D+F)			**-12**		**236**
Net debt at beginning of period			**-8,813**		**-9,351**
Net debt at end of period			**-8,825**		**-9,115**
Increase/(Decrease) in cash and cash equivalents during period (A+C+E+G)		**-583**		**-405**	
NET CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**1,784**		**2,931**	
NET CASH AND CASH EQUIVALENTS AT END OF PERIOD		**1,201**		**2,526**	

Notes:

a) the "Change in operating capital" shows the change in trade-related items directly linked to the Group's ordinary activities (in particular: inventories, trading assets and trading liabilities);
b) the "Other changes in non-financial assets and liabilities" shows the change in items of a non-trading nature (in particular: current tax assets and liabilities, other current assets and liabilities, current provisions for construction services required by contract and other provisions);
c) the "Net change in current and non-current financial assets" is not shown in the "Statement of changes in consolidated net debt", as it does not have an impact on net debt;
d) "Net cash from/(used in) investment in non-financial assets" excludes changes in the financial assets and liabilities that do not have an impact on net debt;
e) "Dividends declared by Group companies" regard the portion of dividends declared by the Parent Company and other Group companies attributable to non-controlling interests, regardless of the period of payment;
f) "Dividends paid" refer to amounts effectively paid during the reporting period;
g) the amount represents the change in the fair value of cash flow hedges, before the related taxation;
h) this item includes the impact of exchange rate movements on financial assets (including cash and cash equivalents) and financial liabilities denominated in currencies other than the euro held by Group companies, and non-cash income/(costs) resulting in changes in net debt.

* * *

The manager responsible for financial reporting, Giancarlo Guenzi, declares, pursuant to section 2 of article 154 bis of the Consolidated Finance Act, that the accounting information contained in this release is consistent with the underlying accounting records.

The Group's net debt, as defined in the European Securities and Market Authority – ESMA Recommendation of 20 March 2013 (which does not entail the deduction of non-current financial assets from debt), amounts to €9,215m as at 31 March 2019 (net debt of €9,223m as at 31 December 2018).