Jane Ross, an equity analyst at a major European investment bank, was sitting in her office in Milan. Ross likes to be the first one in the office in the morning when she can go over the print editions of the major Italian newspapers. Though she gets most of her information from the online versions of the papers during the day and night, she has found that reading the dwindling print editions gives her exposure and insights that she sometimes cannot get from reading the online version.

Indeed, it was one of those days. When skimming the editions of some major Italian news outlets, La Repubblica, Il Giornale, and Il Messaggero, she noticed an interesting letter to the editor published as an op-ed in all three newspapers. The Corriere della Sera and La Stampa did not publish the letter, but they had articles reporting its content.

The letter was written by Luciano Benetton (84), one of the most powerful businessmen in Italy and one of the controlling shareholders of the Atlantia holding company. In that letter, he asserted that the members of the Benetton family were “victims” of the Morandi Bridge Tragedy. On August 14, 2018 a major bridge in Genoa had collapsed: 43 people died in the tragedy. An Atlantia subsidiary, Autostrade, operated the bridge under a government concession. Since Autostrade was privatized in 1999 after half a century as a State-owned company, the Benetton family had controlled Autostrade, the government concession, and the operation of the Morandi Bridge.

Jane was reading the op-ed 16 months after the bridge collapsed, but the political and financial aftermath was ongoing.

Five months earlier, the Italian Ministry of Infrastructure and Transport published a damning report¹ on the collapse, stating that Autostrade had never been compliant with its commitments.

¹ http://www.mit.gov.it/sites/default/files/media/notizia/2019-07/Parere%20giuristi%20su%20concessione%20Aspi.pdf
to investments and maintenance. The ministry’s independent experts claimed that there was a risk of a long legal dispute if the Benettons’ highly profitable concession were to be challenged. Nevertheless, the populist government elected in June 2018 had a strong justification to revoke the concession.

Benetton’s letter surprised Jane. One of the founders of the Benetton group, whose Autostrade was the family’s most profitable holding, was claiming that the family held no responsibility for the collapse because “the Benettons own a 30 percent stake of Atlantia, but Atlantia is a public company: 70 percent of its shareholders are not related to the Benettons.”

Jane wondered whether the readers of these newspapers would buy the idea that the politically-connected family who controlled Atlantia for almost two decades and appointed all the management for Autostrade should hold no responsibility for a tragedy caused by the company’s neglect in maintaining the bridge despite warnings from the company’s own engineers.

Jane, who was in charge of covering Atlantia securities for the investment bank she works for, wondered: “Is there a signal here?”

According to what many analysts had written in their reports, Jane estimates that Autostrade’s concession (3020 kilometers in Italy) makes up 50 percent of Atlantia’s value. Therefore, she needs to find a way to assess the risk involved in a potential challenge to the concession. Time is running short. The investment committee convenes in 48 hours and Jane has to come up with a recommendation: “Buy,” “Hold,” or “Sell.”

### 2. The bridge’s collapse

The Morandi Bridge, a multi-span cable-stayed bridge, was named after its designer, engineer Riccardo Morandi. Built in Genoa between 1963 and 1967, the bridge stood for more than 50 years before collapsing at 11:36 AM on August 14, 2018, ultimately causing 43 deaths and the evacuation of 566 people from their homes. Due to its strategic position linking the north of Italy to the south of France, the bridge had become increasingly congested: In 2009, the bridge carried 25.5 million ‘transits per year’—four times as high as levels 30 years before. Bridge traffic was

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2 The collapse of Morandi bridge “caused by an infrastructure’s structural failure, proves that the whole [Autostrade’s] system of monitoring, testing and maintenance is not reliable” (p.62) “The bridge collapse must be considered a failure in [Autostrade’s] obligation to custody and preserve” the highways it has in concession (p. 60) 


3 Two “consiglieri di Stato” (administrative judges), one member of the Corte dei Conti (the branch of the Italian judicial power that supervises public expenditures, one Administrative law professor and one Avvocato dello Stato (a member of the permanent governmental legal team)

4 Atlantia – A highly uncertain outcome – scenario analysis, UBS Global research, August 29, 2018; Atlantia - Outlining possible outcomes and changes to our forecasts, J.P. Morgan Cazenove Europe Equity Research, August 21, 2018. Background conversation with equity analysts.
projected to increase a further 30% in the next 30 years. The bridge’s structure was increasingly strained by this heavy traffic and since the early 2000s maintenance was needed almost daily.⁵

**Figure 1:** The Morandi Bridge and Pillars 9 – 11

At the time of its construction, the bridge boasted of having the longest span in Europe and the second longest span in the world—210 meters between pillars 10 and 11.⁶ But the ambitious construction brought its own attendant challenges, including emergent structural issues and unexpectedly high maintenance costs.

The bridge required significant annual restoration work starting in the early 1970s, and Morandi himself wrote a report in 1979 in which he voiced surprise at seeing the structure age faster than he had anticipated. Originally owned by the Italian state, Autostrade spent heavily to reinforce the bridge. But after the company’s privatization in 1999, spending dwindled to almost nothing: According to a report from the Italian government in the wake of the collapse, 98 percent of the total spending between 1982 and 2018 came before its privatization, with a paltry 2 percent spent since 1999. There were no major renovations on the bridge after 1999.

⁶ https://www.corriere.it/cronache/18_agosto_15/genova-crollo-ponte-curato-meta-deec6ab8-a090-11e8-8614-e56d93fd6b87.shtml
By 2015, a renovation plan for the bridge was considered necessary by Autostrade’s specialists. They didn’t go as far as outside experts: external consultants suggested increasing the frequency of inspections and installing a monitoring system to study oscillations of the bridge under critical circumstances (e.g., bad weather conditions, heavy traffic, seismic shocks). Their suggestions were not followed.

Between October 9 and 13, 2017, the Politecnico di Milano (Milan Institute of Technology) was commissioned by Autostrade in order to conduct tests on pillars 9 and 10 of the bridge. They found deterioration only in the 9th pillar, but not so critical as to require immediate intervention. Their subsequent report (submitted in November) revealed that two of the four cables on pillar 9 presented anomalies “not fully compliant with expectations and certainly in need of deep theoretical and experimental analyses.” On May 3, 2018, Autostrade announced a tender notice of over 20 million euros for the necessary structural adjustments for pillars 9 and 10, with a deadline of June 11, 2019. But the work was never scheduled.

It wasn’t as if the deterioration of the bridge was a secret. Since 2015, pieces of concrete and iron had been falling from the bridge. While most citizens of Genoa wanted the bridge to be fixed and congestion to be alleviated, many were opposed to a new highway project called the “Gronda” for environmental reasons, and they exercised their political will through the “No Gronda” movement. That movement led to a downplaying of the risks of the deterioration of the bridge for political reasons. In 2013, Beppe Grillo, the then-leader of the Five Star Movement, a rapidly ascendant populist political party, wrote on his blog that a “pre-announced” collapse of the Morandi Bridge was a “fairy tale.”

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8 Exhibit A-1 (see Appendix A) shows the bridge prior to the collapse, with its three sustaining pillars. In 1992, structural maintenance work on pillar 11 was undertaken: Reinforcing metal cables were added externally, as is clearly visible from the picture. Structural maintenance work for pillars 9 and 10, however, was finally planned only in 2017, but never started.
14 This mega-infrastructure is estimated to cost around 4.3 billion euros, and is expected to last for about 10 years.
15 https://www.autostrade.it/it/la-nostra-rete/piano-investimenti-interventi-in-corso/gronda-di-genova
16 https://www.lastampa.it/2018/08/15/italia/la-favoletta-dellimminente-crollo-del-ponte-sul-blog-di-grillo-le-parole-che-imbarazzano-ms-w4a0Z7UcMwdRe5WNKqZM/pagina.html
17 After the bridge’s collapse, Beppe Grillo strengthened even further his position against the construction of mega-infrastructures, listing the Morandi Bridge itself as one of them.
18 http://www.beppegrillo.it/io-amo-genova/ After the bridge’s collapse, Beppe Grillo strengthened even further his position against the construction of mega-infrastructures, listing the Morandi Bridge itself as one of them and he supported the plan to revoke the concession:
By June 2018, the anti-establishment Five Star Movement formed the controlling portion of a populist coalition cabinet in the Italian government. After the bridge collapsed on August 14, 2018, Italian Prime Minister Giuseppe Conte, a technocrat appointed by the Five Star Movement, declared a state of emergency for the Liguria region the next day. The capital markets reacted as well, and the stock price of Atlantia fell by more than 25 percent in two days.

The 51-year-old bridge had once been a point of pride for the region and for Italy itself—a feat of engineering, architecture, and public/private cooperation. But in the aftermath of the tragedy, the bridge became a flashpoint for the tension that lies at the heart of every single public/private infrastructure partnership.

The Five Star Movement-led central government staked its position first: In late September 2018, the Italian government circulated the “Genoa Decree,” indicating that it would ask Atlantia’s Autostrade to provide the 400 million euros in funds necessary for the reconstruction of the bridge. Autostrade was also barred from doing any of the actual construction work itself. Marco Bucci, the mayor of Genoa, was appointed special commissioner to oversee the demolition and reconstruction of the bridge.

In November 2018, Autostrade, still the largest highway concessionaire in the country, pushed back. Autostrade General Manager Roberto Tomasi asserted in a letter to Mayor Bucci that the company “considers the reconstruction of the highway [A10] an obligation and a right” and “reserves the right to take all the necessary actions to defend it.” By December, the company appealed the Genoa Decree in court, arguing that it violated existing laws. According to Autostrade, the decree contravened the terms of the original concession contract signed with the State that stated: “All the demolition and reconstruction activities fall within the exclusive scope of the concessionaire.”

Who was responsible for the 43 deaths? Not us, said the concessionaire, as executives of both Atlantia and Autostrade denied responsibility for the collapse. Rather, they went on the offense: In court filings, Autostrade praised itself for its post-accident planning and restoring traffic circulation in Genoa. Chafing at the suggestion that it pay for the repairs but be excluded from receiving payment to take on the repair work itself, the company bemoaned that its role was changing from “concessionaire to ATM.” On December 19, 2018, Mayor Bucci announced a 202-million-euro bridge over the Polcevera River to be designed by architect Renzo Piano. Weeks later, in January 2019, Bucci in his role as commissioner put in his request to Autostrade to withdraw 449 million euros from that ATM.

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That same month, Autostrade elevated Roberto Tomasi from General Manager to CEO, replacing Giovanni Castellucci, who henceforth served only as CEO of its parent company Atlantia. Tomasi’s to-do list was centered around ongoing negotiations with hostile government representatives over the concession—which would surely be revised if not entirely revoked. As of September 2019, the ruling Five Star Movement continued to call for Atlantia to be stripped of the concession.22

“We have been in a state of shock since last week over what has come out from police statements,” said Luciano Benetton in an interview in September 2019 after nine arrests were made within Autostrade’s motorway unit after investigators discovered falsified safety reports for viaducts the unit operated.23 A few days later, Giovanni Castellucci resigned his position as CEO of Atlantia, receiving 13.1 million euros in severance. His exit came after Atlantia’s controlling shareholder, Sintonia-Edizione (which is in turn controlled by the Benetton family)24, pushed for a shakeup in the wake of stepped-up investigations into Atlantia.

Castellucci, the outgoing CEO, maintained in another interview that appropriate inspections and oversight had been routinely carried out on the bridge, with no inspections pointing to critical safety issues, but his former employers were clearly hoping that the management shakeup might lead to better relations with the government and an increased chance of retaining the lucrative concession.25

3. The history of highway concessions in Italy

The world’s very first highway (a street accessible to motorized vehicles only) was planned in Italy in 1922 in order to connect Milan to the Lake Como and Lake Maggiore regions in the north of Italy close to the Swiss border.26 Three hundred and seventy-five kilometers of that highway were built over the following ten years, largely by entrepreneurs and businesses who had won their respective concessions from the Fascist Italian government under Mussolini. However, most of those early concessionaries registered losses. In Italy in 1930, there was only one car for every 142 people. By comparison, in France and the U.K., the ratio was one to 28; in the United States, one to 4.6. The Italian State decided to redeem almost all of the concessions in the subsequent years to avoid mass failure of the concessionaires due to low traffic volume. By 1935, the highway network was 485 km long, with 311 km publicly managed and 174 km in concession to privately managed firms.

23 https://www.ilsole24ore.com/art/atlantia-via-riunione-cda-ipotesi-comitato-esecutivo-AC96kuk,
24 See Exhibit B-3 (Appendix B) for a chart of shareholder composition
The majority of the current Italian highway network was built between the 1960s and 1970s. A 1961 law outlined the construction of over 5,000 km of highways, and a large part of the network extension was granted – through a system of concessions—to Autostrade, part of the IRI, the Institute for Industrial Reconstruction (a public entity controlled by the Italian Treasury, which administered a variety of state-owned companies). Other state-owned companies, often managed by local entities, were granted concessions as well. The State acted as guarantor of the debts undertaken by concessionary companies and as toll rate regulator. Concessionary companies were reimbursed for expenses listed in the concession agreement, including the amortization of investments related to the construction of the highway network. Toll revenues, net of costs and of a 5% allowance, were paid to the State.

A wave of privatization of Italian state-owned companies began in the late 1980s. The eventual privatization of the highway concession system, put in play by a series of laws passed between 1992 and 1994, resulted in profound changes. First and foremost, the laws fixed the annual concession fees that concessionary companies had to pay the State. They also redefined the role and power of the grantor of concessions, Anas S.p.A., a state-owned company involved in the construction and maintenance of Italian motorways and state highways. In 1996, a system of Financial Operating Plans (FOPs), with yearly tariff adjustments, was implemented. A concession’s FOP included the duration of the concession, the size of required investments in network maintenance, applicable government subsidies, and future projects to be carried out by the concessionary company.

Autostrade was privatized in 1999 after the company was granted an extension of its main concession term from 2018 to 2038. Gian Maria Gros-Pietro, president of the IRI at the time of privatization, led the divestiture of state-owned assets controlled by the IRI, including Ausotrade. In 2002, Gros Pietro was appointed Chairman of the newly privatized Autostrade by the Benetton family, a position he held until 2010.

The Autostrade privatization was conducted in order to guarantee a stable control group for the firm while also promoting diffuse share ownership through an eventual IPO. In the first phase, Schemaventotto S.p.A.—the financial vehicle of the Benetton family—led a consortium of

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29 A study conducted by the Italian Court of Audit in 2010, in order to evaluate the process of privatizations undertaken by the State since the late 1980s, shows that (especially for what concerns utilities, banks, and highways) firms became more profitable after their privatization, due more to increases in tariffs paid by final consumers than to increases in efficiency. As stated in the report, privatizations had been indeed motivated by the necessity of increasing revenues for the State, rather than of improving the efficiency of the firms involved. Overall, privatizations granted the State 152 billion euros, setting Italy second only to Japan in the global ranking of revenues raised from privatizations.
31 Delibera CIPE 319/1996
investors that paid 2.5 billion euros for a 30 percent stake of the company.34 The rest was sold to
the public on the Italian Stock Exchange.

According to Giorgio Ragazzi, a retired professor of Public Finance at the University of Bergamo:
“There was no rush to obtain the controlling stake in the privatization, and the only negotiation
was conducted with Schemaventotto [a private firm, 60% owned by the Benetton family], a
politically connected company and supported, even financially, by the country’s economic
establishment. The absence of competitors can be explained by the complexity of the clauses
contained in the agreement […] in other words, by high political uncertainty.”35 The privatization
process was a political, as well as financial, operation: The government had the power to decide
the future profitability of the privatized assets – either creating room for competition by new
entrants or simply transferring public rents to private shareholders. The Italian government, for
example, only created an independent regulator for privatized highways in 201136, more than a
decade after it sold Autostrade to the Benettons.

A few years after privatization, in 2003, Schemaventotto launched a tender offer for the
acquisition of all the remaining shares of Autostrade.37 38 Once the operation was concluded,
Schemaventotto merged with Autostrade, allowing Autostrade’s cash flow to be used to service
the debt taken on to finance the bid.39 In a further corporate reorganization, the highway
concession activities were then assigned to Autostrade per l’Italia, 100% controlled by Autostrade
S.p.A. (today Atlantia).40 In five years, the Benetton family had more than doubled the value of
its investment: the Benettons invested directly only 800 million euros in 1999, then they passed
their banking debts to Atlantia at the moment of the 2003 IPO. The final result was that in 2005
the market value of their investments in Autostrade was more than 2 billion euros.41

Given the extension of the concession granted to Autostrade in order to maximize the revenues
from its divestiture, the State was compelled to act generously with other concessionaires:
Between 1999 and 2000, every concession on the highway network was extended and renewed
without public tender.42

Regulation of the sector has been largely permissive, even after highway concessions were
transferred to private concessionaires. It has been estimated that every kilometer of highway in
concession generates 1.15 million euros in revenues per year: 300,000 to the State, 850,000 to

35 ibid.
36 https://www.gazzettaufficiale.it/gunewsletter/dettaglio.jsp?service=1&datagu=2011-12-
06&task=dettaglio&numgu=284&redaz=011G0247&tmstp=1323252589195
37 Offering a price of 10 euros per share, 645,883,333 shares participated in the offer.
newco2.html
40 https://www.autostrade.it/en/chi-siamo/storia
41 https://www.corriere.it/Primo_Piano/Economia/2005/03_Marzo/07/autostrade.html
concessionaires. In 2006, bilateral agreements (the so-called *Convenzioni Uniche*), were established by law between the concession grantor (Anas, followed by the Ministry of Infrastructure and Transport [MIT] since 2012) and the concessionary companies. For each concession, the grantor indicates the scheme of tariff adjustments and the remuneration of capital invested.

The first draft of the law—designed in 2006 by Antonio Di Pietro, minister of the MIT under a center-left government led by Romano Prodi—was an ambitious attempt to restructure the concession system in favor of the State. But the decree that finally regulated the *Convenzioni Uniche* (passed in 2008, under a new government, the Berlusconi IV Cabinet) was toothless, and is commonly referred to as the “Save Benetton Decree.” It allowed for automatic tariff adjustments, based on the real inflation rate, and it de facto permitted that revenues exceeding forecasts due to traffic increases could be retained by the concessionaire, prompting the business daily Il Sole 24 Ore to question whether the decree had eliminated entrepreneurial risk for the Benettons.

Political support for the Benetton family and the commitment to preserve Autostrade’s profitability proved to be bipartisan: a center left government supported by the former-communist Ds party and the Christian-democrat Margherita (which eventually merged with the Democratic party) originally privatized Autostrade in 1999; a center right coalition led by Silvio Berlusconi permitted the company’s IPO in 2003 when the Benettons ultimately passed their debts to minority shareholders; a new center left government failed to reform the concession in 2006 and eventually offered the Benettons the opportunity to extend the term limits in the case of additional investments. The last Berlusconi government in 2008 approved the so-called “save-Benetton” decree that amended the original concession agreement to make an eventual revoke extremely expensive for the State. Between 2014 and 2017, the Pd led government supported all the company’s requests, also in the negotiation with the European Commission to extend the Genoa concession. The only two notable exceptions to the pro-Benetton approach of the major Italian political parties were the technocratic government led by Mario Monti (2011-2013) and the populist Five Star Movement (2018 – 2020).

Regulations even more favorable to highway concessionaires were instituted in 2014, via the “Unblock Italy” decree passed by the Renzi Cabinet. The law was supposed to support Italy’s stagnant growth, however, among many provisions, highway concessionaires were allowed to

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44 ibid.
48 https://www.ilfattoquotidiano.it/2014/10/03/autostrade-il-regalo-del-ministro-lupi-ai-concessionari-vale-6-miliardi-lanne/1141313/
revise, update, and modify the concession contracts in place, discouraging investments in new infrastructures and potentially the residual length of the concessions.\(^50\)

Numerous parties took issue with the “Unblock Italy” changes. Initially, the Italian Competition Authority (AGCM) claimed that these provisions were allowing for an “implicit extension of concessions,” thus undermining competition in the sector. In response, Maurizio Lupi, the Minister of Infrastructure and Transport, defended “Unblock Italy” claiming that there were only two ways to guarantee concessionaires’ compliance with the planned investments (despite their being mandated by contract): “Either tariffs go up, or concessions are extended.”\(^51\) The European Commission was focused on enforcing rules mandating that concessions be reassigned by tender on their natural expiration dates instead of being extended in favor of current concessionaires.\(^52\) The Commission opened a pre-infringement procedure, asking Italian authorities to provide details on certain controversial issues contained in the decree.\(^53\) In 2017, after years of attempted negotiations, the Commission decided to finally initiate the infringement procedure against Italy for non-compliance with the norms that regulate concessions’ extensions.\(^54\)

The “Unblock Italy” decree stood in direct contradiction to EU norms\(^55\) set in 2014 to regulate the awarding of concession contracts at the Union level. EU member states were given two years to comply with the regulations: Concessions lasting more than 5 years were justified only if deemed necessary to allow the concessionaire to recoup investments made and to obtain a fair return on capital invested.\(^56\) \(^57\) Under the new EU regulations, concessions were henceforth to be granted through public tenders only, with any extensions to concessions’ expiration dates requiring the approval of the EU Commission.\(^58\) (The EU Directive does allow for the possibility that the State, at the end of a concession term, assign the management of the infrastructure to a State-owned company, hence without public tender.\(^59\))

Negotiations that began in late 2017 and were finalized in early 2018 granted Autostrade a four-year extension of the terms of its concession—its expiration shifted from 2038 to 2042—as part of

\(^{50}\) https://www.repubblica.it/economia/2014/10/20/news/sblocca_italia_concessioni_autostradali_a_rischio_procedura_d_infrazione_ue-98585977/

\(^{51}\) https://www.ilfattoquotidiano.it/2014/10/16/sblocca-italia-norma-su-concessioni-autostrade-fatta-a-misura-di-scontro-con-bruxelles/

\(^{52}\) https://www.ilfattoquotidiano.it/2015/06/17/concessioni-autostradali-sel-stop-proroghe-gare-pubbliche-per-assegnarle/1786449/

\(^{53}\) https://www.repubblica.it/economia/2014/10/20/news/sblocca_italia_concessioni_autostradali_a_rischio_procedura_d_infrazione_ue-98585977/

\(^{54}\) https://eur-lex.europa.eu/eli/dir/2014/23/oj

\(^{55}\) EU Directive 2014/23

\(^{56}\) https://www.repubblica.it/economia/2014/10/20/news/sblocca_italia_concessioni_autostradali_a_rischio_procedura_d_infrazione_ue-98585977/


\(^{58}\) https://eur-lex.europa.eu/eli/dir/2014/23/oj

\(^{59}\) https://www.lavoce.info/archives/34602/autostrade-europa-boccia-le-concessioni-eterne/
its agreement to construct the Gronda di Genoa. The EU Commission ultimately approved the extensions, but with certain conditions, including bound tariff increases. The deal seemed very profitable for Autostrade. The Ministry of Infrastructure and Transport estimated that the yearly EBITDA of Autostrade in 2038 will be equal to 4.4 billion euros in nominal terms, or 17.4 billion euros over the four-year period. Add 5.6 billion euros in compensation for contract termination, and Autostrade per l’Italia will make 23.3 billion euros revenues in nominal terms during the period. If we assume a yearly inflation rate between 1.5% and 2% over the period 2018-2038, the extension of the concession granted revenues of between 15.6 and 17.4 billion euros (in 2018 values) to Autostrade in return on a 7.8 billion euro investment.

4. Autostrade executives

The second half of the year 2018 was a busy and turbulent period for the management of Autostrade. First, the Morandi Bridge collapsed, igniting a public furor and accusations of negligence. Second, a decade-long negotiation by Autostrade for the acquisition of the Spanish highway giant Abertis was successfully concluded not long after the bridge’s collapse. Third, in January 2019, a verdict assessed responsibilities for a different highway tragedy, the “Avellino disaster” (July 28, 2013, on a highway under concession of Autostrade per l’Italia). A coach traveling on a motorway linking Naples to Bari in southern Italy had fallen off a viaduct near the town of Avellino, killing 40 people. Autostrade, and the managers involved, were accused of poor maintenance of motorway barriers.

On December 13, 2018, a month before the Avellino verdict, the Chairman and CEO of Autostrade per l’Italia, Fabio Cerchiai and Giovanni Castellucci respectively, resigned their posts during a board meeting. Castellucci held the same managerial roles in the parent company
Atlantia for nine more months.\textsuperscript{70} Castellucci’s resignation had been expected once the acquisition of Abertis was completed.\textsuperscript{71} Likewise, Cerchiai’s resignation was explained due to “the increased size and complexity of the Atlantia Group following completion of the acquisition of Abertis.”\textsuperscript{72}

On January 11, 2019, Giovanni Castellucci, still the CEO of Atlantia, was cleared in a criminal inquiry along with five managers of the company. Six junior managers of Autostrade charged in the Avellino disaster were not so lucky. Found guilty of manslaughter, they were sentenced to terms between five and six years in prison.\textsuperscript{73} On January 30, 2019, new board members were appointed, and shareholders also approved an increase in the number of board members from 9 to 11.\textsuperscript{74} 75

The acquisition of the Spanish corporation Abertis, which manages over 8,600 km of highways worldwide, resulted in a transformed Atlantia. The deal, which closed in October 2018, brought Atlantia together with Hochtief-Acs (a global leader in construction, owned by the Spanish tycoon Florentino Perez) to acquire Abertis.\textsuperscript{76} The price was 16.5 billion euros.\textsuperscript{77} Atlantia took the majority—50% plus one share—and the right to fill the CEO role, while Hochtief-Acs—owner of 50% minus one share—was given the right to appoint its president.\textsuperscript{78} In somewhat of a surprise move, José Aljaro Navarro, CFO of Abertis since 2005, was appointed as CEO of Abertis.\textsuperscript{79} 80

\textsuperscript{70} Atlantia is a public company traded on the Milan Stock Exchange, whose biggest shareholder is the Benetton family—controlling 30.25% of its shares. As of February 21, 2019, the other main shareholders (as reported by CONSOB, the Italian Companies and Exchange Commission) are: the investment fund GIC Private Limited (8.14%), Lazard Asset Management (5.02%), and the banks Fondazione Cassa di Risparmio di Torino (5.06%) and HSBC (5.01%).

\textsuperscript{71} \url{https://www.repubblica.it/economia/2018/11/28/news/castellucci_lascera_la_guida_di_autostrade_per_guidare_atlantia-212848342/}

\textsuperscript{72} \url{https://www.autostrade.it/en/chi-siamo/management}

\textsuperscript{73} \url{https://www.ilfattoquotidiano.it/2019/01/11/avellino-strage-del-bus-pene-fino-a-12-anni-assolto-ad-autostrade-castellucci-condannati-6-dirigenti-aspi/4890069/}

\textsuperscript{74} \url{https://www.autostrade.it/en/comunicazione-e-media/news?op=62_INSTANCE_B7mj8aGpPQKb&op_lifecycle=0&op_state=maximized&op_mode=view&op_col_id=column-1&op_col_count=1&62_INSTANCE_B7mj8aGpPQKb_struts_action=%2Fjournal_articles%2Fview&62_INSTANCE_B7mj8aGpPQKb_groupId=10279&62_INSTANCE_B7mj8aGpPQKb_articleId=34988620&62_INSTANCE_B7mj8aGpPQKb_version=1.2}

\textsuperscript{75} \url{https://www.autostrade.it/en/chi-siamo/management}

\textsuperscript{76} \url{https://www.ilsole24ore.com/art/finanza-e-mercati/2018-03-16/atlantia-castellucci-con-acis-saremo-forza-globale-095814.shtml}

\textsuperscript{77} \url{https://www.reuters.com/article/us-abertis-m-a-atlantia-acs/atlantia-acs-complete-16-5-billion-euro-acquisition-of-abertis-idUSKCN1N30WC}

\textsuperscript{78} \url{https://www.ilsole24ore.com/art/finanza-e-mercati/2018-03-14/atlantia-l-alleanza-acs-si-estende-hochtief-e-cellnex--220734.shtml}

\textsuperscript{79} \url{https://www.abertis.com/en/the-group/about-abertis/latest-news/1000}

\textsuperscript{80} \url{https://www.abertis.com/en/the-group/corporate-governance/board-of-directors-and-committees}
The deal marked an important milestone for Atlantia: With 32,000 employees and 14,000 km of highways under management in 14 countries, Atlantia became the largest highway concessionaire in the world, just weeks after the Morandi Bridge disaster.\(^{81,82,83}\)

There has already been intrigue at the board level. Enrico Letta, Prime Minister of Italy between April 2013 and February 2014, joined the board of Abertis—the Spanish corporation just acquired by Atlantia—as an independent director in November 2016 and served until his resignation in May 2018.\(^{84}\) In response to critiques raised by the Five Star Movement for alleged conflicts of interest during the acquisition phase, Enrico Letta argued: “I joined the Board of Directors of Abertis at the end of 2016, when it was a Spanish company and before an Italian tender offer was an option. I left the company, voluntarily resigning, exactly when ownership changed with the entry of Atlantia.”\(^{85}\)

5. The Benetton family: Their power and connections

The Benetton Family is mostly known for pioneering affordable-price fashion with The Benetton Group. The four siblings—Luciano, Gilberto, Giuliana, and Carlo Benetton, founders of the family business in 1965—were born into a poor family in Treviso, in the northeast of Italy.\(^{86}\) Soon after their father died in 1945, the two oldest siblings, Luciano and Giuliana, left school and started working: Luciano as a salesperson in a fabric shop, Giuliana in a knitwear factory. Ten years later, they bought their first textile machinery with savings they’d been able to set aside. At first, Giuliana made sweaters at home and Luciano sold them door-to-door under the brand *Très Jolie*. Success led to expansion and the two younger siblings came on board. Notably, roles defined at the time have remained unchanged since then: Luciano as sales manager, Giuliana as designer, Gilberto as financial manager, and Carlo in charge of production.

The Olympic Games held in Rome in 1960 marked a significant turning point for the business. Wearing a bright yellow sweater made by his sister, Luciano met the entrepreneur and textile industrialist Roberto Calderoni, whose connections helped to open the business to the Roman market.\(^{87,88}\) In the late 1960s, the company started opening stores outside of Italy, and exports quickly reached more than 50% of total production.\(^{89}\)

\(^{81}\) In addition to the over 3,000 km of highways in Italy, with the acquisition of Abertis, Atlantia manages 1,800 km in Spain (70% of the national highway network), more than 2,000 km in France (over 25% of the French highway network), 3,250 km in Brazil (through 9 concessionaires, that overall manage 17% of Brazilian highways), and the four main Chilean highways connecting the capital Santiago to the rest of the country.

\(^{82}\) https://finanza.repubblica.it/News/2018/12/11/atlantia_primo_leader_globale_nelle_infrastrutture_con_autostrade_e_aeroporti-43/

\(^{83}\) https://finanza.repubblica.it/News/2018/10/29/atlantia_abertis_castellucci_nasce_leader_mondiale_nelle_infrastrutture_di_trasporto-221/


\(^{86}\) http://www.repubblica.it/2006/08/sezioni/persone/benetton/benetton/benetton.html

\(^{87}\) ibid.

\(^{88}\) https://www.cinquantamila.it/storyTellerArticolo.php?storyId=0000000171393

\(^{89}\) http://www.benettongroup.com/the-group/profile/group-history/
If readers today even remember the emergence of Benetton on the global stage, they are most likely to remember the audacious advertising strategy in the early 1980s that resulted in international name recognition. Italian photographer Oliviero Toscani designed a series of campaigns that used shock to attract attention. Benetton ads became talking points, addressing taboos in a way that had previously been unthinkable in commercial communication, all wrapped in a stated desire to promote peace and diversity. One particularly jarring image: a photo of American AIDS/HIV activist David Kirby dying of AIDS in a hospital bed in Columbus, Ohio. The Benetton brand became so recognizable that Luciano Benetton himself embarked on a short career in politics, and was elected Senator for the Italian Republican Party between 1992 and 1994 under the Amato I and Ciampi Cabinets.

According to the most recently available income statement, the garment branch of the Benetton Group had 2017 revenues of 1,280 million euros but losses of 180 million euros. In March 2018, the four siblings were individually ranked 652 among the World’s Richest Billionaires with a 3.5 billion dollar net worth each, eleventh among Italian billionaires. Considered as one, with an overall net worth of 14 billion dollars, the family would have held the 102nd position worldwide and the third position in Italy.

The Benettons have highways to thank for their wealth, not just textiles: Under the lead of Gilberto and his right-hand man Gianni Mion (CEO of Edizione, the Benetton family’s holding company, between 1986 and 2012), the family started diversifying its assets. In the process, the family became one of the largest players in the privatization of Italian state-owned companies in the 1990s.

The family entered the highway sector in 1999 when Edizione, the holding controlled by Benettons, acquired the controlling stake of Autostrade for around 2.5 billion euros. Today, just 5% of the Benettons’ 12.4 billion euro portfolio derives from its textile businesses; 50% comes from

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90 See for instance: https://www.theguardian.com/fashion/gallery/2011/nov/17/benettons-most-controversial-adverts
91 http://www.senato.it/leg/11/BGT/Schede/Attsen/00000216.htm
93 Forbes 2018 ranking of The World’s Richest People.
95 The sale of controlling interest by IRI began in 1983 under the Prodi presidency, with the aim of reorganizing and repositioning the group’s activities, in the attempt to arrest its huge level of indebtedness. To qualify for membership in the Eurozone, Italy needed money: the dismantling of IRI began with a massive wave of privatizations. In five years, between 1992 and 1997, privatizations and divestitures of the company’s assets were worth over 25,000 billion Italian liras.
96 https://www.corriere.it/Primo_Piano/Economia/2005/03_Marzo/07/autostrade.html
infrastructure.97 In 2003, the Benettons consolidated their hold on the company, leading another consortium to purchase a majority share.98 99 100

“Autostrade became a political powerhouse, acquiring clout that the Ministry of Infrastructure and Transport, perpetually underfunded and employing a small fraction of the staff, could not match,” said the New York Times on March 5, 2019. “The Benettons made occasional, bipartisan political donations but those did not explain the company’s influence. Autostrade could perform perfectly legal favors to politicians, like modernizing a stretch of local highways.”101 Today, both Autostrade and its parent company Atlantia financially support political foundations and think tanks: Direct donations to political parties have been curtailed.102

Atlantia is a sustaining member of the Aspen Institute Italia, whose president is Giulio Tremonti, the former Minister of the Economy and Finance under all of the Berlusconi Cabinets.103 Autostrade was also a sponsor of the bipartisan think tank VeDrò, led by ex-Prime Minister Enrico Letta. Among the founders of the think tank is Francesco Delzio—currently Head of External Relations, Institutional Affairs, and Marketing of both Atlantia and Autostrade per l’Italia.104 105 Simonetta Giordani, currently serving as head of Institutional Affairs and Sustainability of Atlantia, was also close to Enrico Letta and VeDrò.106 She started her political career as Chief Secretary of the Minister of Post and Telecommunications in 1996, became Undersecretary of State at the Ministry of Cultural Heritage and Activities and Tourism under the Letta Cabinet,107 and was seated in the Board of Directors of Ferrovie dello Stato, the state-owned holding company that manages infrastructures and services on Italian rail lines.108

Autostrade also financially supports recurring festivals, conferences, and events, like the annual meeting held in Rimini by Comunione e Liberazione (a powerful Italian Catholic movement), where Autostrade’s top managers are guests of honor.109 110 Autostrade is an official sponsor of

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98 In 2003, the Benettons also acquired a stake in the airports of Rome-Fiumicino and Rome-Ciampino, as well as in three French airports (in Nice, Cannes, and Saint-Tropez). Since then, the family has acquired stakes in the investment bank Mediobanca (2.10% stake as of December 31, 2017), the insurance company Assicurazioni Generali (1.39% stake as of December 31, 2017), Telecom Italia (0.23% stake, sold in 2009), Pirelli (4.60% stake, sold in 2014), and the media outlets Caltagirone Editore (2.24% stake, sold in 2017), Il Sole 24 Ore (2% stake, sold in 2017), and RCS Media Group (1.07% stake, sold in 2014). Currently, the family does not have stakes in Italian media outlets.
101 https://www.nytimes.com/2019/03/05/world/europe/genoa-bridge-italy-autostrade-benetton.html
103 http://www.aspениnstitute.it/en/institute/aspен-community/members
104 http://www.francescodelzio.it/curriculum/
106 http://www.fondazionefs.it/content/dam/fondazione/foto/2017/personale/CV_Simonetta_Giordani.pdf
107 In office from April 28, 2013, to January 22, 2014.
110 https://www.ilfattoquotidiano.it/2013/08/22/meeting-cl-sponsor-diventano-protagonisti-dei-dibattiti-con-politici/689530/
the Giro d’Italia—the annual multiple-stage bicycle race, currently run by RCS Sport (part of RCS MediaGroup, the publishing company of Corriere della Sera, one of the main national daily Italian newspapers, and of Gazzetta dello Sport, the most important daily newspaper dedicated to sports).\footnote{111} \footnote{112} Atlantia is a sponsor of “La Repubblica Delle Idee,” the editorial festival of another of the main national daily newspapers, La Repubblica.\footnote{113}

Autostrade also collaborated with Sky (Europe’s largest media company and pay-TV broadcaster), to develop the TV series “You are in a wonderful country”: The 66 episodes of the broadcast to date describe beautiful places in Italy, as well as “original and fascinating travel experiences” on the road.\footnote{114} \footnote{115}

A seat on the board of Atlantia is a favored appointment of powerful media executives. Massimo Lapucci is currently an independent member of the Board of Directors both of Atlantia and of Caltagirone Editore (the publishing company of two of the main daily newspapers of Rome and Milan, Il Messaggero and Il Mattino).\footnote{116} \footnote{117} Between 2009 and 2012, he served as Investment Director of Sintonia (an investment vehicle of the Benetton family). Livia Salvini, auditor of Atlantia since 2015, was appointed an independent non-executive director of the 24 Ore Group (the publishing company of Il Sole 24 Ore, the main Italian national daily business newspaper) in 2016.\footnote{118} \footnote{119} Monica Mondardini, CEO of CIR Group\footnote{120} since 2013, current Vice President of its subsidiary GEDI Gruppo Editoriale (the largest publishing company serving the Italian market), and its former CEO between 2009 and April 2018, was an independent member of the Board of Directors of Atlantia from 2012 until her resignation on February 19, 2019, a few weeks before the expiration of her mandate.\footnote{121} \footnote{122} (She claimed “that the conditions to keep ensuring a collaborative contribution are no longer present,” a likely outcome of a divergence of opinions on the board following the death of Gilberto Benetton.)

Last but not least, Atlantia has been in discussions to be a financial backer of the potential relaunch of the almost-bankrupted Italian airline Alitalia, now under the Italian equivalent of Chapter 11. Mediobanca, the investment bank working as advisor to the government, asked

\footnote{112}http://www.rcsmediagroup.it/pagine/brands/ri-quotidiani?refresh_ce-.cp
\footnote{113}http://www.repubblica.it/la-repubblica-delle-idee/bologna2018/2018/06/05/news/un_festival_completamente_gratuito_grazie_al_contributo_degli_sponsor-198219980
\footnote{115}https://www.autostrade.it/it/siupm-sky-arte
\footnote{116}http://www.caltagironeeditore.com/cda/
\footnote{117}http://www.atlantia.it/en/corporate-governance/consiglio-di-amministrazione
\footnote{118}http://www.gruppo24ore.ilsole24ore.com/it-it/governance/comitati/
\footnote{119}http://www.atlantia.it/en/corporate-governance/statutory-auditors
\footnote{120}The CIR Group is an Italian holding company, 46% controlled by De Benedetti family, active in the media, automotive components, and healthcare sectors. In the media sector, it owns—through its subsidiary GEDI—one of the main daily national newspapers, La Repubblica and La Stampa; the weekly magazine L’Espresso plus additional magazines; 14 local newspapers; and three national radio stations (for the full list, see: http://www.gedispa.it/it/il-gruppo/brand.html).
\footnote{121}http://www.cirgroup.it/gruppo/management/curriculum/monica-mondardini.html
\footnote{122}https://ricerca.repubblica.it/repubblica/archivio/repubblica/2012/01/21/monica-mondardini-nel-consiglio-di-atlantia.html
Atlantia to invest in the company; and Atlantia’s subsidiary Aeroporti di Roma (which manages the main airport of the capital) may participate in the reorganization.

6. The aftermath of the collapse: Media, politicians, regulators

In the aftermath of the collapse of the Morandi Bridge, the obvious questions were asked by politicians and the media: “How did it happen?” and then, “Who should be held responsible?”

Politicians on all points of the political spectrum immediately took a stance, pointing fingers on the day of the collapse itself. For its part, the left-wing Democratic Party pointed to the Five Star Movement’s support of the “No Gronda” movement in 2012, despite the Gronda’s stated goal of lightening traffic volumes and congestion on the Genoese highway, and hence on the Morandi Bridge as well.124

Elsewhere on social media, Five Star Movement leader Luigi Di Maio posted on Facebook: “Autostrade per l’Italia is certainly responsible for not having undertaken maintenance services, but the political parties and newspaper outlets that have protected the company for decades are equally guilty. How is it possible that no government has ever questioned the granting of highway concessions to the Benetton family?”125

According to Prof. Marco Ponti, a senior transport economist and government consultant, there is no demand for investigations into highway concessions because highway users (and hence newspaper readers) settled into paying a high price for driving on the network, and evidently have a high willingness to pay for it. “The highway user does not know if the toll rate she is paying is a fair rate; she has nothing to compare it with.”126

Other than public grousing over annual tariff increases every January, opposition to the status quo regarding overly generous highway concessions has been remarkably muted. Even after the publication of a fact-finding inquiry127 about highway concessions, presented by the Bank of Italy to the Chamber of Deputies (the lower house of the Parliament) in 2015, neither politicians nor Italian citizens were roused to fix a system that appeared distorted.128

Despite the fact that an annual toll rate increase had already been approved by the Ministry of Infrastructure and Transport, Autostrade voluntarily decided—for the very first time—to keep toll rates steady during the first six months of 2019.129 The Board of Autostrade issued a press

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release stating that “[the company] intends to support the growth and competitiveness of the country, maintaining the initiative [of freezing toll rate increases] for a period of six months in an active spirit of collaboration with the government.”

But things changed in the aftermath of the catastrophe, which received widespread media coverage. Exhibit C-1 (see Appendix C) plots the weekly number of articles in Italian newspapers that contain either “Autostrade” or “Atlantia” as keywords during the three months between August and November 2018. The orange line only counts news where those keywords appear in the header of the article. In the week of the catastrophe, the number of articles containing those words was almost six times as large as in the previous week. Likewise, a look at Google Trends Analytics (Exhibit C-2, Appendix C) showed a significant general interest after the event.

Notably, at least in the earliest coverage of the bridge collapse, one important name was repeatedly missing: that of the Benettons. The radical Italian daily newspaper Il Fatto Quotidiano went so far as to run an article with the provocative title, “Benetton Who?” In newspapers, the Benetton ownership was typically only mentioned in regard to Atlantia’s stock price movements. “Abroad—from the Financial Times to Le Figaro, from the Guardian to the New York Times—everybody pointed out that Autostrade per l’Italia is owned by the Benetton family. In Italy, however, the company appears to have no ownership.” It took the family four full days, on the occasion of a national day of mourning, to issue an official statement expressing sympathy and grief for the victims.

The Benettons’ influence on Italian media was already evident before the Morandi Bridge collapse and was not really diminished by the tragedy. The press reviews’ archive of the Camera dei deputati, the lower chamber, counts 50 articles that contain the words “Benetton” and “Autostrade” between January 1, 2018, and August 13, 2018 (the day before the bridge collapsed). Despite twelve very critical articles by Il Fatto Quotidiano, so-called mainstream newspapers did not publish any negative pieces on the family’s highway business, with one single exception: a Corriere della Sera article. One year later, the numbers are changing. Between January 1, 2019, and August 13, 2019, the Camera dei deputati press reviews’ archive counts 396 articles that include the words “Benetton” and “Autostrade.” Many of the articles are negative but are concentrated in a few newspapers (mainly Il Fatto Quotidiano and La Verità); most established newspapers published less critical articles and some openly defensive pieces such as a one-page long interview with Luciano Benetton in La Repubblica. In it, the 84-year-old founder of the fashion branch explains why he decided to go back to work to manage United Colors of Benetton. He eventually decided to be photographed in the advertising campaign for the new Benetton

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130 Ibid.
132 Ibid.
134 http://rassegna.camera.it/Search.aspx
135 http://rassegna.camera.it/Search.aspx
136 Appendix C: The Media Landscape
137 https://rep.repubblica.it/pwa/intervista/2019/05/18/news/_torno_a_mettersi_la_faccia_contro_odio_e_accuse_-226613092/
collection. When asked about Genoa, Luciano answers that what happened was “an unpredictable misfortune.”

Many fingers were pointed against Autostrade, the Benetton Family, the Atlantia group, Spea Engineering (an Atlantia subsidiary), Anas (the concession grantor), previous governments, the current government, the European Union, the Ministry of Infrastructure and Transport, center-left governments, all governments. The consensus converged on laying blame at Autostrade’s doorstep for its inability to fulfill the obligations established in the concession contract signed between the firm and the government. Before long, the populist Five Star Movement shifted the debate to the question of whether it was time to nationalize the highway sector again.138

A few days after the collapse, Prime Minister Conte announced the government’s willingness to initiate procedures for revoking Autostrade’s concession, irrespective of the course of the investigation carried out by prosecutors, and without “waiting for the justice [to deliver its verdict].”139 The stock market reacted immediately: From an opening price of 25 euros per share, shares of Autostrade closed at 23.54 euros on the day of the collapse, and on the next trading day, August 16 (August 15 is a national holiday in Italy), closed at 18.30 euros.

On August 27, 2018, the Minister of Infrastructure and Transport Danilo Toninelli approved the publication of the texts of the secret agreements currently in place between highway concessionaires and the State.140 While some of the files had already been available online since February 2018 (under the Gentiloni Cabinet), those documents did not include potentially sensitive data on economic and financial indicators of highway concessions (for instance, documentations covering the rules that determine toll rates adjustments and FOPs). Autostrade published the details of its agreements on its website as well.141

Immediately after the collapse, the Ministry appointed a special committee to investigate the tragedy and report its findings, which were published one month later.142 As part of that investigation, the committee inspected the correspondence between Autostrade and the MIT, the agency in charge of supervising highway concessionaires. Among those communications was a claim by Autostrade on December 13, 2016 that it had visually inspected all the bridges, viaducts, and galleries in its network, and found that none of them “presents critical issues to the highway network.”143 A few months later, on June 23, 2017, the company declared that all security evaluations mandated by law had been completed, with no critical issues found.

141 http://www.autostrade.it/it/autostrade-per-genova
Shockingly, when the committee specifically requested that the concessionaire provide the security evaluation form for the Morandi Bridge, “it found out that such document does not exist, […] as the safety assessment of the Morandi Bridge has not been carried out.”

In ascertaining the causes of the collapse, the committee concluded that the reason was not “to be found in the breakage of one or more pillars, but rather of one of the other structural elements […] whose survival was conditioned on the advanced status of corrosion present in the structural elements.”

In early September 2018, Genoa prosecutors listed 20 people under investigation. Some of the charges are severe: multiple manslaughter, culpable homicide (aggravated by conscious misconduct), culpable disaster, and culpable road killings. Eight managers of Autostrade, including the CEO at the time of the collapse, Giovanni Castellucci, faced charges. Others included officials from the Office of Public Works of Liguria Region and the Ministry of Infrastructure and Transport, including Vincenzo Cinelli, Head of the MIT Supervisory Body of Highway Concessions, and Carmine Testa, head of its territorial branch in Genoa.

By March 2019, the list of people under investigation had more than tripled, with 74 people under investigation. The investigators’ purview reaches back more than 25 years, with sixty people involved in maintenance, monitoring, and management of the bridge, including former corporate officers and former officers of the MIT. Amazingly, since the early 1990s, structural works had only been undertaken on pillar 11 (which did not collapse in 2018); despite evidence of deterioration, not only was similar work not performed on pillars 9 and 10, it was not even planned.

A second line of inquiry has also emerged involving other managers of Autostrade, and managers and engineers of Spea Engineering, a subsidiary of Atlantia and the entity responsible for the monitoring and safety inspections of the highway network in concession to Autostrade. (The MIT rarely conducted inspections on the roads under concession itself; rather, it reviewed documents provided by Spea.) Both Autostrade and Spea are being investigated for falsifying the security reports of five other viaducts managed by the concessionaire. This practice continued
even after the collapse of the Morandi Bridge, according to interrogations, wiretapping, and searches of Spea’s offices.\textsuperscript{154} Prosecutors have hypothesized that security reports were modified and lightened to avoid the necessity of undertaking more expensive monitoring. In particular, they suspect that the monitoring reports have been faked, with inspections reporting false degradation indexes that were lower than the warning level to avoid closing infrastructure to traffic in favor of the more lucrative option of limiting the flow of vehicles allowed.\textsuperscript{155, 156}

In an attempt to address critical congestion issues that have arisen in Genoa since the collapse, the Five Star Movement-controlled government issued the so-called “Genoa Decree” on November 19, 2018. The Decree contains “urgent provisions for the city of Genoa, for the safety of the national network of infrastructures and transports, for the seismic events of 2016 and 2017, for occupation and other emergencies.”\textsuperscript{157}

Among its provisions: (1) the appointment of a special commissioner, with a 12-month mandate, renewable up to a maximum of three years, to oversee the prompt demolition, removal, disposal, and management of waste and materials, as well as the planning and reconstruction of the infrastructure, the appointment of the contractor, and the restoration of the pre-existing network; (2) the exclusion of Autostrade from the reconstruction of the bridge, but a reiteration of its obligation to pay the costs of construction of the new infrastructure; (3) the establishment, on January 1, 2019, of the National Agency for the Safety of Railways and Road and Motorway Infrastructures (Ansfisa); (4) the establishment of a national archive of public works (AINOP), which will collect information on administrative, managerial, maintenance, and financing data from concessionaries.

According to the Italian Public Contract Code in effect since April 2016,\textsuperscript{158} holders of concessions for works, services, or supplies not entrusted with public tender procedures are obliged to outsource 80\% of the new contracts, leaving the possibility of directly performing only 20\% of the works through subsidiaries and/or associate companies. For highway concessions, those rates are attenuated to 60\% and 40\%, respectively. Holders of concessionary contracts granted before the Code was put in place were given 24 months to comply with those limits. Holders of new concessionary contracts have to comply immediately.

On October 17, 2018, the Italian Anti-Corruption Authority (Anac), which is responsible for verifying compliance with the 80/20 (or 60/40) contract limits, reported the results of a census of public concessionaires (spanning from gas to highways and airports) that indicated the “presence

\textsuperscript{154} https://genova.repubblica.it/cronaca/2019/01/30/news/ponte_morandi_nuove_perquisizioni_e_altri_sequestri-217816942/

\textsuperscript{155} As established by the concessionaire, a degradation index of 70 implies closing the infrastructure to traffic; a degradation index of 60 (temporarily) limits traffic flows (e.g., to certain categories of vehicles). The last report on the Morandi Bridge listed a degradation index of 50.


\textsuperscript{158} Legislative Decree n. 50/2016: https://www.codiceappalti.it/Home/Legge/?legge=Italian_Procurement_Code
Highway concessions showed the greatest inconsistencies, with the single highest discrepancy in the data being the difference between the contract rates declared by Autostrade (as concessionaire) and those reported by the MIT (as grantor of the concession). The report concluded that there has been a lack of systematic checks by the grantor on the activities of the concessionaires and it outlined the failures of concessionaires to comply with the mandated percentage limits.  

7. Summary: Atlantia trilemma

The tragedy of the Morandi Bridge collapse unleashed massive political turmoil and Autostrade has found itself submerged in a political, legal, and public relations quagmire ever since. The Benettons appointed a new CEO, Roberto Tomasi, who was not closely associated with the previous management. The hiring of Tomasi seemed like a promising first step for the company hoping to repair its image and consolidate its position as a leading global highway concessionaire. How Tomasi, his executive team, and his benefactors at Atlantia and Benettons will comport themselves as the aftermath of the disaster continues to unfold remains to be seen. In making her recommendation, equity analyst Jane Ross has to predict which strategy Atlantia and the Benettons will choose. They face three options, according to internal sources in Atlantia.

The first one is “wait and see.” After the collapse of the populist government supported by the Five Star Movement and its right-wing coalition partner the League in August 2019, a new center-left coalition took power: the Democratic Party joined the Five Star Movement. The 2019 European elections and the subsequent polls showed that the Five Star Movement, a populist party, is in serious trouble. Their supporters are upset because of all the compromises they had to accept to stay in power. The Five Star Movement’s leader, Luigi Di Maio, is desperately looking for a major political victory (he will eventually resign his post, in January 2020, and Atlantia stock price will increase by 1.8% in a single day). This is the main reason why he is pushing Prime Minister Conte to revoke the concession. The coalition’s new junior partner, the Democratic Party,
has a long tradition of proximity with the Benettons. The Democratic Party doesn’t want to revoke the concession and they are keen to find an honorable compromise to turn the Morandi page.

On the opposition side, the far-right party, the League, is leading the polls. Until a few months ago, the League was the junior partner of a populist coalition with the Five Star Movement, but the League’s leader, Matteo Salvini, has always been very interested in speeding up infrastructure projects in northern Italy, where his main constituency is located. Therefore, the League has never supported the Five Star Movement’s push to revoke the concession. Some people in Autostrade and Atlantia think that the best strategy is to use the residual political power of the company to support the League and the Democratic Party in order to contain the Five Star Movement’s influence. Once the Five Star Movement is out of power or weaker, things would go back to normal and Autostrade and Atlantia would have the same good relationship with politics that they have always had for the last two decades.

The second option for Atlantia is what executives call “appeasement.” According to a report from the Ministry of Infrastructure and Transport, the concession contract is so favorable to Autostrade that the company can claim up to 20 billion euros in case of early termination. According to the contract, if the asset is nationalized, “The transfer is subject to the grantor’s payment to the revoked concessionaire an amount corresponding to the current net revenues deriving from the management, foreseeable from the date of the concession revocation order until the date the concession expires.” In the event that the early termination is due to Autostrade’s failure to meet its obligations, such payment is reduced by 10 percent plus any damages. In the event of the termination of the Single Concession Contract for reasons other than a failure by Autostrade to fulfil its obligations, such a penalty shall not apply.

Atlantia’s executives in favor of the appeasement strategy argue that shareholders will be almost indifferent to having either 20 billion euro today or a smaller amount every year until the contract’s expiration in 2042. The only real loss would be the haircut, between 2.5 and 3 billion euros. The risk of the appeasement is that the final cost for Atlantia-Autostrade could be much higher if the Five Star Movement would try to leverage the negotiation to reduce the compensation fee in order to prove its toughness to its voters. Even a loss of 5 to 6 billion would be acceptable. However, is it certain the government will engage in a fair negotiation?

Some of Atlantia’s board members think that appeasement would cause a backlash. The third option they support is quite different and more confrontational. They are convinced that the only way for Atlantia to survive is to prove to the government that they will never surrender. The company already appealed the so-called “Genoa Decree” that asked the company to pay for the bridge reconstruction but forbid it to do the work; the Italian Supreme Court will have the final say. Then, Atlantia opposed the new regulation, approved by the government after the Genoa tragedy, that empowered the Transportation Authority to have a say on toll increases that were previously regulated only by the concession.
Many Atlantia board members are very supportive of the plan to invest in Alitalia, the almost bankrupt airline that the government is desperately trying to keep afloat. With a direct investment in Alitalia, Atlantia and the Benetton family will double their leverage: The government is desperately looking for a financial partner to support a public-private rescue of the former state-owned company for the third time in eleven years. Atlantia is also interested in preventing Alitalia’s collapse because the airline is a relevant source of income for Aeroporti di Roma, an Atlantia subsidiary that retains the concession of the two Rome airports. All the main political parties, including the Five Star Movement, would be very thankful for a 300 million euro investment by Atlantia in Alitalia. The Italian government is looking for a foreign aviation company that could manage the Alitalia turnaround; the only candidate at the moment is Delta Airlines. The Benettons would not be directly involved in operating Alitalia after the rescue.

Based on her assessment of this information, Jane Ross has to come up with a recommendation on Atlantia shares: “Buy,” “Hold,” or “Sell.” The investment committee of the bank she works for convenes in 48 hours.
## Appendix A: Autostrade’s concessions history

### Exhibit A-1: The main events that characterize the history of Autostrade’s highway concessions.

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1956</td>
<td>• Autostrade enters into an agreement with Anas to cofinance, build, and operate the main north-south route in the Italian peninsula.</td>
</tr>
<tr>
<td>1987</td>
<td>• Autostrade lists 13.4% of its stock on the Italian Stock Exchange.</td>
</tr>
<tr>
<td>1997</td>
<td>• New agreement is signed between Anas and Autostrade (Convenzione 1997).</td>
</tr>
<tr>
<td>1999</td>
<td>• Autostrade is privatized. Schemaventotto, a private company 60% owned by the Benetton family, acquires 30% of the issued capital, becoming the largest shareholder.</td>
</tr>
</tbody>
</table>
| 2003 | • After a tender offer for the acquisition of all the shares of Autostrade, Schemaventotto’s stake increases to 83.8%.  
• Following a corporate reorganization, highway concession activities are assigned to Autostrade per l’Italia, 100% controlled by Autostrade S.p.A. (today Atlantia). |
| 2004 | • An integration to the Convenzione 1997 (the so-called IV Atto Aggiuntivo) becomes effective. |
| 2008 | • The 2007 Convenzione Unica agreement between Anas and Autostrade, which modifies the Convenzione 1997, becomes law. |
| 2012 | • The Ministry of Transport and Infrastructure (MIT) replaces Anas in the role of grantor of highway concessions.  
• An integration to the Convenzione 2007 (the so-called Atto Aggiuntivo) is signed between the MIT and Autostrade per l’Italia. |
The IRI (the Italian Institute for Industrial Reconstruction) founded Autostrade Concessioni e Costruzioni S.p.A. (Autostrade S.p.A.) in 1950, with the goal of participating, together with other large industrial groups, in the post-war reconstruction of Italy.\(^{165}\) Starting in 1956, Autostrade entered into agreement with Anas to co-finance, build, and operate highways on the Italian peninsula.\(^{166}\) The first concession was granted for the construction of the main north-south route, the A1 Autostrada del Sole (connecting Milan to Naples).\(^{167} 168 169\)

In 1987, Autostrade S.p.A. listed 13.4% of its stock on the Italian Stock Exchange.\(^{170} 171\) Ten years later, in 1997, a new agreement was signed between Anas and Autostrade (Convenzione 1997), which extended highway concessions from 2018 to 2038, on the basis of a “financial plan” (FOP), to be updated every five years.\(^{172}\) The Court of Audit (the supreme audit institution of Italy) heavily opposed the agreement, arguing that the terms of the contract could not justify an extension of the concession itself. Despite this, the agreement was approved by inter-ministerial decree under Prodi I Cabinet during the first quarter of 1998.\(^{173} 174\)

In 1999, Autostrade was privatized. In a first phase (June-October), a tender process was issued for the allocation of 354.9 million shares (corresponding to 30% of the issued capital) to a group of core shareholders willing to pay a control premium over and above the price of the shares offered for sale in the subsequent Initial Public Offering. The winning bidder was Schemaventotto S.p.A., a private company with 60% owned by the Benetton Family, and the only remaining bidder after the Australian fund Macquarie withdrew at the last minute. During the second phase (December), the IPO took place for the remaining 670.1 million shares (corresponding to 56.6% of capital—13.4% was already trading in the stock market). Shares began trading on the Italian Stock Exchange at a price of 6.75 euros per share.

Schemaventotto acquired a 30% stake (354.9 million shares) in Autostrade for a total of 2,515.35 million euros, paying a price per share of 7.0875 euros, equal to the IPO price plus the 5% control premium offered in phase 1.\(^{175} 176 177 178 179\)

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\(^{167}\) Atlantia 2017 Report, History of the company section.


\(^{170}\) https://www.edizionieuropee.it/LAW/HTML/52/zn93_09_023.html

\(^{172}\) Atlantia 2017 Report, History of the company section.


\(^{174}\) In those years the euro was about to be introduced in the European Union, with the purpose of creating an economic and monetary union by 1999. To be able to adopt the new currency within national borders, countries had to maintain a ratio between public debt and GDP not higher than 60%. Despite the fact that Italy could not meet the requirement, accession to the monetary union was granted because the government could signal its willingness to get closer to negotiated levels within a reasonable period.

\(^{175}\) http://www.repubblica.it/online/economia/autostrade/autostrade-per-genova/vero-falso


\(^{177}\) The Italian Treasury Department report on privatizations between 1996 and 2001: "Libro Bianco delle Privatizzazioni," available at:
Schemavento funded the purchase with 1.3 billion euros in equity, and 1.2 billion euros in loans.\textsuperscript{180} \textsuperscript{181} The Benettons covered their share of the investment (800 million) with 182 million euros in equity, and the rest with loans from other companies of the group, thanks to the liquidity granted through the sale of Supermercati GS.\textsuperscript{182}

In 2003, NewCo28 (controlled by Schemavento) launched a tender offer for the acquisition of all the shares of Autostrade not already controlled by Schemavento, offering a price of 10 euros per share. Owners of 645,883,333 shares participated in the offer: After the purchase, Schemavento's stake in Autostrade increased to 83.8\%.\textsuperscript{183}

Once the operation was concluded, Schemavento merged with Autostrade, allowing Autostrade's cash flow to be used to repay the money borrowed to finance the bid.\textsuperscript{184} Following further corporate reorganization, highway concession activities were then assigned to Autostrade per l'Italia, 100\% controlled by Autostrade S.p.A. (today Atlantia).\textsuperscript{185}

In 2004, under the Berlusconi II Cabinet, a group of centrist senators presented a bill that raised concerns about the lack of transparency governing the yearly increases in toll rates. It also addressed the need to better monitor the status of investments for both the maintenance of existing infrastructures and the development of new roads agreed to in the renewals of the agreements. Attention was particularly drawn to discrepancies in investments in maintenance and construction carried out by the concessionary Autostrade relative to what had been established in the quinquennial financial plan as part of the contract. In the text presented to the Senate for approval of the bill, it was stated that in the period 1997-2001, Autostrade only carried out works for 1.195 billion euros out of 4.807 billion euros—i.e., about 3.6 billion euros less than what was foreseen in the financial plan (FOP) of those years—and yet toll rates still increased.\textsuperscript{186} At the same time, traffic volumes over the same period turned out to be much higher than what was estimated in the financial plan: Since those forecasts were fundamental to the determination of the concessionary’s obligations towards the State (also in terms of maintenance and development of the infrastructure) and for establishing concession fees, the erroneous predictions enabled Autostrade to make 1.042 billion euros extra profits over the period 1997-2001.

\textsuperscript{181} \url{https://www.corriere.it/Primo_Piano/Economia/2005/03_Marzo/07/autostrade.html}
\textsuperscript{182} ibid.
\textsuperscript{183} \url{https://www.borsaitaliana.it/borsaitaliana/statistiche/mediaitaliano/fatticifre/2003/interodocumento.pdf}
\textsuperscript{184} \url{https://www.mediobanca.com/it/stampa-comunicazione/news/deliberata-fusione-per-incorporazione-di-autostrade-in-newco2.html}
\textsuperscript{185} \url{https://www.autostrade.it/en/chi-siamo/storia}
\textsuperscript{186} \url{http://www.senato.it/japp/bgt/showdoc/14/DDlpres/0/00113978/index.html?part=doc_dc-relpres_r}
That same year, an integration to the Convenzione 1997 (the so-called IV Atto Aggiuntivo) became effective, with Autostrade per l’Italia committing to further network development with the construction of new roads at an estimated cost of 4.489 billion euros.\textsuperscript{187\textsuperscript{,188}}

In 2008, the 2007 Convenzione Unica agreement between Anas and Autostrade, which modified the Convenzione 1997, became law. In particular, it defined investments in 330 km of new roads (for about 5 billion euros) and for the development of network extensions already planned in the Convenzione 1997 (for an additional 2 billion euros).\textsuperscript{189\textsuperscript{,190}}

In 2012, the MIT replaced Anas in the role of grantor of highway concessions. Through the creation, in 2012, of a supervisory body within the ministry (the Direzione Generale per la Vigilanza sulle Concessioni Autostradali), the authority became involved in monitoring and supervising the activities carried out by the concessionaires. It is also responsible for detecting deviations between the amounts invested by the concessionaires for the construction of new roads and for the maintenance of existing infrastructures relative to levels agreed upon in the FOPs.\textsuperscript{191}

In 2012, an integration to the Convenzione 2007 (the so-called IV Atto Aggiuntivo) was signed between the MIT and Autostrade per l’Italia, in order to set the quinquennial adjustment in the FOP for the years 2012-2038.\textsuperscript{192}

\textit{A Snapshot of the Wider Italian Highway Industry}

Today, the Italian highway network extends over 7,000 km. Twenty-two privately managed companies hold 25 concessions on 5,886.6 km of national highways.\textsuperscript{193} In addition, Anas manages 953.8 km directly, and 482.8 km together with the Regions, through joint participations in regional concessionaires.\textsuperscript{194}

According to the 2017 Annual Report on Supervisory Activities for Highway Concessions, the Italian system of highway concessions appears fragmented relative to other European countries. Nevertheless, the biggest concessionaire (Autostrade per l’Italia) controls more than 50% of the privately managed network—2,857.5 directly, in addition to 164.6 km through subsidiaries, for a

\textsuperscript{187} Main extensions include building the Passante di Genova, the third lane of the Adriatic A14 between Rimini Nord and Porto Sant’Elpidio, and the fourth lane between Milano Est and Bergamo.
\textsuperscript{188} Autostrade report (2007) “Autostrade a 7 anni dalla privatizzazione. Fatti, numeri e risultati.”
\textsuperscript{189} http://www.camera.it/temiap/temi16/ANAS1audizione2010.pdf
\textsuperscript{191} http://documenti.camera.it/Leg18/Dossier/Pdf/AM0001_Pdf
\textsuperscript{192} https://www.lavoripubblici.it/documenti2018/lvpb3/Atto_aggiuntivo_alla_convenzione_Unica_All_E.pdf
\textsuperscript{193} Direzione Generale per la Vigilanza sulle Concessioni Autostradali, Settore Autostradale in Concessione – “Relazione Attività 2017”.
\textsuperscript{194} As long as infrastructures lie within regional boundaries, regions are similarly entitled to grant concessions.
total of 3,022.1 km.\textsuperscript{195} The second largest group, Gavio, controls 1,271.7 km, through various subsidiary concessionaires.

**Exhibit A-2:** Highway Concessionaires by Mileage

This image depicts the privately managed Italian highway network, grouping together the concessionaires that belong to Atlantia (in orange) and those under Gavio (in dark blue).\textsuperscript{196}

\textsuperscript{195} In addition, with the recent acquisition of Abertis (see details below), Autostrade will manage the 235.6 km of highways currently under concession to the concessionaire Autostrada Brescia-Padova, which was acquired by Abertis in 2016. (Source: https://www.ilfattoquotidiano.it/2016/05/10/autostrade-la-spagnola-abertis-compra-la-maggioranza-della-a4-brescia-padova-e-della-a31-per-quasi-600-milioni-di-euro/2712475/)

\textsuperscript{196} Since its creation in 2014, the branch of the MIT in charge of managing the relations and the agreements with highway concessionary companies and accountable for their monitoring (the Direzione Generale per la Vigilanza sulle Concessioni Autostradali) publishes an annual report about highway concessions and concessionary companies. These reports are available (in Italian) at the following link: http://www.mit.gov.it/documentazione/convenzioni-regolanti-i-rapporti-tra-il-ministero-e-le-societa-concessionarie
Exhibit A-3: Italian Coalition Governments and Benetton Family Political Involvement

<table>
<thead>
<tr>
<th>Legislature and Dates</th>
<th>Cabinet and Dates</th>
<th>Governing coalition parties</th>
<th>Benetton Timeline/Political Involvement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dini (01/17/1995 - 05/17/1996)</td>
<td>Independent (&quot;governo tecnico&quot;)</td>
<td>Paolo Costa Minister of Public Works</td>
</tr>
<tr>
<td></td>
<td>D'Alema I (10/21/1998 - 12/22/1999)</td>
<td>Ulivo - PDL - UDR (center-left)</td>
<td>Highway concessions extended without public tender for all highway concessionaires</td>
</tr>
<tr>
<td></td>
<td>Amato II (04/25/2000 - 06/11/2001)</td>
<td>Ulivo - PDL - UDEUR (center-right)</td>
<td>Unsuccessful attempted reform of Italian large family firms</td>
</tr>
<tr>
<td></td>
<td>Berlusconi III (04/23/2005 - 05/17/2006)</td>
<td>FI - AN - DCA/Pdl - LN (center-right)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Monti (11/16/2011 - 4/17/2013)</td>
<td>Independent (&quot;governo tecnico&quot;)</td>
<td>Resistance to pre-Benetton approach</td>
</tr>
<tr>
<td>Legislature XVII (05/15/2013 - 03/22/2018)</td>
<td>Letta (04/28/2013 - 02/21/2014)</td>
<td>PD - PDL - SC - UdC - RI (center-left)</td>
<td>Simonetta Giordani (formerly of Autostrade) in cabinet, Letta and Benettons closely tied</td>
</tr>
<tr>
<td></td>
<td>Renzi (02/22/2014 - 12/12/2016)</td>
<td>PD - NCD - UDC - SC - PdI - Demo.S - PSI - CD (center-left)</td>
<td>Letta (former Pd PM) on Alberto board, &quot;Unblock Italy&quot; decree, Gov't aids Eur. Comm. negotiation</td>
</tr>
<tr>
<td></td>
<td>Gentiloni (12/12/2016 - 06/06/2018)</td>
<td>PD - NCD - Cle (center-left)</td>
<td>Extension of Autostrade concessions, approved by European Commission</td>
</tr>
<tr>
<td></td>
<td>Conte II (09/05/2019 - )</td>
<td>M5S - PD - LeU (center-left)</td>
<td>Rising disfavor towards Benettons by M5S</td>
</tr>
</tbody>
</table>

Source: Asquer & Calderoni "Family Matters" (2011) https://escholarship.org/uc/item/0fg58b9

Party Affiliations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Party</th>
<th>Orientation</th>
<th>Abbreviation</th>
<th>Party</th>
<th>Orientation</th>
</tr>
</thead>
<tbody>
<tr>
<td>AN</td>
<td>National Alliance</td>
<td>Right-wing</td>
<td>CD</td>
<td>Democratic Center</td>
<td>Centrist</td>
</tr>
<tr>
<td>CD</td>
<td>Democratic Center</td>
<td>Center-left</td>
<td>CDC</td>
<td>Christian Democratic Center</td>
<td>Christian-democratic</td>
</tr>
<tr>
<td>CDF</td>
<td>Christian Democratic Center</td>
<td>Christian-democratic</td>
<td>CDF</td>
<td>PdCI</td>
<td>Party of Italian Communists</td>
</tr>
<tr>
<td>Cdp</td>
<td>Centrists for Europe</td>
<td>Christian-democratic</td>
<td>Cdp</td>
<td>PdL</td>
<td>People of Freedom</td>
</tr>
<tr>
<td>DC</td>
<td>Christian Democracy</td>
<td>Christian-democratic</td>
<td>DC</td>
<td>PdL</td>
<td>People of Italy</td>
</tr>
<tr>
<td>DCA</td>
<td>Christ. Dem. For Autonomy</td>
<td>Christian-democratic</td>
<td>DCA</td>
<td>PdC</td>
<td>Communist</td>
</tr>
<tr>
<td>Demo.S</td>
<td>Solidarity Democracy</td>
<td>Center-left</td>
<td>Demo.S</td>
<td>PSI</td>
<td>Communist</td>
</tr>
<tr>
<td>FdV</td>
<td>Federation of the Greens</td>
<td>Green, left-wing</td>
<td>FI</td>
<td>Forza Italia</td>
<td>Center-left</td>
</tr>
<tr>
<td>Fi</td>
<td>Forza Italia</td>
<td>Center-right</td>
<td>Fi</td>
<td>Rose in the Fist Party</td>
<td>Center-left</td>
</tr>
<tr>
<td>IdV</td>
<td>Italy of Values</td>
<td>Centre-right</td>
<td>IdV</td>
<td>UDC</td>
<td>Union of the Center</td>
</tr>
<tr>
<td>Leu</td>
<td>Free and Equal</td>
<td>Left-wing</td>
<td>Leu</td>
<td>UDEUR</td>
<td>Union of Democrats for Europe</td>
</tr>
<tr>
<td>Ln</td>
<td>Lega Nord</td>
<td>Right-wing</td>
<td>Ln</td>
<td>UDF</td>
<td>Dem. Union for the Republic</td>
</tr>
<tr>
<td>M5S</td>
<td>Five Star Movement</td>
<td>Populist</td>
<td>M5S</td>
<td>Ulivo</td>
<td>The Olive Tree</td>
</tr>
<tr>
<td>Mpa</td>
<td>Movement for Autonomy</td>
<td>Regionalist, Christ. Dem.</td>
<td>Mpa</td>
<td>Ulivo</td>
<td>Center-left</td>
</tr>
</tbody>
</table>
**Exhibit A-4:** A J.P. Morgan matrix of crisis’ possible outcomes, one week after the tragedy (August 21, 2018)

<table>
<thead>
<tr>
<th>Govt holds up the concession contract</th>
<th>Govt does not hold up the concession contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Atlantia is found responsible by the prosecutor</strong></td>
<td><strong>Atlantia is found responsible and the government asks for concession revocation (scenario 3). Atlantia is found responsible and the government can, as per contract, terminate the concession. Atlantia is entitled to concession Terminal Value, less a 10% penalty (see details below). We understand that the company could appeal further. JPMG valuation under this scenario: €25 per share (€3 per share impact)</strong></td>
</tr>
<tr>
<td>Best case (scenario 1): Atlantia is not found responsible and the government does not revoke the concession. Damage costs are covered by the insurance (up to ~€300mm) and by Atlantia (anything beyond ~€300mm). The concession stays at Atlantia until expiry. JPMG valuation under this scenario: €28 per share (no impact)</td>
<td>Worst Case: The government issues a new law to pass the operation of the network to Aenas (scenario 4). There have been suggestions in the media that the Government is intending to pass a law to enable the revocation of the concession from Atlantia in favor re-nationalization of the assets. We remind that drafting, proposing and passing laws is a complex and long process and this seems the least likely outcome. JPMG valuation under this scenario: €3.3 per share (€24.6 per share impact)</td>
</tr>
</tbody>
</table>

*Source: J.P. Morgan.*
Appendix B: Financial analysis of concession and Atlantia

Breakdown of Concession Fees

Agreements governing highway concessionaires obligate them to pay the State three types of fees: (i) a concession fee, (ii) a surcharge fee, and (iii) a subconcession fee. While the former two types apply to all concessionaires in the same way (with a few exceptions), subconcession fees are regulated by the individual agreements that each concessionary company signs with the State.

Concession Fee – By law, concession fees on highway tolls are fixed at 2.4% of toll revenues, net of VAT. Before 2017, 42% of this amount was paid by concessionaires directly to the state-owned company Anas, and the remaining 58% was paid to the Ministry of Economy and Finance (MEF). After 2017, the Anas portion was reduced to 21%, with the remaining 79% to the MEF.

Surcharge Fee – The surcharge fee depends on the kilometers travelled by users on the route, and is paid to Anas. Before 2011, concessionaires paid 0.003 euros per km covered by light vehicles, and 0.009 euros per km covered by heavy vehicles. After 2011, the fees increased to 0.006 euros and 0.018 euros, respectively. This fee is completely passed on to drivers.

Subconcession Fee – Concessionaires are allowed to outsource to third parties the management of services and collateral activities on the highways under their management. For these subconcessions, concessionaires are required to pay the MIT a yearly subconcession fee equal to 2%, 5%, or 20% of the revenues that concessionaires collect from subconcession contracts. Art. 13 of the Convenzione Unica agreement signed between concessionary companies and the State establishes the share of revenues from subconcessions that each concessionary has to pay to the MIT. In the case of Autostrade per l’Italia, the 2007 Convenzione Unica establishes a yearly subconcession fee equal to 5% of the revenues from subconcessions. However, for newly constructed rest areas and for new services offered to consumers, the subconcession fee is 20% of revenues.

Sources:
- Convenzioni Uniche agreements between concessionary companies and the State, and Direzione Generale per la Vigilanza sulle Concessionarie Autostradali, Settore Autostradale in Concessione - “Relazione Attività 2017” (page 63).
- Law n. 296, dated December 27, 2006
- By looking at what is reported in the agreements, one exception to this rule pertains to the concession agreement granted to Asti-Cuneo S.p.A.: The Convenzione Unica (dated August 1, 2007) fixes the yearly concession fee to 2% of toll revenues, in any case establishing also that, since the opening of the highway to users, the yearly concession fee cannot be lower than 1.35 million euros. Another exception refers to the concession fee paid by Autostrada del Brennero S.p.A., which amounts to 3.12% of toll revenues, net of VAT. In addition, the agreements that regulate the concessions for the two international road tunnels (the Mont Blanc Tunnels, and the Great St. Bernard Tunnel), available online, dated 1958 and 1964 respectively, do not contain information about concession fees. It should be noted that they are subject to international agreements, which possibly makes a comparison with other concessions harder.
- Light vehicles are defined as vehicles with a maximum height of 1.3 meters. Vehicles of height higher than 1.3 meters, including trucks, etc., are categorized as heavy vehicles.
- One exception refers to the subconcession fee that has to be paid by Asti-Cuneo S.p.A.: the Convenzione Unica agreement establishes that the concessionary company has to pay 90% of the revenues from subconcessions to the grantor (Art. 13).
In 2017, concession fees amounted to 139.9 million euros, surcharge fees to 647.2 million euros, and subconcession fees to 19.1 million euros.

**Toll Rates**

Toll rates are paid by drivers for using the highway, and the rates depend on the length of the route taken. Current regulations specify how toll rates are to be determined, with no additional discretion or autonomy left to concessionaires. Toll rates per unit of mileage depend on both the type of vehicle and the characteristics of the road (mountainous or flat). The toll is calculated by multiplying the unit fare by the length in kilometers of the travelled route, applying the VAT, and rounding to the closest 10 euro cents. The unit fare includes a surcharge fee to be paid out to Anas (corresponding to 0.006 and 0.018 euros per kilometer travelled by light and heavy vehicles respectively).

Within the concession term, which can be many decades, toll rates are increased by a cost of living adjustment on a yearly basis. Only partly determined by changes in the inflation rate, these adjustments are determined via individual agreement between the concessionary company and the Ministry of Infrastructure and Transport (and before 2012, Anas). There are currently six different schemes for fare adjustments. Toll rates approved for Autostrade per l’Italia have increased by over 21% between 2008 and 2017.

**Autostrade per l’Italia Economic Indicators**


Operating Revenues for 2017 were 3,965 million euros, an increase of 146 million euros (4%) over 2016. The increase in Toll Revenue (3,590 million euros, a 3% increase over 2016) reflects a 2.2% increase in traffic on the Italian network—which accounts for an increase in toll revenues of around 82 million euros—and the application of annual toll increases (essentially a 0.64% applied by the company with effect from January 1, 2017), boosting toll revenue by an estimated 19 million euros. An increase in other operating income (355 million euros, a 12% increase over 2016) is primarily due to the greater contribution from Autostrade Tech as a result of the services and goods supplied by Telepass (a company deconsolidated at the end of 2016, the provider of the first large scale system for tolls payments, introduced by Autostrade in 1990). The table also shows an increase in the costs of materials and external services, up 66 million euros from 2016, due to maintenance work on the network and variable costs that were linked to heavy snowfalls that hit the country in March 2017.

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202 Sources: Convenzioni Uniche agreements between concessionary companies and the State, and Direzione Generale per la Vigilanza sulle Concessionarie Autostradali, Settore Autostradale in Concessione - “Relazione Attività 2017”

203 Note that the 2.4% increase for the year 2009 is indeed relative to the year 2008, which hence serves as benchmark.

204 https://www.autostrade.it/en/investor-relations/bilanci
Finally, an increase in income tax expenses is proportionately lower than the increase in EBIT, as the company benefitted from a reduction (from 27.5% to 24%) in the rate of corporate income tax (IRES), in effect since 2017.

**Investments and Maintenance**

Investments in new construction carried out by highway concessionaires amounted to 958.7 million euros in 2017, 287.5 million euros less than what had been planned through the FOPs.\(^{205}\) This sectoral underperformance is not solely a 2017 phenomenon. Between 2008 and 2017, only 64.87% of planned investments were implemented, or a total of just 16,483 million euros out of the 25,409 million euros required by concessionary agreements. Maintenance expenses, on the other hand, were 731.5 million euros, almost 10% more than what was planned by the FOPs of the concessionaires. Over the period 2008-2017, concessionaires spent 6,786 million euros in ordinary maintenance, in line with FOPs amounts. (Data in the MIT 2017 report confirm an implementation rate of 101.74% for the entire sector of highway concessions.)

Exhibit B-2 shows yearly expenditures of ordinary maintenance to existing infrastructures for Autostrade per l’Italia, and the variance from intended amounts established in the FOPs. In 2017, ordinary maintenance expenditures were 283.7 million euros, 6.5% higher than planned. That included spending on flooring (104.3 million euros), highway structures (31.1 million euros), other highway elements (31.3 million euros), safety (47.6 million euros), toll booths (10.7 million euros), green areas and cleaning (17.6 million euros), winter operations (27.3 million euros), buildings (7.1 million euros), and supply facilities (6.6 million euros).\(^{206}\)

Ordinary maintenance expenditures in 2017 were the equivalent of 8.5% of toll revenues collected by Autostrade per l’Italia over the year.

In 2017, Autostrade per l’Italia spent 470.4 million euros on investments for the construction of new roads, junctions, or extensions to third lanes, compared to 773.3 million euros of investments planned in the FOPs. Over the period 2008-2017, Autostrade per l’Italia spent almost 8.8 billion euros in investments for new construction projects, 1.85 billion less than what was planned under the FOPs. Investments in new infrastructures on the Genoese highway network, the final project for the Gronda di Ponente (the western part of the Gronda di Genova) and for the highway junction between the routes A7/A10/A12 were approved on September 7, 2017. Investments in 2017 amounted to just 7.36 million euros, a fraction of the 90.19 million euros called for in the FOPs. Over the period 2008-2017, such investments amounted to 83.37 million euros, more than 200 million euros below the 287.18 million euros planned for in the FOPs.\(^{207}\)

\(^{205}\) Direzione Generale per la Vigilanza sulle Concessionarie Autostradali, Settore Autostradale in Concessione - “Relazione Attività 2017”

\(^{206}\) ibid.

\(^{207}\) ibid.
For the period 2013-2017, in compliance with the provisions in the 2007 Convenzione Unica, a five-year update of the FOP was established under the so-called Atto Aggiuntivo, dated December 24, 2013. The agreement only required an update of the forecasted values of the financial plan, and not its rebalancing, which would have been necessary if changes to the plan of investments in road construction were introduced, modifying the existing agreement. Consequently, toll rates were not re-determined either. In September 2012, Autostrade presented a proposal for the updated FOP to be included in the Atto Aggiuntivo. After that, further negotiations and meetings between the two parties were arranged, in order to reach an agreement: The Atto Aggiuntivo was signed between MIT and Autostrade per l’Italia right before Christmas of 2013, and it was approved by inter-ministerial decree between MIT and MEF just one week later, on December 31, 2013. As we see from Exhibit B-2, average planned expenses fell 7% in the 2013-2017 five-year average relative to the period 2008-2012. Autostrade has consistently overspent in comparison to FOP levels (with 2016 as the only exception).

Changes in the number of vehicles that travel each year on managed portions of the network can significantly affect the revenues of a concessionary firm. The concessionary contract establishes the tolls paid by consumers, which are determined over a regulatory period of five years. During the regulatory period 2013-2017, Autostrade’s traffic trends have always exceeded estimates, with yearly deviations as high as 2 to 3 percentage points. As a result, toll revenues have been 10% to 18% higher than estimates in the 2013 FOP agreed upon with the MIT. How are traffic estimates computed? The 2007 Convenzione Unica sets the rules for their determination according to a complex methodology that takes into account the current macroeconomic framework.

In an attempt to reduce concessionaire Autostrade per l’Italia’s extraordinary profits, clauses were included in the 2007 concessionary agreement to the effect that, if the profits were more than 1% above estimates, the company would have to make provisions in a special fund at the end of each year of the five-year regulatory period. Similar rules were introduced in the concessionary agreements signed with other concessionaires. An ongoing debate over the interpretation of the clause has led to failure to implement the rule. To date, the issue has never been brought to court.

211 The clause, contained in Art. 13 of the 2007 Convenzione Unica signed with Autostrade per l’Italia, reads: “When updating the financial plan, at the end of each five-year period, the cumulative deviation between the traffic at the end of the five-year period and the traffic forecasts set out in the IV Atto Aggiuntivo will be calculated. In case there is an average annual difference of more than 1% with the traffic forecasts reported in the 2007 agreement, once the higher operating costs generated by the increase in traffic have been taken into account, the financial economic benefit net of taxes and concession fees, exceeding the aforementioned limit of 1%, will be earmarked in a special provision according to the following: the surplus of traffic between 1% and 1.5% must be earmarked at a rate of 50%; the traffic surplus above 1.5% must be earmarked at a rate of 75%. This fund may, upon indication of the grantor, be used to finance new investments on the network under concession, identified in agreement with the concessionary company.”
**Exhibit B-1:** The highway industry sectoral data between 2009 and 2017. The sector generated total revenues of 5,900 million euros in 2017.

### Sectoral Data 2009-2017

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tolls Revenues (net of VAT)</strong></td>
<td>4754</td>
<td>4892</td>
<td>5017</td>
<td>4875</td>
<td>4967</td>
<td>5233</td>
<td>5488</td>
<td>5710</td>
<td>5901</td>
</tr>
<tr>
<td>% change relative to previous year</td>
<td>-2.9%</td>
<td>2.6%</td>
<td>-2.8%</td>
<td>1.9%</td>
<td>5.4%</td>
<td>4.9%</td>
<td>4.1%</td>
<td>3.3%</td>
<td></td>
</tr>
<tr>
<td><strong>Costs of Production</strong></td>
<td>2353</td>
<td>2551</td>
<td>2880</td>
<td>2860</td>
<td>2797</td>
<td>2804</td>
<td>2883</td>
<td>2933</td>
<td>3049</td>
</tr>
<tr>
<td>% change relative to previous year</td>
<td>-8.4%</td>
<td>9.8%</td>
<td>2.2%</td>
<td>-2.2%</td>
<td>0.2%</td>
<td>2.8%</td>
<td>1.7%</td>
<td>4.0%</td>
<td></td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>2191</td>
<td>2298</td>
<td>2371</td>
<td>2052</td>
<td>2135</td>
<td>2129</td>
<td>2545</td>
<td>2585</td>
<td>2822</td>
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<tr>
<td>% change relative to previous year</td>
<td>-4.9%</td>
<td>3.2%</td>
<td>-13.4%</td>
<td>4.0%</td>
<td>-0.3%</td>
<td>19.6%</td>
<td>1.6%</td>
<td>9.2%</td>
<td></td>
</tr>
<tr>
<td><strong>Net Revenues</strong></td>
<td>986</td>
<td>953</td>
<td>1150</td>
<td>1021</td>
<td>1154</td>
<td>1052</td>
<td>1422</td>
<td>1115</td>
<td>1582</td>
</tr>
<tr>
<td>% change relative to previous year</td>
<td>-3.3%</td>
<td>20.6%</td>
<td>-11.2%</td>
<td>13.1%</td>
<td>-8.9%</td>
<td>35.2%</td>
<td>-21.6%</td>
<td>41.9%</td>
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</tr>
<tr>
<td><strong>Investments</strong></td>
<td>1805</td>
<td>2095</td>
<td>2274</td>
<td>2063</td>
<td>1636</td>
<td>1477</td>
<td>1398</td>
<td>1064</td>
<td>959</td>
</tr>
<tr>
<td>% change relative to previous year</td>
<td>16.1%</td>
<td>8.5%</td>
<td>-9.3%</td>
<td>-20.7%</td>
<td>-9.7%</td>
<td>-5.4%</td>
<td>-23.9%</td>
<td>-9.9%</td>
<td></td>
</tr>
<tr>
<td><strong>Ordinary Maintenance</strong></td>
<td>707</td>
<td>700</td>
<td>662</td>
<td>677</td>
<td>653</td>
<td>694</td>
<td>697</td>
<td>646</td>
<td>732</td>
</tr>
<tr>
<td>% change relative to previous year</td>
<td>-1.0%</td>
<td>-5.4%</td>
<td>2.3%</td>
<td>-3.5%</td>
<td>6.3%</td>
<td>0.4%</td>
<td>-7.3%</td>
<td>13.3%</td>
<td></td>
</tr>
</tbody>
</table>

(values in million EUR)

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Light Vehicles</strong></td>
<td>63824</td>
<td>65253</td>
<td>64357</td>
<td>59791</td>
<td>60995</td>
<td>59339</td>
<td>61162</td>
<td>62888</td>
<td>64059</td>
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<tr>
<td>% change relative to previous year</td>
<td>-2.2%</td>
<td>-1.4%</td>
<td>-7.1%</td>
<td>2.0%</td>
<td>-2.7%</td>
<td>3.1%</td>
<td>2.8%</td>
<td>1.9%</td>
<td></td>
</tr>
<tr>
<td><strong>Heavy Vehicles</strong></td>
<td>18150</td>
<td>19029</td>
<td>19019</td>
<td>17578</td>
<td>14894</td>
<td>17260</td>
<td>17815</td>
<td>18430</td>
<td>19006</td>
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<tr>
<td>% change relative to previous year</td>
<td>-4.8%</td>
<td>-0.1%</td>
<td>-7.6%</td>
<td>-15.3%</td>
<td>15.9%</td>
<td>3.2%</td>
<td>3.5%</td>
<td>3.1%</td>
<td></td>
</tr>
<tr>
<td><strong>Total (Light + Heavy)</strong></td>
<td>81974</td>
<td>84282</td>
<td>83376</td>
<td>77369</td>
<td>75889</td>
<td>76599</td>
<td>78977</td>
<td>81318</td>
<td>83065</td>
</tr>
<tr>
<td>% change relative to previous year</td>
<td>-2.8%</td>
<td>-1.1%</td>
<td>-7.2%</td>
<td>-1.9%</td>
<td>0.9%</td>
<td>3.1%</td>
<td>3.0%</td>
<td>2.1%</td>
<td></td>
</tr>
</tbody>
</table>

(values in million km)

Source: Direzione Generale per la Vigilanza sulle Concessionarie Autostradali, Settore Autostradale in Concessione - Relazione attività 2017

### Main Sectoral Economic Indicators 2009-2017

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>ROE</strong></td>
<td>14.0%</td>
<td>14.2%</td>
<td>17.1%</td>
<td>13.5%</td>
<td>15.9%</td>
<td>13.6%</td>
<td>18.5%</td>
<td>11.3%</td>
<td>23.3%</td>
</tr>
<tr>
<td><strong>ROI</strong></td>
<td>9.7%</td>
<td>9.5%</td>
<td>9.6%</td>
<td>7.5%</td>
<td>8.2%</td>
<td>8.0%</td>
<td>9.0%</td>
<td>8.9%</td>
<td>10.8%</td>
</tr>
<tr>
<td><strong>EBITDA (as % revenues)</strong></td>
<td>57.2%</td>
<td>51.1%</td>
<td>48.8%</td>
<td>48.0%</td>
<td>45.8%</td>
<td>47.9%</td>
<td>46.6%</td>
<td>50.4%</td>
<td>50.7%</td>
</tr>
<tr>
<td><strong>EBIT (as % revenues)</strong></td>
<td>39.8%</td>
<td>35.4%</td>
<td>33.4%</td>
<td>30.4%</td>
<td>32.7%</td>
<td>32.3%</td>
<td>36.7%</td>
<td>36.6%</td>
<td>38.9%</td>
</tr>
</tbody>
</table>

Source: Direzione Generale per la Vigilanza sulle Concessionarie Autostradali, Settore Autostradale in Concessione - Relazione attività 2017
Exhibit B-2: Annual percentage changes in the values of investments and expenses in ordinary maintenance with changes in the amount of traffic observed on the entire highway network.
Exhibit B-3: Morandi Bridge Maintenance Expenses

### Maintenance works on the Morandi Bridge

<table>
<thead>
<tr>
<th>Work #</th>
<th>Year</th>
<th>Type</th>
<th>Cost (euros)</th>
<th>Total Cumulative Cost (euros)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1982</td>
<td>Structural work</td>
<td>3,010,000</td>
<td>3,010,000</td>
</tr>
<tr>
<td>2</td>
<td>1986</td>
<td>Structural work</td>
<td>14,680,000</td>
<td>17,690,000</td>
</tr>
<tr>
<td>3</td>
<td>1992</td>
<td>Structural work</td>
<td>6,450,000</td>
<td>24,140,000</td>
</tr>
<tr>
<td>4</td>
<td>2005</td>
<td>Structural work</td>
<td>50,000</td>
<td>24,190,000</td>
</tr>
<tr>
<td>5</td>
<td>2006</td>
<td>Non-structural work</td>
<td>28,000</td>
<td>24,218,000</td>
</tr>
<tr>
<td>6</td>
<td>2009</td>
<td>Non-structural work</td>
<td>264,000</td>
<td>24,482,000</td>
</tr>
<tr>
<td>7</td>
<td>2009</td>
<td>Non-structural work</td>
<td>37,500</td>
<td>24,519,500</td>
</tr>
<tr>
<td>8</td>
<td>2009</td>
<td>Structural work</td>
<td>95,000</td>
<td>24,614,500</td>
</tr>
<tr>
<td>9</td>
<td>2012</td>
<td>Non-structural work</td>
<td>284,000</td>
<td>24,898,500</td>
</tr>
<tr>
<td>10</td>
<td>2015</td>
<td>Structural work</td>
<td>288,000</td>
<td>25,186,500</td>
</tr>
<tr>
<td>11</td>
<td>2016</td>
<td>Non-structural work</td>
<td>3,901,000</td>
<td>29,087,500</td>
</tr>
<tr>
<td>12</td>
<td>2016</td>
<td>Non-structural work</td>
<td>2,819,000</td>
<td>31,906,500</td>
</tr>
<tr>
<td>13</td>
<td>2016</td>
<td>Non-structural work</td>
<td>1,380,000</td>
<td>33,286,500</td>
</tr>
</tbody>
</table>


### Autostrade per l’Italia Expenses in Ordinary Maintenance and Intended FOP Amounts, 2008-2017 (000 EUR)

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Intended FOP Amounts</td>
<td>265.325</td>
<td>282.291</td>
<td>282.491</td>
<td>282.695</td>
<td>283.696</td>
<td>262.701</td>
<td>264.155</td>
<td>264.935</td>
<td>265.362</td>
<td>266.148</td>
</tr>
<tr>
<td>Actual Expenses</td>
<td>295.154</td>
<td>296.329</td>
<td>290.158</td>
<td>274.666</td>
<td>278.031</td>
<td>263.831</td>
<td>278.545</td>
<td>284.255</td>
<td>261.829</td>
<td>283.691</td>
</tr>
</tbody>
</table>

Source: Direzione Generale per la Vigilanza sulle Concessionarie Autostradali, Settore Autostradale in Concessione - Relazione attività 2017
Exhibit B-4: Main economic indicators for Autostrade between 2013 and 2017.

### Autostrade per l’Italia Consolidated Income Statement 2013-2017 (000EUR)

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Toll Revenue</td>
<td>5,590,330</td>
<td>5,402,404</td>
<td>5,835,094</td>
<td>5,677,693</td>
<td>5,560,955</td>
</tr>
<tr>
<td>Revenue from construction services</td>
<td>117,529</td>
<td>244,010</td>
<td>576,075</td>
<td>498,743</td>
<td>481,061</td>
</tr>
<tr>
<td>Contract Revenue</td>
<td></td>
<td>-</td>
<td>24</td>
<td>34,901</td>
<td>25,000</td>
</tr>
<tr>
<td>Other Operating Income</td>
<td>317,480</td>
<td>305,295</td>
<td>517,760</td>
<td>511,222</td>
<td>502,229</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES (A)</strong></td>
<td>6,035,314</td>
<td>6,031,719</td>
<td>6,494,869</td>
<td>6,744,666</td>
<td>6,564,432</td>
</tr>
<tr>
<td>Raw and consumable materials</td>
<td>88,455</td>
<td>65,729</td>
<td>146,801</td>
<td>185,541</td>
<td>100,810</td>
</tr>
<tr>
<td>Service Costs</td>
<td>855,813</td>
<td>989,861</td>
<td>1,431,007</td>
<td>1,174,499</td>
<td>1,274,700</td>
</tr>
<tr>
<td>Gain/(Loss) on sale of elements of property, plant and equipment</td>
<td>496</td>
<td>-398</td>
<td>204,400</td>
<td>272</td>
<td>76</td>
</tr>
<tr>
<td>Staff Costs</td>
<td>525,032</td>
<td>521,502</td>
<td>587,332</td>
<td>559,383</td>
<td>558,988</td>
</tr>
<tr>
<td>Other Operating Costs</td>
<td>538,273</td>
<td>519,242</td>
<td>542,818</td>
<td>523,732</td>
<td>517,451</td>
</tr>
<tr>
<td>of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Concession Fees</td>
<td>465,650</td>
<td>454,424</td>
<td>443,423</td>
<td>435,065</td>
<td>425,435</td>
</tr>
<tr>
<td>(b) Lease Expense</td>
<td>10,216</td>
<td>4,265</td>
<td>10,260</td>
<td>8,754</td>
<td>10,843</td>
</tr>
<tr>
<td>(c) Other</td>
<td>62,990</td>
<td>51,553</td>
<td>89,099</td>
<td>79,913</td>
<td>81,175</td>
</tr>
<tr>
<td>Operating change in provisions</td>
<td>11,290</td>
<td>85,716</td>
<td>-31,602</td>
<td>246,351</td>
<td>39,064</td>
</tr>
<tr>
<td>Use of provisions for construction services required</td>
<td>-486,966</td>
<td>-444,166</td>
<td>-564,872</td>
<td>-399,528</td>
<td>-380,974</td>
</tr>
<tr>
<td>by contract</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortization and depreciation</td>
<td>665,405</td>
<td>570,235</td>
<td>796,547</td>
<td>669,933</td>
<td>665,447</td>
</tr>
<tr>
<td>(Impairment Losses)/Reversals of impairment losses</td>
<td>-76,948</td>
<td>1,682</td>
<td>8,905</td>
<td>-4,976</td>
<td>17,771</td>
</tr>
<tr>
<td><strong>TOTAL COSTS (B)</strong></td>
<td>2,139,456</td>
<td>2,389,207</td>
<td>2,099,228</td>
<td>2,440,207</td>
<td>2,763,515</td>
</tr>
<tr>
<td><strong>OPERATING RESULTS (A-B)</strong></td>
<td>3,895,858</td>
<td>3,642,512</td>
<td>4,995,639</td>
<td>4,294,456</td>
<td>4,080,915</td>
</tr>
<tr>
<td>Financial Income/(Expenses)</td>
<td>-78,115</td>
<td>-87,663</td>
<td>-63,886</td>
<td>-60,498</td>
<td>-69,643</td>
</tr>
<tr>
<td>Total Pre-Tax Results</td>
<td>1,377,777</td>
<td>846,849</td>
<td>1,484,576</td>
<td>1,142,259</td>
<td>1,136,302</td>
</tr>
<tr>
<td>Income Tax (Expense)/Benefit</td>
<td>-429,140</td>
<td>-318,788</td>
<td>-345,005</td>
<td>-496,597</td>
<td>-365,866</td>
</tr>
<tr>
<td>Profit/(Loss) from Continuing Operations</td>
<td>1,917,637</td>
<td>528,061</td>
<td>1,139,571</td>
<td>646,162</td>
<td>721,236</td>
</tr>
<tr>
<td>Profit/(Loss) from Discontinued Operations</td>
<td>22,833</td>
<td>402,214</td>
<td>6,985</td>
<td>210</td>
<td>17,454</td>
</tr>
<tr>
<td><strong>NET RESULT</strong></td>
<td>1,041,470</td>
<td>930,375</td>
<td>1,126,556</td>
<td>694,372</td>
<td>738,670</td>
</tr>
<tr>
<td>of which:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit attributable to owners of the parent</td>
<td>971,849</td>
<td>817,215</td>
<td>1,012,381</td>
<td>662,156</td>
<td>656,556</td>
</tr>
<tr>
<td>Profit attributable to non-controlling interests</td>
<td>69,777</td>
<td>113,150</td>
<td>114,175</td>
<td>32,216</td>
<td>82,114</td>
</tr>
</tbody>
</table>

Source: Autostrade per l’Italia SpA, Annual Reports 2013-2017
Exhibit B-5: Atlantia’s Shareholders

Atlantia SpA’s share capital amounts to €825,783,990 and is represented by 825,783,990 ordinary shares with a par value of €1 each.

Source: https://www.atlantia.it/en/the-group/shareholders
Appendix C: The Media Landscape

Almost one year after the tragedy, in July 2019, the Italian Ministry of Transportation released the final report from law experts whose mandate was to evaluate whether the government could revoke the concession to Autostrade as a sanction for the collapse of Morandi Bridge in Genoa.

Different newspapers give very different interpretations of the report’s policy recommendations. According to *Il Fatto Quotidiano*, an independent radical outlet, the main message from the experts is that Autostrade has never been compliant with its commitments to investments and maintenance. The experts say that there is an obvious risk of a long legal dispute, but the government would have a strong argument if it decided to proceed with revoking the concession.

Mainstream newspapers have always been influenced by Autostrade’s lobbying power and by its advertisement investments. They did not change their attitude after the Morandi tragedy. Therefore, they frame the ministry’s report in a completely different way. They stress that the experts warn the ministry of a potential legal claim of 20 billion euros and write that the concession’s revocation is “dangerous.”

The coverage of the report was consistent with the different posture of newspapers in the aftermath of the Genoa tragedy. It is worth remembering that traditionally Italian newspapers have an income structure with 50 percent of revenues coming from advertisement and 50 percent from subscriptions and sales. There are only two notable exceptions, *Il Fatto Quotidiano* and *La Verità*, two journalist-controlled newspapers whose revenues come almost entirely from their readers. Both of them were the only major media outlets that supported the Italian government’s proposal to revoke the concession to Autostrada because of the Morandi Bridge collapse.

*Il Fatto Quotidiano*, 2019, July 1

“It is possible to revoke Autostrade’s concession without compensation fees.” The report of the Transportation ministry’s consultants provides legal arguments to Five Star’s approach.
Di Maio and Toninelli said: “Take the concession back” – This is an ambush against the Benettons.
- According to the ministry, Autostrade is “non-compliant.” The deputy Prime Minister [Di Maio]: “We carry on”

“The Morandi [tragedy] was Benetton’s fault: take the concession back without any compensation fee”. The document – The report of ministry’s consultants that condemns Atlantia

Transportation Ministry’s Experts: “A New Concession”. The report of Toninelli’s legal consultants has been published. Revoking concession might cause high costs, it is better to renegotiate.
2019, July 3 - Il Corriere della Sera

Toninelli “stopped” by his consultants: high risks in revoking Autostrade’s concession
“The company was seriously not-compliant, however renegotiating is better than revoking”

2019, July 3 – Il Sole 24 Ore

“Concession revocation is risky, the alternative is to negotiate”
20 billion – Estimate of the compensation fee to Autostrade per l’Italia (Aspi) in case the concession is revoked

Main newspaper ownership structure and their position on the concession revocation:

**Corriere della Sera** (Rcs Mediagroup)
Urbano Cairo, Italian businessman, he also owns La7tv 59.8%. His core business is advertisement, with Cairo Communication Group.
Mediobanca, Italian investment bank 9.9%
Diego Della Valle, Italia businessman 7.6%
Unipol, Italian insurance group 4.9%

Against revoking the concession

**La Repubblica; La Stampa; Il Secolo XIX** (Gedi Media group)
De Benedetti family (Italian business dynasty) 43%. Their holding company, Cir, has diversified interests, from healthcare to automotive to finance. Cir Ceo, Monica Monadardini, resigned from Atlantia’s board a few months after the Morandi Bridge collapse.
Agnelli’s family 5.9% (John Elkan, Exor and Fca, Fiat-Chrysler, chairman, reached a deal with the De Benedetti family to buy their share on December 2, 2019)

**Against revoking the concession**

**Il Sole 24 Ore**

Confindustria (Italian corporate association) 61.5%
Confindustria has always supported Atlantia against the government, after the Genoa tragedy.

**Against revoking the concession**

**Il Messaggero**

Francesco Gaetano Caltagirone, business developer and investor 60.76%. Until the end of 2018, Massimo Lapucci used to be a board member both of Atlantia and of Caltagirone Editore. He is also managing director of Fondazione Crt, a major Atlantia shareholder (4.8%).

**Against revoking the concession**

**Il Giornale**

Owned by the Berlusconi family that also controls Mediaset, the biggest private TV group in Italy.

**Against revoking the concession**

**Il Fatto Quotidiano**

Cinzia Monteverdi, Il Fatto Quotidiano CEO 16.26%
Andonio Padellaro, journalist, founder of Il Fatto Quotidiano 16.26%
Il Fatto Quotidiano journalists 11.77%

**In favor of revoking the concession**

**La Verita’**

Maurizio Belpietro, journalist, founder, and editor in chief of La Verita’ 46%

**In favor of revoking the concession**
Exhibit C-1: Autostrade and Atlantia in the Newspapers

The orange line only counts news where those keywords appear in the header of the article.

Exhibit C-2: Autostrade and Atlantia in the Newspapers

In the week of the catastrophe, the number of articles containing those words was almost six times as large as in the previous week. Google Trends Analytics showed a significant general interest after the event.
Luciano Benetton’s letter, November 29, 2019
Published by La Repubblica, Il Messaggero, and Il Giornale and covered by Corriere della Sera and La Stampa

To the editor in chief: I find it necessary to clarify a relevant misunderstanding. No member of the Benetton family has ever managed Autostrade per l’Italia. The Benetton family owns a 30 percent stake of Atlantia, Autostrade per l’Italia’s parent company. Atlantia is a public company: 70 percent of its shareholders are not related to the Benettons and include important sovereign wealth funds and long-term investors.

Recent stories on omitted supervision, non-renewed failure sensors, or false reports dazzle and shock us in the same way they dazzle and shock the public opinion. We feel injured as citizens, as entrepreneurs, and as shareholders. We, the Benetton family, consider ourselves as victims. We certainly take the responsibility of having contributed to endorsing the choice of a management that has proved unsuitable, a management that has been fully empowered, supported by the shareholders and by my brother Gilberto. According to the way he used to work, I am sure he has always put safety and the company’s reputation in front of any other goal. He dreamed that we would be the best in infrastructure.

I do not seek indulgence for Autostrade; those who made mistakes have to pay. But what I find unacceptable is the hate campaign unleashed against our family, with immediate and continuing accusations by members of the government, such as Luigi Di Maio, who points to the family as being guilty of collusion in having knowingly decided to save on investment in maintenance. In practice, he presents the Benetton family as criminals. This is unacceptable. Those who know us, also know how we work. Look at the results we obtained with Autogrill or Aeroporti di Roma, two companies that became international leaders in their industries. We are long-term shareholders who have always pursued the goal of increasing the value of companies, taking into account the interest of every stakeholder: users, customers, workers, investors, and shareholders.

I am not looking for justifications: Autostrade’s corporate governance apparently proved not to be up to par, with lack of essential controls all over the sectors. Organizations are made of men, a few “rotten apples” can hide everywhere. The content of tapped phone calls between technicians who used to falsify their reports is inconceivable. Who would profit from putting infrastructures at risk? Who? To save which costs? The risk was such that any savings would be destroyed, as shown by the case of the Morandi Bridge. These are questions I can’t answer.

People like us, who do business and bear the responsibility of tens of thousands of employees, expect seriousness, above all from the institutions. Seriousness, not indulgence.
Appendix D: The PR Strategy

Below is a memo that analyzes Atlantia’s post-disaster public relations strategy from Luciano Luffarelli, an Italian public relations expert. In addition to his current role as head of external communications and institutional relations at aircraft manufacturer Piaggio Aerospace, Luciano Luffarelli is an adjunct professor of issues and crisis communication at the Milan-based IULM University. Here are some excerpts from his analysis of Atlantia communication mistakes after the Morandi bridge collapse.

It is 11:36am on August 14, 2018 when the Polcevera Bridge in Genoa, also known as “Morandi Bridge” from the name of the engineer who designed it, collapses, dragging with it 48 cars and heavy vehicles. Forty-three people die, sixteen are injured, and ten are extracted alive from the rubble.

Despite the death toll not being as dramatic as other disastrous accidents, it is immediately clear that this tragic event has all the ingredients to turn it into a particularly serious and long-lasting communication and reputational crisis. Preliminary investigation points to a combination of poor design, questionable building practices, and insufficient maintenance. The result is what crisis expert Timothy Coombs would call a high “attribution of responsibilities” towards the company in charge of managing, among others, that bridge: Autostrade per l’Italia. (…)

Things have been made even worse by the way the company reacts. The crisis response of Autostrade per l’Italia to the Morandi Bridge collapse is undoubtedly a bad one, aided by the particular period of the year (the central week of August, when Italy reaches the climax of summer vacations). The first press release issued by the Company arrives five hours later: really too late. There is also a striking absence of compassion, not even a thought for the victims, together with a preventive refusal of any kind of responsibility. (…) Communicators, experts and practitioners immediately start asking themselves whether the company was prepared for a potential crisis or not, having made—at least apparently—the most common mistakes in managing the so called “golden hour” after a crisis of any type occurs. (…)

The family is silent for days, before a press release is issued by the holding company, Edizione Holding. Only on the 6th of September—three weeks later—does Gilberto Benetton, the brother heading the diversified activity, explain in an interview that the family’s silence has been a sign of respect for the victims. The interview is received as cold and distant, aimed more at reassuring investors and financial partners than at countering the infamy that had been thrown on them. Not by chance, the daily hosting the interview is Milan-based Il Corriere della Sera, and not—for example—Genoa-based and widespread Il Secolo XIX, the heart of the Liguria information system. “One more communication mistake,” a senior reporter at the newspaper said to me that same day: “A form of arrogance that will hurt back.” (…)

Apparently, there is no way out of such a situation: When public opinion is massively aligned behind one single belief (a “just cause” to condemn) and against one enemy (which necessarily
happens during war times), it is difficult to oppose it. Sometimes, sad to say, the only way is to run away. Probably this is why light rumors have recently emerged—not confirmed—that the Benetton family is somehow considering loosening its business ties in Italy. Probably not true. Nor is the entire communication process implemented by the companies involved after the collapse to be considered as a complete disaster. Quite the opposite.

Autostrade and Atlantia communication strategy had never been tested with a real crisis. Francesco Delzio, Atlantia’s communication executive vice president, was used to dealing with newspapers and television with a very smooth approach: As a columnist himself (Avvenire, Huffington Post) and a book author, he used to be in friendly relationships with both editors and TV personalities. The Morandi Bridge collapse changed everything. Atlantia and Autostrade had to face unprecedented media scrutiny, political pressure, and public hostility.

After the tragedy, Giovanni Castellucci, the Atlantia and Autostrade CEO, decided that the company had to develop a new communication strategy very soon. The first move was to change the Atlantia press office director: Stefano Porro, a former journalist with a long experience in political communication working at Aeroporti di Roma, replaced Francesco Casaccia. The press office director is the person who deals with reporters on a daily basis, the voice of the company.

On August 17, two days after the bridge fell, Castellucci and Delzio hired two major Italian PR firms: Barabino & Partners was asked to deal with the city of Genoa, local institutions, and the victims and their families; Comin & Partners had to work at the national level, with traditional and social media, policymakers, and financial markets.

Barabino & Partners is one of the most established Italian PR companies, founded in 1985 by Luca Barabino, who was born in Rome but started his career in Genoa. Barabino is one of the top PR firms in Milan, together with Image Building and Community group. Barabino’s clients include Poste Italiane, Unipol, Nike, Mediolanum, and ThyssenKrupp.

Comin & Partners is a more recent venture: After more than a decade working for Italian corporate juggernauts Enel and Eni, Gianluca Comin founded the first PR company in Italy with an integrated approach (communication, lobbying, consulting) that tries to compete with American firms such as Edelman and Burson-Marsteller. Comin & Partners quickly established a reputation in crisis management. Comin & Partners specialized in politically sensitive crises: Mantova mayor Mattia Palazzi hired Comin & Partners when he had to face a criminal investigation related to an alleged sexual scandal (the accusation proved inconsistent). Comin & Partners also worked on the super sensitive Trans Atlantic Pipeline (Tap), a major infrastructural project in southern Italy that has always been opposed by many local politicians and grassroots movements.

From August 16, 2018, until September 2019, every morning at 9:00, CEO Castellucci had a meeting with the company’s lawyers, executives, and communication consultants. The so-called “war room” was hosted at Atlantia headquarters in Rome with big screens to monitor social media, news wires, and news channels. Lawyers usually suggest not to react to the news cycle
and to the leak on ongoing criminal investigations; PR people always recommend the opposite, to shape the narrative.

The crisis-management strategy was based on five pillars:

1) The city: At the local level, the company had to prove a quick and effective reaction. After the communication disaster of the very first hours after the tragedy, Autostrade and Atlantia had to deal with the victims, with their families, and with the local business environment paralyzed by the bridge collapse. Atlantia had to provide all the necessary help without admitting any kind of responsibilities for the tragedy. PR consultants had to improve the reputation of Atlantia executives and shareholders that had proved too slack in showing empathy and compassion.

2) National politics: When the Genoa tragedy occurred, the League was leading the polls: Six months after national elections, thanks to a massive anti-migrants campaign, the far right party had almost doubled its support. The other party in the government coalition, the Five Star Movement, was struggling and looking for an opportunity to show they were as tough as the League. Blaming the greed of a corporation that caused 43 deaths was exactly the kind of political opportunity Five Star was looking for. Atlantia communication strategy had to reduce the impact of this hostile political context, preserving the friendly connection with the League and restoring a dialogue with Five Star and the Prime Minister they appointed, Giuseppe Conte.

3) The criminal investigation: A relevant part of the communication strategy was to prevent the Genoa prosecutors from having the monopoly of the narrative. In the aftermath of the tragedy, they used to have a daily informal briefing with reporters that became the main source for the next day’s newspaper articles. The main strategy to address this point was to release a significant amount of information previously classified on investments, maintenances, and the concession contract with the State.

4) The shareholders and the markets: The Benetton family was not prepared to deal with such a crisis, and its member did not adapt their behavior in time. The day after the tragedy they hosted their traditional mid-summer family party in their exclusive Cortina d’Ampezzo villa, with 90 guests. A few days later Gilberto Benetton, the family member who led the transition from garment to infrastructure business, was on his 11 million euro yacht, Nanook, enjoying the famous Sardinia Sea. PR consultants had to advise the Benettons on how to prevent making their reputation even worse. On the market side, analysts had to decide whether catastrophic scenarios such as the concession revocation were plausible. The communication strategy was to make clear that the outcome of the process was far from obvious and that Atlantia had sound legal arguments to prevent a harmful revocation.
5) Safety: The last point of the communication strategy was to prevent a crisis of confidence in the whole Atlantia-managed Italian infrastructure: highways, bridges, airports. PR consultants had to cooperate with engineers to shape a reassuring message.

Social network monitoring and engagement was particularly crucial: For the first time, thousands of people were tweeting and commenting about a company they had barely ever heard of, Autostrade-Atlantia, and about the Benettons. Comin & Partners committed themselves to following the information to its very first source, with a damage-control approach.

General audience tweets and posts were usually based on a common primary source. If that source was reliable, such as a journalist, an independent expert, or a local politician, the PR strategy was to engage directly or indirectly with him or her to present the company point of view and mitigate the most extreme opinions. On the other hand, if the information was not true or if the way it was presented was unfair, the social media strategy was to challenge it by providing alternative information to undermine its credibility.

A common way for companies to engage in the social media sphere is to use proxies to spread messages: Corporate statements are much less effective than experts’, journalists’, and common people’s opinions. Especially in a crisis situation, companies use an “influencer” not explicitly connected to the company to shape the debate in the social sphere. As fashion influencer, some of those social users are paid to spread the corporate narrative. Bots—fake automated accounts—are cheaper but less effective.

Did the PR strategy work? More than one year after the tragedy, the government had not revoked the concession, Atlantia’s stock price is not far from its pre-tragedy level, and the popular anger against the Benettons is much lower (Gilberto died, Luciano, 84, decided to go back to directly managing the garment business). Giovanni Castellucci, Atlantia and Autostrade CEO, lost his job not because of a reputational problem, but because shareholders thought that his resignation could prove necessary to minimize the criminal investigation’s impact and its political backlash.