Italy
Credit Analysis

Agenzia Territoriale per la Casa della Provincia di Torino - ATC Torino

Ratings

Foreign Currency

Long-Term Rating	A
Short-Term Rating	F1

Local Currency

Long-Term Rating	A

Outlooks

Foreign-Currency Long-Term Rating	Stable
Local-Currency Long-Term Rating	Stable

Financial Data

Agenzia Territoriale per la Casa della Provincia di Torino - ATC Torino

	31 Dec 08	31 Dec 07
Production value	66.3	63.8
Gross operating profit	18.2	21.2
Net income	-4.6	-3.2
Fixed assets	517.7	489.1
Operating working capital	70.9	64.0
Equity	471.6	439.6
Financial debt	12.1	14.0

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Related Research

Applicable Criteria

- *Revenue Supported Rating Criteria (December 2009)*
- *Ratings of Non-US Public Sector Entities (September 2009)*

Other Research

- *City of Turin (October 2009)*
- *Region of Piemonte (December 2008)*

Rating Rationale

- Agenzia Territoriale per la Casa della Provincia di Torino – ATC Torino's (ATC) ratings are supported by its strong balance sheet. The entity's policy to mainly fund investments with capital subsidies and proceeds from asset sales should keep long-term debt low. ATC's stock of loans should reach about EUR11m at end-2009, or 15% of production value, and could eventually increase to EUR15m over the medium term, keeping the debt to equity ratio at about 3%. Cash and financial investments should remain high at about EUR90m at end-2009, and eventually continue to decline due to potential lower collection rates on rents, but provide strong coverage of debt and debt-servicing requirements.
- Revenue is supported by high demand for social housing and good asset quality. Applications for dwellings continue to exceed by 10x the about 1,000 dwellings assigned per year. The average monthly rent of about EUR95 represents 15% of that charged by private landlords. The entity is continuing the implementation of its EUR350m 2007-2012 plan for the renovation and construction of about 6,000 flats, as the about 100,000 dwellings kept unrented by private owners are unlikely to compete with those of ATC.
- ATC's unpaid rents may rise due to the economic downturn. This could increase the stock of arrears to about EUR85m by 2011, up from an average of EUR80m in 2007-2008. The stock declines to about EUR60m when netted of provisions for doubtful receivables and does not represent a major risk due to working capital of about EUR100m.
- ATC's budget structure is rigid, with goods, services and personnel expenses absorbing 70% of annual income. Fitch Ratings expects ATC's operating deficit to stabilise at about EUR8m at end-2009 and gradually reduce in 2010-2011 thanks to cost rationalisation and higher capital gains on asset sales. The income statement should continue to exhibit net losses of about EUR5m, or be virtually balanced when depreciation costs are netted out.
- The Region of Piemonte ('AA-'/Stable) continues to strongly support ATC by regulating social housing policy, authorising multi-annual investment and asset sales and monitoring the entity's activity. During 2010-2011, however, the eventual implementation of fiscal federalism — aimed at introducing a stronger link between regional revenue and regional GDP — could coincide with a still sluggish economy; the region's more pressing need to devolve resources to the healthcare sector could result in a curtailment of transfers to social housing.

Key Rating Drivers

- A negative rating action could be prompted by worsening operations resulting in growing arrears, and/or dilution of the regional support, reflected in borrowing above expectations.
- A positive rating action could arise from a stronger financial performance and/or a stronger link with the region.

Profile

ATC is the sole public housing provider in the Province of Turin, with about 31,000 dwellings under management, representing 70% of total public units in the region.

Turin

Background and Governance

ATC is the fourth-largest public-sector provider of rented social housing in Italy, after its peers in Rome, Milan and Naples.

ATC is a not-for-profit organisation, and uses modified accrual accounting; this is instrumental in obtaining the region's authorisation to collect revenue and spend resources relating to ATC's own properties and those owned by the city and the state but under ATC's management. The region sets social housing policy, regulates social housing agencies' revenue and expenditure, authorises multi-annual investment and asset sale programmes, and monitors their financial and operational performance by appointing the board of directors and auditors, whose terms of office correspond to those of the region's elected officials.

No major changes in the social housing sector are expected by Fitch in the medium term. In 2007 the region considered the possibility of establishing corporate-style management for ATC ("ente pubblico economico"), which would have introduced limited-duration contracts and the use of the economic synthetic index (ISEE) to set monthly rent. However, Fitch understands that the actual transformation will be postponed to 2011, after the next regional elections (2010).

Piemonte's policy is to give housing agencies substantial autonomy in organisational matters, although it can dissolve the boards in cases of irregularities, as it bears the ultimate responsibility for social housing liabilities. To better account for their extensive asset portfolio, in 1997 Piemonte's social housing agencies introduced full accrual accounting (balance sheet and income statement) and an external audit (by Reconta Ernst Young).

Due to the policy of self-financing expenditure and tight informal monitoring — exercised via weekly and monthly reporting to the region — Piemonte has not introduced debt limits. However, should ATC or its peers in the region start relying on debt to finance investments, Piemonte is likely to impose debt limits like its own, under which annual instalments for interest and capital cannot exceed 25% of free revenue. To avoid moral hazard, no regional guarantees would be granted on social housing agencies' debt. Although ATC's management remains cautious about borrowing, Fitch believes that ATC may start taking on debt in the medium term: the regional housing plan limits capital transfers to 90% of investment projects, and the eventual implementation of fiscal federalism during 2010-2011 could coincide with a still sluggish economy. The region's more pressing need to devolve resources to the healthcare sector could imply a curtailment of transfers to the social housing sector.

ATC manages about 40,000 dwellings and commercial units (distributed over 3,000 buildings), representing 70% of the total public housing units in the Region of Piemonte. Turin itself, with a population of 900,000, accounts for about 55% of ATC's tenants, with the rest dispersed throughout the province's 300 smaller towns. ATC's priority is to strengthen its presence in related activities: facility management in the Province of Turin and to some extent outside it; and IT services to other regional ATCs like Novara. Moreover, ATC could provide its project activities to foreign countries through its subsidiary Gesitalia. ATC does not consider turnover from new businesses to be risky, and it is not expected to exceed 20% of the operating revenue generated from traditional social housing activity.

Regulation and Government Support

The board of directors was appointed in 2005 and will be renewed in 2010, alongside the regional election scheduled for the end of March. Most of the directors, and the senior executives, took their posts in 1996 (and were re-confirmed in 2000) with the priority of overcoming the financial difficulties experienced in previous decades. Low rents, low rent collection rates and lax control from the central government have caused operating deficits in most years since 1940.

Decentralisation of Social Housing Responsibility and ATC's Recovery From Financial Distress

- 1993: The central government regulated the sale of housing providers' properties and devolved to regions the responsibility for preparing new-build and renovation programmes.
- 1995: ATC had been incurring heavy fund balance deficits and building up short-term debt with its treasury bank.
- 1995: Region of Piemonte adopted criteria outlined by the state for the calculation of social rents.
- 1996: After an initiative by the Region of Piemonte, the national parliament regulated the procedures for housing providers recovering from financial distress. Regions are now responsible for the implementation of a medium-term plan drawn up to cover the fund balance deficit. The plan has to focus on improving rent collection, streamlining expenditure, selling assets and/or borrowing from banks. In the last case, to protect financial investors' rights, the plan has to indicate resources for the annual repayment of debt instalments.
- 1997: Proceeds from asset sales were used to repay consolidated debt at the then Istituto Bancario San Paolo di Torino (now Intesa Sanpaolo), net of forgone interest charges for arrears.
- 1998: Responsibility for public housing was transferred to regions via a national law.
- 2001: Constitutional reform devolved to regions the exclusive responsibility for social housing.

Three consecutive rent increases implemented after 1995 and some expenditure streamlining contributed to restoring the operating balance, while proceeds from asset sales financed past accumulated deficits, which in 1995 totalled EUR245m, 430% of ATC's operating revenue.

Since then the region's support has been both operational and financial. Regional law 22/2001 charges municipalities with the financial cost of unpaid rents whenever the arrears result from voluntary unemployment, while the region itself partially covers unpaid rents in cases of involuntary unemployment or illness of tenants through a specific fund.

The relationship between the region and municipalities is key, as the latter select the tenants eligible for social housing on the basis of the regional law that sets the eligibility criteria. Municipalities are charged with evictions if and when necessary.

Piemonte's general policy is to preserve the self-sufficiency of the housing providers and protect their resources from the pressure that the healthcare sector exerts on the regional budget.

At end-2006 the Region of Piemonte approved a plan, split into three two-year tranches, to build 10,000 dwellings across the region by 2012 (of which 6,000 will be in the Province of Turin) for a total cost of EUR750m. However, this amount could slightly decline towards EUR650m or be partly postponed if regional subsidies falter. About 50% of the total resources should be allocated to ATC. In 2007-2008 ATC received about EUR115m, or a high 93% of the amount initially assigned by the region, for 1,800 dwellings made available. Fitch expects resources assigned to ATC to decline to about EUR70m-80m, for about 900 additional dwellings in 2009-2010, while the remaining EUR115m could be received in 2011-2012.

Investments and Funding Sources

(EURm)	2007	2008	2009e	2010f	2011f	2012f	Total
Investments							
Construction	75	18	5	50	30	52	**230**
Renovation	35	15	10	8	20	23	**111**
Purchase of existing dwellings		9					**9**
Total	**110**	**42**	**15**	**58**	**50**	**75**	**350**
Funding sources							
Asset sales	9	8	5	5	7	6	**40**
Capital transfers	100	34	10	50	41	65	**300**
Debt	1	0	0	3	2	4	**10**
ATC's resources							
Total	**110**	**42**	**15**	**58**	**50**	**75**	**350**

e: expected; f: Fitch's forecasts
Source: ATC and Fitch

At the national level, the extraordinary programme of social housing announced in late 2008 by the central government freed less than 50% of total envisaged resources (EUR550m) to date. Fitch expects further delays in — or even a cancellation of — transfers of the remaining resources. In the medium term this will challenge social housing entities' ability to collect sources of financing for new investments.

Resources assigned to ATC under the national plan totalled about EUR13m and only EUR5m have been transferred so far. However, the region's financial support is expected to remain high due to substantial capital transfers — still being provided by the state and channelled to housing agencies by the region — and new asset sale programmes authorised to finance housing construction.

Housing Market

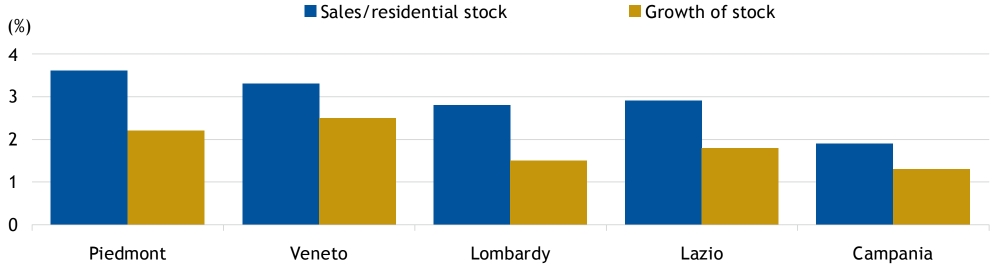
The public housing market in Italy is smaller than in most other EU countries (social housing in Italy represents 5% and 26% of the total dwelling stock and total rental dwelling stock, respectively; the EU-27 average for the former is about 16%). The rent structure of the private market is still somewhat distorted by past heavy regulation, the "equo canone".

During the 1960s and 1970s low rents were instrumental in attracting immigrants to work in industrial plants in northern Italy, but during the following two decades economic growth contributed to increasing property ownership, especially in wealthy areas such as the Region of Piemonte. In 1991 about 40% of the unoccupied dwellings in the Region of Piemonte were declared by the owners not to be available for renting. To tackle the lack of affordable housing the central government has frequently intervened to regulate rents in the private sector, reducing them to about 70% of the market value during the 1980s and 1990s.

To avoid market distortions, the private rent market has gradually been deregulated and a general property taxation policy, providing fiscal disincentives for unrented houses, is expanding private sector rentals. Prices, however, do not match rent levels affordable to the increasing proportion of population whose income level is close to the poverty line. Pressures on public housing providers, especially in central and northern Italy, are therefore growing.

At the regional level, the total stock of dwellings in Piemonte has grown by about 2% on average since 2000, while the growth in buy-and-sell rebounded to above 3% per year from 2004 after a slowdown in the early 2000s.

Sales and Residential Real Estate Stock
Average 2000-2008



Source: Region of Piedmont

The Region of Piemonte has one of the most dynamic residential real estate markets among northern Italian regions. This contributed to a 30% increase in the minimum prices of dwellings in 2008 compared with 2000. The highest increase, well above this average, was in Turin, with the minimum price of dwellings at about EUR1,500 per square metre in 2008, up from EUR950 in 2000. In Fitch's view this could in the medium term increase demand from social housing users on ATC, which had already increased by about 30% during 2004-2008.

Applications for social dwellings grew to about 10,000 per year in 2007-2009, up from about 7,600 in 2004. The proportion of eligible applicants (applicants meeting the criteria set by municipalities) remained stable at about 95% of total requests. From about 9,500 eligible requests, ATC provided about 950 new dwellings per year in 2007-2009. Regions regulate rent in social housing, which is set based on the tenants' incomes. The average social monthly rent in Turin (EUR92) is above the national average (EUR87, according to Federcasa, the national association for social housing) but nevertheless represents about 15% of the corresponding level in the local private market. About 75% of ATC's tenants pay a rent lower than EUR60 and their average income is about EUR15,000 per year.

ATC estimates that in the Province of Turin the difference between registered dwellings and registered family units doubled in 2008 to about 100,000 from about 50,000 in 2001. Although this "theoretical" availability of dwellings, which does not take into account shadow rents, is very high at about 10x the number of pending applicants to ATC, Fitch does not regard private landlords as ATC's competitors.

Local Economy

Turin is a wealthy city by international standards, with per capita GDP 20% above the EU-27 average and a low unemployment rate of 7% (EU27 9.5%). Industry's share of GDP declined to about 30% in 2008 from 47% in the early 1980s. This followed the restructuring that led to the downsizing of heavy industry and the reduction of the city's dependence on the automaker Fiat ('BB+'/Negative), Italy's largest industrial company. Nevertheless, the automobile sector remains vital to the local SMEs.

The gradual reduction of the car industry's contribution to GDP and the labour market has been offset by the growth of other sectors such as aerospace and tourism, thanks to the city's location close to Alpine ski resorts and its architectural heritage. The service sector accounts for 70% of GDP, up from 50% in the early 1980s. Turin has also a strong position in telecommunications (Telecom Italia: 'BBB'/Stable), TV broadcasting (RAI), and gas (Italgas), and in the financial and insurance sectors, with some of the largest Italian banks (eg Intesa Sanpaolo: 'AA-'/ Stable) and insurance companies SAI and Reale Mutua headquartered in the city.

Three science and technology parks (Environment Park, Cetad and VRMM Park), and the Turin Polytechnic continue to support the establishment of high-tech enterprises and to strengthen traditional businesses by raising their technological levels. The number of companies in the IT sector grew by an annual average of 8% during 1998-2008. It now accounts for 6% of total employment; this has transformed the city into a valuable reserve of skilled labour and has strongly attracted foreign direct investment.

Asset Quality

ATC owns about 19,000 dwellings and 5,000 commercial units and boxes, and manages another 12,000 dwellings (about 9,000 belonging to the City of Turin and 3,000 to the state and other municipalities), and 5,000 boxes and commercial units (for which it collects the rents and pays the maintenance expenditure). About 65% of ATC's dwellings are 40-80 square metres, with average tenant occupation of about 30 years. About 75% of the buildings have been constructed or renovated since the mid 1980s. Taking into account investment already planned (see *Investments and Funding Sources* below) Fitch estimates that by end-2012 90% of premises will be in good condition.

At the beginning of 2009 ATC implemented a new database (SIGeP) to collect and integrate information about location, type and conditions of its buildings and dwellings. The project, which should be effective from 2010, should ensure a complete review of the company's assets. It reflects improved asset management practices, especially with reference to ordinary maintenance interventions.

Since 1995 ATC has put up about 18,000 units for sale, of which only 40% have been sold. Most dwellings on sale are in Turin, allowing a higher price (EUR40,000 on average) than in the provincial area (EUR32,000 on average). In 2008 the economic downturn resulted in a decline in sales by more than 30% yoy, with 193 dwellings sold compared with an annual average of 300 in 2006-2007. Fitch does not expect sales finalised in 2009 to exceed 150 units. An increase of sales back to mid-2000s levels is expected in 2010-2011, along with the economic recovery.

ATC's fixed and financial assets were reported on the balance sheet as worth EUR518m at end-2008, up from EUR489m in 2007. The increase almost entirely results from the completion of construction works for about EUR30m. The entity expects assets value to be about EUR540m at end-2009. Fitch estimates the corresponding market value of ATC's real estate properties to be about EUR1bn, although the saleable price is about EUR650m when calculated according to legal criteria that encourage property ownership.

Operational Performance

ATC's units generated EUR22m turnover in 2008 and should remain stable at this level in 2009. Rents, indexed to 75% of inflation (the inflation rate for Italy is expected at 2% in 2009-2010), have been unchanged since the mid-1990s. ATC expects no increases until the next regional elections (2010), implying stable rental income until then. Vacancies are limited to about 500 units for basic maintenance before a new tenant moves in.

The annual gross flow of arrears increased to about EUR17m in 2008, up from about EUR13m in 2007 and is expected to slightly grow to about EUR20m at end-2009. Improved collection practices implemented by ATC's management, however, helped keep the overall outstanding stock of arrears stable at EUR80m at end-2008. Fitch believes that the adverse selection phenomenon (higher-income tenants have purchased their own dwellings and low-income/untimely payers represent a steadily larger proportion of tenants) coupled with worsening economic conditions for tenants will challenge ATC's capacity to keep rent collection rates stable over the medium term. The rating agency forecasts an increase of arrears to about EUR85m by 2010-2011.

The expected pressure on arrears should be mitigated through the negative economic cycle by the strong efforts made by ATC since 2006-2007. The entity

ATC's Arrears

(EURm)

2007 stock of arrears (gross)	**80.2**
Arrears matured in 2008	16.8
Collection of past arrears	-17.0
2008 stock of arrears (gross)	**80.0**
Arrears matured in 2009f	20.0
Collection of past arrears	-18.0
2009f stock of arrears (gross)	**82.0**
Provisions for doubtful credits	-20.0
2009f stock of arrears (net)	**62.0**

f: Fitch's forecasts
Source: ATC and Fitch

strengthened its ability to monitor and control its tenants and buildings, and implemented more timely and effective recovery actions. Moreover, ATC can benefit from resources transferred by the region and the municipalities covering arrears generated by involuntary unemployment, which account on average for 40% of the annual flow (EUR7.3m estimated at end-2008).

The long process that determines whether a credit is involuntary or not means that due resources are usually transferred to ATC by the region/municipalities after a two-year delay. Arrears generated by voluntary unemployment should result in evictions according to the legislative framework set by the region. If the municipality delays in evicting tenants, rents not paid during the lapse should be at its charge. In some cases, however, negotiations between the municipalities and ATC can shift uncollectible receivables to ATC's full charge. Although provisions are low at about EUR20m, the net stock of troubled receivables should not represent a major risk due to the entity's high working capital of about EUR100m.

Financial Performance and Position

Income Statement and Performance

Services for administration and maintenance of real estate gradually pushed ATC's production value up to EUR66m in 2008 from EUR62m in 2004. With sales of dwellings expected to decline to about 150 units per year and rents kept almost stable by the region (due to low inflation), lower capital gains on asset sales should push ATC's production value down to about EUR65m in 2009-2010; a slight increase is expected from 2011.

Higher services and real estate maintenance expenses resulted in increasing operating expenditure. Purchase of goods and services accounted for more than 50% of production value at end-2008, and fully absorbed tax savings of about EUR3m made after the exemption for social housing agencies from paying the property tax on primary houses, established by the national government in 2008. Fitch expects goods and services expenses to remain stable in 2009-2011. However, contract renewals could push operating expenses to about EUR13m at end-2009. A special provision of about EUR1.3m for the potential demolition of some dwellings registered uninhabitable in mid-2008 pushed ATC's operating deficit to EUR7.7m at end-2008, up from EUR6.8m at end-2007.

Fitch expects ATC's operating deficit to remain stable at about EUR8m at end-2009. A gradual recovery to 2007 levels could be prompted in 2010-2011 by cost rationalisation measures and higher capital gains on asset sales. The income statement should continue to exhibit net losses of about EUR5m, or virtually turn to balance when depreciation costs are netted out.

Debt and Financial Position

ATC's financial position remains solid. Investments in fixed assets grew by about EUR25m per year in 2004-2008 and fixed assets' value should total EUR520m in 2009. Mindful of past problems caused by high financial debt, management has continued to self-finance all expenditure in the core activity of social housing, fully avoiding recourse to new borrowing in 2008 and 2009. Long-term financial debt should therefore decline to about EUR11m at end-2009, down from about EUR16m in 2006.

Fitch believes that ATC may resume borrowing over the medium term to partly replace shortfalls from asset sales. However, long-term debt should remain about EUR15m by end-2011. Borrowing could also be considered for those initiatives, such as residences and properties to be sold at market prices, whose rate of return is considered profitable enough for debt recourse and repayment. Fitch, however, regards such investments unlikely at the moment. With investment funded through capital transfers, equity has continued to grow to almost EUR450m in 2008, up from EUR400m in 2006.

ATC's operating working capital and short-term financial assets remained stable at about EUR100m during 2004-2008, as did the stock of liabilities with the state at about EUR120m. The latter reflects proceeds from sales of state assets under ATC's management, and subsequent proceeds are earmarked for renovations and construction of new dwellings. Annual provisions recorded among costs in the income statement for this purpose total about EUR10m.

Debt Management and Liquidity

ATC's EUR11m financial debt at end-2009 has an amortising structure and about two-thirds carries fixed interest rates. Fixed-rate loans were taken out in the mid 1990s and carry a 6.5% rate of interest. The option to redeem the debt outstanding in advance is not being pursued because this would have meant forgoing state subsidies for debt repayment (about EUR2.6m of outstanding debt stock is at the state's charge). Debt incurred in recent years carries a fixed rate of interest (average rate: 4%); floating debt therefore represents a small 23% of outstanding debt. The main lenders are Cassa Depositi e Prestiti ('AA-'/Stable) and Unicredit ('A'/Negative) with 47% and 27% of outstanding debt, respectively. To secure debt repayments, the treasury bank, Intesa SanPaolo has been mandated to make provisions on ATC's annual revenue and give priority to financial lenders in paying debt instalments, although ATC cannot legally segregate funds to protect them from third parties in the event of liquidity stress, as regions and local governments can do.

ATC's cash reserves is still strong at about EUR90m at end-2009, although down from EUR100m in 2004-2007. Since 2003 ATC has gradually invested part of its liquidity — held with the treasurer bank — in an insurance policy totalling EUR70m at end-2009. This policy guarantees the capital and a minimum 3% return, allowing ATC to benefit from higher interest revenue. Fitch expects ATC's cash position to slightly decline until 2011-2012 as worsening economic conditions for tenants are likely to lower collection rates on rents (85% on average during 2003-2008), putting pressure on operating cash flows (funds from operations). Due to its solid cash position ATC has never resorted nor plans to resort to cash advances from its treasury bank.

ATC's Most Important Financial Partner: Intesa Sanpaolo

In 1995 ATC's financial debt (short- and long-term) rose to EUR200m (350% of operating revenue), of which EUR180m was with the then San Paolo (now Intesa Sanpaolo). As co-founder of the Turin social housing agency in 1907, San Paolo never withdrew its support for ATC, and rolled over its short-term lending for about 50 years to cover ATC's operating and fund balance deficits (cash plus receivables minus payables).

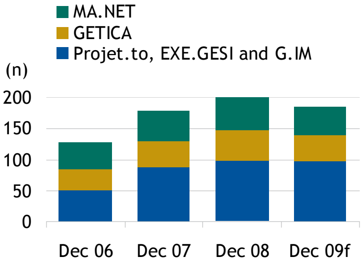
Although continual short-term advances helped avoid default on the long-term debt at other banks, they also contributed to deficit accumulation/growth when San Paolo, like ATC, was a state-owned foundation.

With the transformation of the foundation into a bank, the subsequent privatisation and the enforcement of market discipline in the mid-1990s, San Paolo started negotiations to reduce its exposure. San Paolo agreed to forgo about 50% of the moratorium interest expenses it had helped generate, while principal and contractual interest expenses were entirely reimbursed. Total long-term financial debt dropped to EUR20m at end-1997.

Contingent Liabilities

ATC does not report any outstanding guarantees or off-balance-sheet liabilities. Five companies, operating in real estate maintenance, real estate management, design and IT support are either wholly or majority owned by ATC, while minor stakes are held at GE.SI and Gesitalia (5% and 6%, respectively). Although the

ATC Companies' Personnel



f: Fitch forecast
Source: ATC

companies are not consolidated into ATC's balance sheet, there is strong integration with the parent, as a large part of the companies' turnover comes from contracts awarded by ATC or services outsourced by it. By creating these companies ATC aimed to save costs by "internally" generating services like IT support — previously outsourced to non-owned companies — and to diversify its business into strategic sectors related to its traditional social housing activity. ATC is also involved in promoting and developing social housing-related activities abroad, particularly engineering services, through its subsidiary Gesitalia.

After an initial phase featuring strong growth in companies' organisational structure, ATC is now committed to rationalising their cost structure, mainly through reducing staff numbers and reorganising management. Fitch expects headcount to decline to about 185 at end-2009 from about 205 in mid-2008. Fitch believes that risk from ATC's shareholdings is limited due to the companies' balanced accounts and low financial debt.

ATC's Companies (2008)

(EURm)	Stake (%)	Assets	Turnover	Fin. debt	Net result	Op. subsidies
MA.NET srl (maintenance)	100.0	4.0	9.9	0.0	-1.4	0.0
ATC projet.to srl (design)	100.0	11.0	3.0	0.0	-0.1	0.0
GETICA srl (IT)	100.0	1.8	2.9	0.0	0.0	0.0
EXE. GESI SpA (energy)	57.5	11.2	13.4	3.2	0.1	0.0
G. IM srl (real estate management)	100.0	0.7	1.8	0.0	0.1	0.0

Source: ATC and Fitch

Financing Requirements and Resources

(EURm)	2004	2005	2006	2007	2008	2009f
A Fixed assets	437.9	467.7	480.6	489.1	517.7	n.a.
B Operating working capital	41.6	54.1	63.6	64.0	70.9	n.a.
C Net short term financial assets	54.5	46.7	38.4	44.1	37.1	n.a.
D = A+B+C capital employed	**533.9**	**568.6**	**582.6**	**597.2**	**625.6**	n.a.
E Provision for pension liabilities	**20.8**	**19.4**	**16.0**	**15.8**	**12.5**	n.a.
F = D - E financing requirements	**513.1**	**549.2**	**566.6**	**581.4**	**613.1**	n.a.
G Equity	378.0	411.0	426.5	439.6	471.6	n.a.
H Long term debt	135.1	138.2	140.1	141.9	141.6	n.a.
Of which financial debt	12.8	15.1	15.8	14.0	12.1	n.a.
L = G + H total resources	**513.1**	**549.2**	**566.6**	**581.4**	**613.1**	**n.a.**

Source: ATC Torino and Fitch

Income Statement

(EURm)	2004	2005	2006	2007	2008	2009f
+ Turnover	**22.6**	**22.5**	**21.9**	**22.6**	**22.0**	**22**
+ Operating subsidies	0.5	0.5	0.5	0.5	0.4	0.5
+ Other current revenue (ie capital gains and maintenance services)	39.5	41.0	39.7	40.7	43.8	42.5
= Production value	**62.6**	**64.0**	**62.1**	**63.8**	**66.3**	**65**
- Purchase of goods and services	24.6	26.3	28.7	30.5	35.5	35
= Value added	**38.0**	**37.7**	**33.3**	**33.2**	**30.8**	**30**
- Personnel expenses	12.9	11.8	12.6	12.0	12.6	13
= Gross operating margin	**25.1**	**25.9**	**20.7**	**21.2**	**18.2**	**17**
- Amortisation and depreciation	6.8	6.4	5.6	4.6	6.6	5
- Other net operating costs	25.0	21.8	23.1	23.5	19.3	20
Of which provisions (sales of subsidised assets)	16.8	14.6	12.3			
= Operating income	**(6.7)**	**(2.4)**	**(8.0)**	**(6.8)**	**(7.7)**	**(8.0)**
+/- Net interest revenue/expenses	5.4	5.1	4.6	4.7	4.8	4.5
+/- Net extraordinary revenue	2.0	0.1	3.5	0.5	(0.2)	(0.5)
- Taxes (on income and business)	5.1	3.7	2.8	1.6	1.5	1.5
= Net income	**(4.4)**	**(1.0)**	**(2.7)**	**(3.2)**	**(4.6)**	**(5.5)**

f: Fitch's forecasts
Source: ATC Torino and Fitch