



FINANCIAL STATEMENT 2009



FENICE S.p.A. a socio unico - Sede in Via Acqui, 86 - 10098 Cascine Vica - Rivoli (TO)
Capitale Sociale Euro 330.500.000 I.V.
Registro Imprese Ufficio di Torino n. 13032970157 - Tribunale di Torino
Direzione e coordinamento ex Art. 2497 c.c.: Electricité de France





BALANCE SHEET AS OF DEC 31ST 2009 DIRECTORS' REPORT ON MANAGEMENT



Dear Shareholder,

Your Company's business is conducted in the sector of the generation and distribution of energy products for industrial processes, the realisation, management and maintenance of installations for industrial cogeneration.


THE MACRO ECONOMIC OUTLOOK

As you know, between the end of 2008 and the first semester of 2009, the world economy was stricken by the most serious financial crisis in the last fifty years, which rapidly spread to the real economy, with losses in production that exceeded 50% in some sectors. As a consequence, in 2009, the GNP of OCSE countries experienced a reduction, which was quite elevated in some cases. The collapse pushed the price of raw materials down, generating a significant contraction of the inflation rates.

The financial crisis and critical situation of the most part of the banking system has led to an unprecedented "credit crunch", which has affected investments, especially in sectors that have a high intensity of capital, like the one in which your Company operates.

THE NATIONAL CONTEXT

In Italy the GNP turned to grow during the summer (0.6% versus previous quarter), after five consecutive quarters of reductions, but domestic demand remained feeble, with weak consumption and private investment dynamics that negatively influenced the labour market as well. The expenditures have been dampened by the prevailing uncertainty on the market, despite the hints of a recovery in the third quarter of 2009.



During fiscal year 2009, Fenice's business felt the heavy impact related to the evolution of the world economic context, which affected the business of historical customers (especially with reference to the Fiat Group). In addition to these factors, the downturn in prices weighed heavily on the operational profitability of your Company.

The business area of ecological and environmental services decisively felt the effects of the drop in spendings, which influenced the first part of the year and slightly improved during the second part, contrary to what had taken place during the 2008 accounting period.

OTHER MARKETS



POLAND

The situation of the Fenice Poland branch is different, as it benefits from the joint effects of the upswing in the business of Fiat Poland (with a growth in production of 110,000 units) and liberalisation of electricity prices.

SPAIN

Fenice Instalaciones Iberica, on the other hand, underwent a drastic downsizing of its business due to the crisis of IVECO, the most important customer on the domestic market, which determined a drop in deliveries of over 60% . The impact of the measures adopted at dealers' outlets to realign stock with the market situation contributed heavily to the decline in revenues.

INVESTMENTS



Concerning the investments on the **historical market**, the tenor has remained sustained, thanks to the stolid demand for vehicles of the **domestic** market, which allowed Italy to remain within the European average.

Investments in the development of your Company were characterised by prudence, dictated primarily by the evolution of prices (which significantly influenced the Business Model of cogeneration) and volumes, to include some caution bound to the variability and increased counterparty risks . In **Poland**, the investment related to the enlargement of the productive structure envisioned for 2009 was postponed until 2011.

OVERVIEW OF THE ACCOUNTING PERIOD


GROUP

The table below provides a synthetic overview with details of the consolidated trend of the most important businesses conducted by your Company during the 2009 fiscal year.

Revenues by business (M€)	2009	2008	Delta
Fenice S.p.A.	381,1	490,5	(109,4)
Fenice Poland S.p.z.o.o.	92,3	100,7	(8,4)
Fenice Instalaciones Iberica S.I.	13,2	18,1	(4,9)
Interecogen S.r.l.	-	-	-
Fenice S.r.l.	-	-	-
Total	486,7	609,3	(122,6)

EBITDA by business (M€)	2009	2008	Delta
Fenice S.p.A.	68,7	88,6	(19,9)
Fenice Poland S.p.z.o.o.	18,9	19,0	(0,1)
Fenice Instalaciones Iberica S.I.	2,9	2,4	0,5
Interecogen S.r.l.	(0,2)	(0,3)	0,1
Sinergia S.r.l.	(0,3)	0	(0,3)
Total	90,0	109,7	(19,7)
Extraordinary Charges	(0,8)	(0,1)	(0,7)
Total	89,2	109,6	(20,4)

Revenues from production amounted to 487.7 million Euros, down by 122.6 million Euros from the previous accounting period. In **Italy** the result is primarily due to the effects of the crisis on both the historical business (lay-offs, unfavourable trends in the price of electricity on the market) and on the environmental business (lower volumes, the effect of the price on the incineration plant of Melfi, the drop in orders for extra-contractual services). In **Poland**, where business was brisk during the year thanks to the commercial success of the Fiat 500 and Panda (+23% in productive volumes) and electricity prices, the downturn in revenues with respect to 2008 is due to the effect of the exchange rate, amounting to (21.4) million



euros. In **Spain** the drop in revenues can be traced primarily to the effect of volumes, related to the production at Iveco and Colortex.

THE EBITDA of 89.2 millions euros dropped by 20.4 million euros with respect to 2008.

In **Italy**, this drop can be attributed to the effects of the crisis (reduction in volumes and variable margins and the environmental business, which is suffering due to future scenarii) and the effect of non-recurrent circumstances.

In **Poland** the stability is due to the compensation between the positive operational elements tied to the business and the effects of the unfavourable rate of exchange.

In **Spain**, the increase is primarily traceable to the effects of non-recurrent positive contingencies due to the sale of Colortex and by the increase in the perimeter (purchase of the Fompedraza cogeneration at the end of 2008).

RISK ANALYSIS AND MOST IMPORTANT UNCERTAINTIES TO WHICH THE COMPANY AND GROUP ARE EXPOSED

SHORT-TERM RISKS



Due to the persistence of the crisis and its seriousness, the critical situation relative to **counterparty risks** has become particularly evident. In order to ensure protection from these risks, Fenice has adopted instruments to perform a careful analysis of the contexts and scenarii in order to prevent situations similar to the ones generated on the Colortex, Cartiere Etruria and Interecogen projects from recurring in future.

In addition to the exposure related to investments, an increase in the risk related to Fenice SpA's commercial credits has been brought out (The volume of the account receivables at the end of fiscal year 2009 is 80.6 millions euros). The risk of credit recovery was taken into consideration in the balance sheet for the accounting period, through the allocation of 1.9 million euros.

Another risk that was confirmed by the trend in the F.Y. 2009 was related to the reduction of **energy prices**, especially on the electricity market¹. With the objective of minimising these effects, Fenice implemented specific risk management policies in 2009, under the guidance of the EDF Group, also providing for elements of coverage.

¹ It is important to mention that the overall volumes on the Italian market have dropped by -6.7%




The last short term aspect to take into consideration consists of the operational uncertainties in connection with **the start up of projects envisioned** for 2010 (Barilla Caserta and Lamberti in February, Comais in March, Plastics and Components – Ex-Ergom – in May and Interecogen in June) and 2011 (Monte Regale, Ciccollela, Sevel Atessa and Sinergia). In addition to the risk related to the customers themselves, there are four primary factors that may have an influence on the results:

- ☀ The potential impact of the volumes on profitability and consequently the payback foreseen, because the business model of your Company envisions the investments being defrayable by Fenice;
- ☀ The difficulty in obtaining the many authorisations necessary within a reliably certain timeframe, which could influence the start up schedule.
- ☀ The counterparty risk related to suppliers, due to the dependability of supplies, which could result into modified schedules for the completion of the works.
- ☀ The difficulty in establishing dependable estimates relative to investments due to factors that are not completely foreseeable, caused by legislative modifications or variations in design during the execution of the work.

MID-TERM RISKS.

Concerning risks related to the **predominance of business with the historical customer** and the duration of contracts (expiring on 31st December 2012), the Company has developed a partnership that includes the two new cogenerations of Sata Melfi and Sevel Atessa, whose contractual expiry has been established in 2016. A programme of “operational excellence” was also started, which will enable the Company to achieve continuous improvement in service and improve the customer’s competitiveness.

Concerning **market risks**, the Company is still exposed to the uncertainties related to the volume of business of its customers in the automotive sector, taking into account the fact that companies in the Fiat Group continue to account for over two thirds of Fenice’s business. The fact that the incentives were not renewed in 2010, which was confirmed by the Italian Ministry of Economic Development, could have a negative influence on the business



of this main customer. To cover the risk, your Company is implementing a strategy of development that based on diversification.

The **liquidity risk**, which your Company is subject to, may arise due to difficulties in obtaining financing within a reasonable timeframe to support operational or development activities. In addition to monitoring the cash flow, financing requirements and liquidity of the Company, which is managed centrally, the objective of dealing with requirements related to financial indebtedness coming due and investments foreseen was achieved at the end of 2009 through extension of the indebtedness for up to an average of 2.4 years. As at this date 65% of the debt is payable beyond 2011.

Exposure to the **risk relative to interest** is due to the need to finance operational, industrial and financial activities. The variation of market interest rates could have a negative or positive impact on the economic results of the Group, indirectly influencing revenues through the fixed rate of contracts with the Fiat Group, as well as the costs and yield of investment operations.


Your Company is also exposed to a **limited exchange rate risk** due to the geographical distribution of some of its industrial installations (Poland and Russia). It is noted however that no external sources of financing in foreign currency are utilised at this time.

FORESEEABLE EVOLUTION OF MANAGEMENT



The aftermath of the 2009 crisis will also influence the current accounting period in terms of the volume of business. Signs of recovery were recorded during the second semester of 2009, but a great need to ensure recovery remains with dependable and financially sustainable means. On the front of revenues, in addition to the reduction due to the implementation of the tolling, your Company will be exposed to a high volatility of production volumes, related to the adjustment of effective production requirements of the Fiat Group (including a concrete risk of postponement of the start up of the cogeneration in Sevel Atesa) and to the timely start up of projects, which could contribute 10% of the business for 2010.

Concerning the development of prices in the electric and gas sectors, the economic crisis and contextual start up of new plants has created a short-term trend of excess offer. Following the drop of 40% in prices recorded



during the first semester of 2009, it is however reasonable to expect a less volatile situation in future.

Concerning investments, your Company trusts in the recovery of the markets, with the consequent need of new investments to satisfy a growing demand and promote a greater competitiveness. Incursions onto foreign markets, such as the Russian market, or within the ambit of the domestic biomass market, could become roads to dependable development starting from 2011, after evaluation of the initial results of projects now underway.

From the financial standpoint, indebtedness should grow only moderately due to projects with a low tenor of investment, such as the Ciccolella or Sinergia projects, and thanks to the opportunity offered by the new market in Russia and the potential operations of external growth.

From the financial point of view, there has been a significant drop in spreads, starting from the initial months of 2009. The stabilisation of the financial system during the 2nd semester of 2009 will enable your Company to gain access to the financial resources necessary for the realisation of its plan of development.

TREND IN THE FIRST TWO MONTHS OF 2010


VOLUME AND PRICES



In February 2010, the automotive market in Europe wound up with growth of 13%² with respect to the same period last year. This took place after the month of December 2009, which marked up a growth rate of 16% over the same month of 2008, when the crisis was beginning to develop. Fenice and its subsidiaries considerably increased their volumes of business and turnover, thanks to a particularly rigid winter, with the consequent increase in demand for heating and a limited number of weeks of lay-offs applied by the Fiat Group in the first two months of the year.

Your Company is expecting an improved performance versus last year in all sectors, with the exception of the business related to the automotive sector, whose performance in future months will be influenced by the reduction in incentives for automobiles with a low environmental impact which characterised the market throughout 2009. The first signs of this effect are now beginning to arrive from the historical customer's productive facilities in Poland.

² Source: European Association of Construction Companies (ACEA)



Concerning prices, the drop in the average price of electricity has not corresponded to an equal drop in the cost for fuel, which will have an impact on profitability.

The Euribor at 1 month shows some stability in the first two months of 2010, settling in at a level of 43 bps.

ECONOMIC RESULTS

Your Company's revenues in Italy for the first two months of 2010 amounted to 64 million euros (as compared to 82.8 million euros in 2009). This drop is due primarily to the effects of tolling and the drop in prices, which is **offset by** considerably higher volumes.

Poland, on the other hand, has recorded a rise in revenues of 25%, half of which is due to reinforcement of the local currency against the euro.

The considerable improvement of the consolidated EBITDA on the operational level is attributed above all to variable margins, up by 3.3 million in Italy due to an increase in production related to climatic factors and the decrease in the number of weeks of layoffs. Concerning the management of the new cogenerations, the marginal overall contribution in the first two months of 2010 settled in at around 0.3 million euros. Poland participated in the amount of 0.6 million, a third of which is due to the favourable rate of exchange.

The initial results of the plan to reduce structural costs include the continuance of the rigorous action to contain expenditures, started at the end of 2008 and implemented constantly throughout 2009. During the first 2 months of the year a decrease of 0.2 million euros was observed, in line with forecasts.

Investment programs that were part of the industrial plan experienced a considerable contraction in 2009 in response to the uncertainty of demand in the various sectors where your Company does business, in addition to the credit crunch on markets. This contraction is expected to diminish in 2010, followed by the normalisation of the level of investment and a subsequent increase might reach +30-35% with respect to 2009.



BALANCE SHEET

FENICE GROUP

	31/12/2009	31/12/2008 <i>(worth in Euro)</i>
FIXED ASSETS		
<i>I. Intangible assets</i>		
① Costs for plants and enlargement	3.665	9.924
④ Franchises, licences, trademarks and similar rights	536.863	754.945
⑤ Goodwill	73.850.934	83.156.429
⑥ Fixed assets in process	454.636	1.293.164
⑦ Others	3.965.376	5.069.254
	78.811.474	90.283.716
<i>II. Materials</i>		
① Land and buildings	38.736.952	37.721.138
② Plants and machinery	576.307.406	514.102.357
③ Industrial and commercial equipment	925.130	1.103.697
④ Other assets	1.895.260	2.232.339
⑤ Fixed assets in process	94.387.143	110.844.921
	712.251.891	666.004.452
<i>III. Financial assets</i>		
① Equity investments in:		
a) Subsidiaries	12.985	
d) Other companies	223.529	964.433
	236.514	964.433
TOTAL FIXED ASSETS	791.299.879	757.252.601

**31/12/2009****31/12/2008***(worth in Euro)*

CURRENT ASSETS

I. Inventories and trade

① Raw, ancillary and consumption materials	5.260.456	5.075.888
③ Work in process against orders	4.381.733	6.437.092
⑤ Down payments	219.806	219.806

9.861.995 **11.732.786**

II. Receivables

① From customers	95.360.185	116.645.752
④-bis) For tax credits	7.752.733	17.151.660
④-ter) For prepaid taxes	28.188.729	26.265.858
④ From others	10.205.496	9.463.190

141.507.143 **169.526.460**

IV. Liquid assets

① Bank deposits	35.008.719	25.381.845
③ Cash and valuables on hand	50.488	62.246

35.059.207 **25.444.091**

TOTAL LIQUID ASSETS

186.428.345 **206.703.337**

ACCRUED AND DEFERRED ASSETS

- Miscellaneous	442.143	1.033.913
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TOTAL ASSETS

978.170.367 **964.989.851**

BALANCE SHEET

FENICE GROUP	31/12/2009	31/12/2008
	<i>(worth in Euro)</i>	
A) NET WORTH		
<i>I. Capital</i>	330.500.000	330.500.000
<i>II. Reserve for paid-in capital</i>	90.718.789	101.508.643
<i>III. Legal reserve</i>	4.068.954	4.068.954
<i>VII. Reserve law 488/1992</i>	6.414.000	6.414.000
<i>VIII. Retained Earnings</i>	33.661.161	45.890.487
<i>IX. Profit (loss) for accounting period</i>	(14.157.400)	(25.500.970)
TOTAL NET SHAREHOLDERS' EQUITY FOR THE GROUP	451.205.504	462.881.114
-) Third party capital & reserves	122.829	185.118
-) Third party profits (losses) for the accounting period	(2.719.125)	(62.289)
TOTAL NET WORTH OF THIRD PARTIES	(2.596.296)	122.829
TOTAL CONSOLIDATED NET WORTH (A)	448.609.208	463.003.943
B) FUNDS FOR RISKS AND OTHER LIABILITIES		
① Retirement funds and similar obligations	734.764	1.293.478
② Tax funds, including deferred taxes	48.047	66.740
③ others	13.839.037	13.458.861
TOTAL PROVISIONS FOR RISKS AND LIABILITIES (B)	14.621.848	14.819.079

C) EMPLOYEE POST EMPLOYMENT BENEFITS FUND

D) INDEBTEDNESS

	31/12/2009	31/12/2008
	<i>(worth in Euro)</i>	
	18.866.930	20.419.066
④ Debts towards banks		
- within 12 months	66.636.830	159.852.294
- beyond 12 months	87.431.732	53.941.547
	154.068.562	213.793.841
④ Debts towards other financiers		
- within 12 months	31.740.017	50.228.880
- beyond 12 months	150.000.000	
	181.740.017	50.228.880
⑥ Down payments	1.788.104	2.125.846
⑦ Accounts payables (suppliers)	137.275.909	174.249.296
⑪ Accounts payables (parent companies)	479.474	125.140
⑫ Tax liabilities	5.402.477	5.631.166
⑬ Accrued liabilities (welfare)	2.500.090	3.517.456
⑭ Others liabilities	7.786.501	10.584.186
TOTAL LIABILITIES (D)	491.041.134	460.255.811

E) DEFERRED LIABILITIES

- Miscellaneous	5.031.247	6.491.952
	5.031.247	6.491.952

TOTAL LIABILITIES	978.170.367	964.989.851
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Off balance items

① Third party assets held by the company	7.850.145	7.850.145
③ Third party guarantees	49.882.343	73.533.352
TOTAL OFF BALANCE	57.732.488	81.383.497

INCOME STATEMENT (PROFIT AND LOSS ACCOUNT)

FENICE GROUP

31/12/2009

31/12/2008

(worth in Euro)

A) VALUE OF PRODUCTION

① Revenues from sales and services	489.250.421	613.757.359
③ Variations in works in process	(2.555.359)	(4.464.963)
④ Increase in fixed assets due to internal works	8.231.370	7.214.229
⑤ Other revenues and proceeds:		
- <i>miscellaneous</i>	15.092.943	12.425.337
- <i>incentives</i>	189.774	160.591
	15.282.717	12.585.928
TOTAL VALUE OF PRODUCTION (A)	510.209.149	629.092.553

B) COST OF PRODUCTION

⑥ Raw, ancillary and consumption materials and goods	212.598.634	310.351.732
⑦ Purchase of services	95.046.104	103.723.667
⑧ Costs for use of third party assets	1.940.233	1.598.979
⑨ For personnel		
a) Salaries and wages	61.281.683	62.857.072
b) Social security contribution	19.267.757	19.456.354
c) Post-employment benefits	3.618.806	3.782.181
d) Seniority benefits	2.418.501	2.818.962
e) Other costs	259.049	461.004
	86.845.796	89.375.573

	31/12/2009	31/12/2008
	<i>(worth in Euro)</i>	
⑩ Amortizations and devaluations		
a) Amortizations of intangible fixed assets	10.110.257	10.618.496
b) Depreciation of tangible fixed assets	76.375.088	70.423.267
c) Other devaluations of fixed assets	5.800.000	11.369.820
d) Accruals - current assets	1.925.000	1.274.892
⑪ Variation in inventories	(484.568)	(1.270.080)
⑫ Provisions against risks	525.000	1.525.000
⑬ Other provisions	5.024.182	925.000
⑭ Miscellaneous management expenses	15.644.828	15.902.489
TOTAL COST OF PRODUCTION (B)	511.350.554	615.818.835
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A - B)	(1.141.405)	13.273.718
C) FINANCIAL PROCEEDS AND EXPENSES		
⑯ Other financial proceeds:		
d) Income other than the above:		
- Others	1.041.325	2.881.654
TOTAL FINANCIAL PROCEEDS	1.041.325	2.881.654
⑰ Interest and other financial expenses:		
- Others	(10.958.332)	(13.053.013)
⑰bis Profits and losses on exchange	239.404	(1.284.697)
TOTAL FINANCIAL EXPENSES	(10.718.928)	(14.337.710)
TOTAL FINANCIAL PROCEEDS AND EXPENSES	(9.677.603)	(11.456.056)

D) VALUE ADJUSTEMENTS TO FINANCIAL ASSETS

18 Revaluations:
a) of equity investments

31/12/2009

(worth in Euro)

31/12/2008

140.000

(437.816)

E) EXTRAORDINARY PROCEEDS AND EXPENSES

20 Proceeds:
- miscellaneous

16.798

21 Expenses
- miscellaneous

(556.110)

- provisions for future expenses

(1.799.839)

(2.868.502)

- taxes from previous accounting periods

(10.918.287)

TOTAL EXTRAORDINARY ENTRIES

(2.339.151)

(13.786.789)

RESULT BEFORE TAXES

(13.018.159)

(12.406.943)

22 Income tax for the accounting periods

a) current taxes

(4.668.748)

(8.461.839)

b) deferred taxes (prepaid taxes)

810.382

(4.694.477)

(3.858.366)

(13.156.316)

23) PROFIT (LOSS) FOR

THE ACCOUNTING PERIOD

(16.876.525)

(25.563.259)

- Third party profits (losses)
for the accounting period

(2.719.125)

(62.289)

- Profit (loss) for the Group
in the accounting period

(14.157.400)

(25.500.970)



