TREVI Fin. Ind. BUY

Price (Eu): 13.90

Target Price (Eu): 17.60

SECTOR: Construction-Energy

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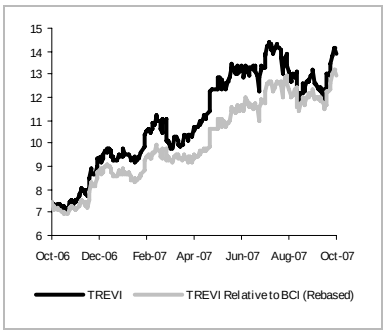
Solid Foundations For Future Growth

- **The company.** The Trevi Group is one of the main players at worldwide level in the Foundation Services and Engineering fields (special foundations, tunnel excavation, soil consolidation). In the last three years the company has entered the Oil Drilling sector, both as equipment manufacturer and services supplier. Today the Group is structured in four main divisions, Foundation Services (Trevi), Foundation Equipment (Soilmec), Drilling Services (Petreven) and Drilling Equipment (Drillmec) and operates on a worldwide basis, with local branches in 21 countries.
- **Growth strategy.** Over the last five years Trevi has consolidated its position as a global high technology niche player in the foundation engineering sector and diversified its business model entering the oil drilling segment in 2004, intuitively seeing the enormous potential arising from the transfer of the technological and process know-how gained in the Foundation sector to the new market segment. In our opinion there are five key factors explaining the company's rapid growth in the last few years, as well as the robust future growth potential: 1) business integration, 2) technological innovation, 3) operational and logistic flexibility, 4) qualified human resources and 5) geographical diversification. We believe in particular the application of the hydraulic know-how developed by Soilmec in the Foundation sector to Drillmec's new HH series hydraulic oil rigs could be the key trigger for the Group's expected growth in the coming years.
- **Estimates and valuation.** After having nearly doubled earnings in 2006 (+98%), we expect further very healthy growth in the coming years, with EPS expected to be up 66% in '07E and then almost tripling in the following three years (38% CAGR). On the back of our projections, we have set a Eu17.6 target price for the company, based on DCF and market multiples (12.5x '09E P/E). We highlight that our valuation is fully diluted, on a total of 70.2mn shares, already discounting the bond conversion (6.2mn new shares, Eu11.30 strike price, expiry date 30 November 2011).
- **Main strengths and risks**. The key positives in Trevi's equity story are represented in our opinion by the strong sector outlook for both the Building and Construction and Oil Drilling sectors and the company's very attractive business model. The main risks and negatives are represented by the high cyclicality of the two core businesses and the currency risk (we calculated a ±10 figures' move of the Eu/US$ exchange rate would imply a ±7% impact on EPS and ±5% on our TP).
- **Investment case.** We initiate coverage of the stock with a Eu17.6 target price and a BUY recommendation, as we believe Trevi represents one of the most attractive growth stories among Italian small-mid caps, reflecting the aggressive investment phase expected in the Construction and Oil Drilling sectors around the world. Thanks to the very robust earnings ramp-up expected in the coming years, the stock is currently trading at a 10.3x P/E in '09E, at discounts of roughly 12% and 24% to the Foundation and Oil Equipment sectors.

Key Figures	2005A	2006A	2007E	2008E	2009E
Sales (Eu mn)	488	642	788	954	1,156
Ebitda (Eu mn)	55	86	116	150	190
Net profit (Eu mn)	13	26	42	62	86
EPS - New (Eu)	0.20	0.40	0.66	0.96	1.34
EPS - Old (Eu)					
DPS (Eu)	0.03	0.05	0.05	0.08	0.13

Ratios & Multiples	2005A	2006A	2007E	2008E	2009E
P/E	69.4	34.9	21.0	14.4	10.3
Div. Yield	0.2%	0.4%	0.4%	0.6%	0.9%
EV/Ebitda	18.4	12.4	9.1	6.8	5.1
ROCE	12.6%	22.2%	26.0%	32.9%	39.5%

TREVI Fin. Ind. - 12m Performance



RATING: BUY
TARGET PRICE (Eu): 17.60

Change in EPS est:	2007E	2008E

STOCK DATA

Reuters code:	TFI.MI
Bloomberg code:	TFI IM

Performance	1m	3m	12m
Absolute	7.3%	4.5%	87.2%
Relative	7.3%	9.9%	80.0%

12 months H/L: 14.40/7.12

SHAREHOLDER DATA

No. of Ord. shares (mn):	64
Total No. of shares (mn):	64
Mkt Cap Ord (Eu mn):	890
Total Mkt Cap (Eu mn):	890
Mkt Float - ord (Eu mn):	374
Mkt Float (in %):	*42.0%*
Main shareholder:	
Trevisani Family	58.0%

BALANCE SHEET DATA	2007
Book value (Eu mn):	161
BVPS (Eu):	2.52
P/BV:	5.5
Net Financial Position (Eu mn):	-165
Enterprise value (Eu mn):	1,055

TREVI Fin. Ind. - *KEY FIGURES*		2005A	2006A	2007E	2008E	2009E
	Fiscal year end	31/12/2005	31/12/2006	31/12/2007	31/12/2008	31/12/2009
PROFIT & LOSS (Eu mn)	Sales	488	642	788	954	1,156
	EBITDA	55	86	116	150	190
	EBIT	29	59	83	115	151
	Financial income (charges)	(9)	(13)	(13)	(12)	(9)
	Associates & Others	0	0	0	0	0
	Pre-tax profit (Loss)	25	41	68	101	141
	Taxes	(12)	(15)	(23)	(36)	(51)
	Tax rate (%)	45.8%	35.5%	34.5%	36.0%	36.0%
	Minorities & discontinue activities	(1)	(1)	(2)	(3)	(4)
	Net profit	13	26	42	62	86
	Total extraordinary items	5	(5)	(2)	(2)	(2)
	Ebitda excl. extraordinary items	55	86	116	150	190
	Ebit excl. extraordinary items	29	59	83	115	151
	Net profit restated	13	26	42	62	86
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	64	64	64	64	64
	EPS stated fd	0.20	0.40	0.66	0.96	1.34
	EPS restated fd	0.20	0.40	0.66	0.96	1.34
	BVPS fd	1.52	1.91	2.52	3.43	4.69
	Dividend per share (ord)	0.03	0.05	0.05	0.08	0.13
	Dividend per share (sav)	0.36	0.57	0.60	0.89	1.42
	Dividend pay out ratio (%)	15.6%	12.5%	7.9%	8.1%	9.3%
CASH FLOW (Eu mn)	Gross cash flow	39	52	75	97	125
	Change in NWC	(6)	(57)	(19)	(21)	(27)
	Capital expenditure	(21)	(56)	(45)	(45)	(50)
	Other cash items	2	12	2	3	4
	Free cash flow (FCF)	15	(49)	13	34	52
	Acquisitions, divestments & others	0	0	0	0	0
	Dividend	(1)	(2)	(3)	(3)	(5)
	Equity financing/Buy-back	0	0	0	0	0
	Change in Net Financial Position	22	(49)	10	31	47
BALANCE SHEET (Eu mn)	Total fixed assets	175	199	212	221	232
	Net working capital	163	194	243	282	329
	Long term liabilities	(111)	(90)	(121)	(139)	(159)
	Net capital employed	228	303	334	365	402
	Net financial position	(126)	(175)	(165)	(135)	(87)
	Group equity	102	127	168	230	315
	Minorities	5	5	7	10	14
	Net equity	97	122	161	219	300
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	890	890	890	890	890
	Adjustments (associate & minorities)					
	Net financial position	(126)	(175)	(165)	(135)	(87)
	Enterprise value	1,016	1,065	1,055	1,024	977
RATIOS(%)	EBITDA margin*	11.3%	13.3%	14.7%	15.7%	16.4%
	EBIT margin*	5.9%	9.2%	10.5%	12.1%	13.1%
	Gearing - Debt/equity	123.4%	137.7%	98.1%	58.6%	27.7%
	Interest cover on EBIT	3.2	4.7	6.3	9.6	17.5
	Debt/Ebitda	2.28	2.05	1.43	0.90	0.46
	ROCE*	12.6%	22.2%	26.0%	32.9%	39.5%
	ROE*	14.7%	23.3%	29.9%	32.5%	33.1%
	EV/CE	4.4	4.0	3.3	2.9	2.5
	EV/Sales	2.1	1.7	1.3	1.1	0.8
	EV/Ebit	35.4	18.1	12.7	8.9	6.5
	Free Cash Flow Yield					
GROWTH RATES (%)	Sales	33.3%	31.6%	22.7%	21.0%	21.2%
	EBITDA*	32.6%	54.8%	35.1%	29.8%	26.6%
	EBIT*	64.3%	105.6%	40.4%	38.9%	31.6%
	Net profit	443.7%	98.8%	65.8%	46.0%	39.3%
	EPS restated	443.8%	98.8%	65.8%	46.0%	39.3%

** Excluding extraordinary items*

Source: Intermonte SIM estimates

Investment summary

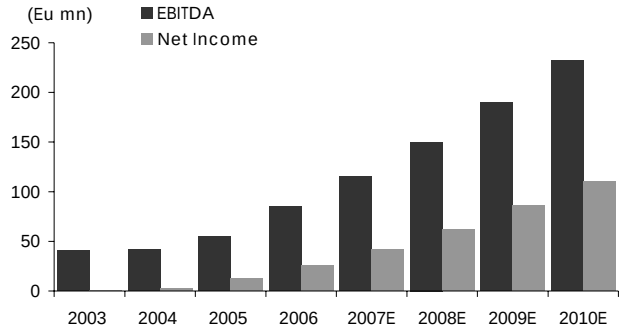
Trevi - company description. The Trevi Group, founded in 1957, is today one of the main global players in the Foundation Services and Engineering fields (special foundations, tunnel excavation, soil consolidation) and in the design and construction of advanced systems. In 2004 the company entered the drilling rig sector (oil, gas and water), both as manufacturer of systems and as supplier of oil drilling services. Today the Group is present in 21 countries through local branches and is structured in **four main divisions: Foundation Services** (Trevi), **Foundation Equipment** (Soilmec), **Drilling Services** (Petreven) and **Drilling Equipment** (Drillmec). After having suffered from the combination of negative events in the Americas in 2001 and 2002 (Argentinean currency crisis and construction sector downturn in US), leading to losses of Eu3.9mn and Eu15.0mn, Trevi's results started to post a very healthy growth in the following years, with net income increasing from Eu1.1mn in 2003 to Eu25.5mn in 2006. Earnings have posted a particularly clear acceleration in the last two years, thanks to the very strong results recorded by the Foundation Services division (Trevi) in 2006 and the increasing contribution from the two new oil drilling divisions, Petreven and Drillmec.

Growth strategy. Over the last five years Trevi has consolidated its position as a global high technology niche player in the foundation engineering sector and diversified its business model entering the oil drilling segment in 2004, intuitively seeing the enormous potential arsing from the transfer of its technological and process know-how gained in the Foundation sector to the new market segment. The rapid growth recorded by the company in the last few years, as well as the future growth potential, are based in our opinion on the following five key strengths: 1) **business integration**, 2) **technological innovation**, 3) **operational and logistic flexibility**, 4) **qualified human resources** and 5) **geographical diversification**. We believe in particular the application of the hydraulic know-how developed by Soilmec in the Foundation sector to **Drillmec's new HH series hydraulic oil rigs** was the trigger behind the Group's expansion in the last three years and could, in our opinion, be the key growth driver for Trevi in the coming years.

Bullish sector outlook. Thanks to its worldwide presence, Trevi is benefiting from the ongoing growth trends characterising the **Building and Construction sector**, especially in emerging markets. The Middle East, and in particular Dubai, is the area where Trevi has recorded the most aggressive growth trend in the last three years, thanks to the huge investments made in new infrastructure, following the windfall deriving from the persistent high oil price scenario in recent years. For the coming years we expect several other emerging countries, such as India, China and Brazil, to enter into a new very aggressive investment phase in the infrastructure sector, following the robust GDP growth in recent years, creating new very significant work opportunities for Trevi. The outlook for the **Oil Drilling sector** is even more bullish in our opinion, as the result of a gradually tightening oil supply/demand balance at worldwide level. Fast growing oil demand in recent years, underpinned mainly by Far East and Emerging Markets, has not in fact been accompanied by a similar trend in oil production, due to declining output in mature fields, increasing depletion and no major new giant field discoveries.

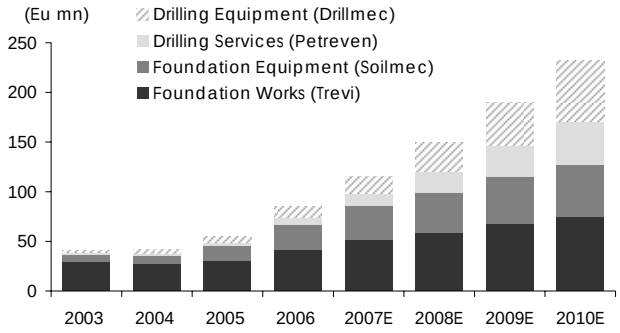
Estimates - earnings expected to almost triple in the next three years. After having nearly doubled earnings in 2006 (Eu25.5mn from Eu12.8mn, +98% YoY), we expect further very robust growth in the coming years, with net income projected at Eu42.3mn in '07E (+66%) and then almost tripling in the following three years (Eu110.3mn in '10E, 38% CAGR). The key drivers of this projected very aggressive growth trend are the increasing contribution of the oil drilling divisions (45% of Group EBITDA in '10E from 23% in 2006), underpinned by the diffusion of the new HH series hydraulic rigs, coupled with a sustained order inflow in the Foundation sectors. In terms of margins, we expect the EBIT margin to increase further from the 9.2% recorded in 2006 to 10.5% in '07E, 12.1% in '08E and 13.1% in '09E. This trend should be the result of the expected increase in orders' size and the accrued critical mass in the two Engineering divisions (Soilmec and Drillmec).

Trevi – Earnings Expected Evolution (2003-2010E)



Source: Company data and intermonte SIM estimates.

Trevi – Expected EBITDA Breakdown (2003-2010E)



Source: Company data and intermonte SIM estimates.

Valuation. BUY – target price Eu17.6. On the back of our projections, we have set a target price of Eu17.6 for the company, based on DCF and market multiples (12.5x '09E P/E). We highlight our valuation for the stock is fully diluted, on a total of 70.2mn shares, which is the current 64.0mn plus the additional 6.2mn shares arising form the conversion of the convertible bond (expiry date 30 November 2011, strike price Eu11.30). We resume coverage of the stock with a BUY recommendation, as we believe Trevi is one of the most attractive growth stories among Italian small-mid caps, reflecting the new aggressive investment phase expected in the Construction and Oil Drilling sectors around the world. Thanks to the very robust earnings ramp-up expected in the coming years, the stock is currently trading at a 10.3x P/E in '09E, at discounts of roughly 12% and 24% to the Foundations and Oil Equipment sectors.

Key positives and negatives. In our opinion the key positives in Trevi's equity story are represented, as anticipated, by the strong sector outlook for both the Building and Construction and Oil Drilling markets and by the company's very attractive business model (high integration, technological innovation, operational and logistic flexibility and geographical diversification). The main risks and negatives are represented by the high cyclicality of the two core businesses and the company's high exposure to US$ denominated markets. Regarding the currency risk, we calculated a ±10 figures' move in the Eu/US$ exchange rate should imply a ±7% impact on EPS and ±5% on our TP. We highlight our projections are based on a Eu/US$ exchange rate of 1.36 for '07E and 1.40 for '08E onwards.

Trevi - Company Description

Company description. The Trevi Group, founded in 1957, is today one of the main players at worldwide level in the Foundation Services and Engineering fields (special foundations, tunnel excavation, soil consolidation) and in the design and construction of advanced systems, both with regard to the geotechnical and hydrocarbon drilling sectors. In recent years the company entered the drilling rig sector (oil, gas and water), both as manufacturer of systems and as supplier of oil drilling services.

Today the Group is present in 21 countries through local branches and is structured in four main divisions, Foundation Services, Foundation Equipment, Drilling Services and Drilling Equipment.

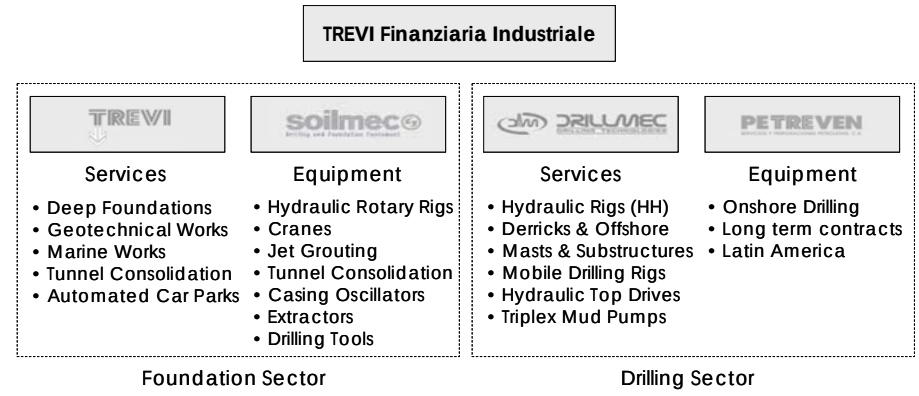
- **Foundation Services (Trevi).** Trevi operates in the execution of specialised works in the field of underground engineering, and supplies services with high value added. Trevi , founded in 1957, is today the 4th largest Company in the world in the field of soil engineering behind Soletance Bachy, Bauer and Keller.

- **Foundation Equipment (Soilmec).** Soilmec manufactures plants and rigs that are used for foundation engineering. Founded in 1969, Soilmec is the second largest player in the world after Bauer and the world leader in the middle-high segment in equipment building for subsoil engineering with over 280 employees and satellite industries of over 60 companies.

- **Drilling Services (Petreven).** Petreven operates in the oil drilling sector with the execution of oil perforation services, managed using the drilling rigs manufactured by Drillmec. The activity is currently almost entirely focused in LatAm.

- **Drilling Equipment (Drillmec).** Drillmec manufactures mechanical and innovative systems, hydraulic rigs for oil, geothermal and water drilling, as well as their relevant accessories; it also supplies specialised services, characterised by high added value, in the maintenance of the rigs. Drillmec was founded on 1st January 2004 as a spin-off of Soilmec.

Trevi – Corporate Structure



Source: Trevi Finanziaria industriale.

The Group has been listed on the Milan Stock Exchange since 1999, with the Trevisani Family owning 58% of the share capital and the remaining 42% floated on the market.

Main financial data. After suffering the negative combination of events in the Americas in 2001 and 2002 (Argentinean currency crisis and construction sector downturn in US), leading to losses of Eu3.9mn and Eu15.0mn, Trevi's results started to post very healthy growth in the following years, with net income increasing from Eu1.1mn in 2003 to Eu25.5mn in 2006. Earnings have posted a particularly clear acceleration in the last two years, thanks to the very strong results recorded by the Foundation Services division (Trevi) in 2006 and the increasing contribution from the two new oil drilling divisions, Petreven and Drillmec.

At top line level, the Trevi Group recorded a 20.6% CAGR over the 2003-2006 period, accompanied by an even more aggressive growth trend at both EBITDA (27.5% CAGR) and EBIT level (52.2% CAGR), reflecting the improving unit margins (EBIT margin from 4.6% in 2003 to 9.2% in 2006). It is interesting to highlight that this impressive growth trend and margins improvement was recorded by the company in a period of very strong dollar devaluation, which had a negative impact on company results.

In terms of divisional breakdown, the contribution of the two Drilling related divisions (Petreven and Drillmec) at EBITDA level increased significantly in the last two years, reaching 18% in 2005 and 23% in 2006 from 10% in 2003. Despite the improving weight of the Drilling activities, the Foundations Services division (Trevi) still represents the group's core business, accounting for around half of the group's EBITDA in 2006. As detailed later on in the report, we anticipate a further gradual switch of the company's business mix towards the drilling sector over the coming years, with the Drilling Services and Equipment division accounting for nearly half the Group total EBITDA in 2010E (19% Petreven, 26% Drillmec).

The robust growth experienced in the last four years had a clear impact also on Group Balance Sheet, with the Capital Employed increasing from Eu183.7mn in 2003 to Eu302.9mn in 2006 and net debt from Eu113.3mn to Eu175.5mn. In terms of financial structure, after a quite stretched situation experienced in 2004 (D/E of 1.8x, Net Debt/ EBITDA of 3.5x), the Group's gearing has improved significantly in the last two years, with D/E and Net Debt /EBITDA declining to 1.4x and 2.0x in 2006. For '07E we expect a further improvement, reflecting the projected net working capital contraction, as results of the company's new commercial strategy, based on the obtainment from clients of significant advance payments (Eu80mn in 1H07 from Eu40mn in 1H06). As far as the company's debt structure is concerned, we remind Trevi issued in November 2006 a Eu70mn convertible bond (expiry date 30 November 2011, strike price Eu11.30, total new shares 6.2mn, corresponding to 9.7% of total current share capital).

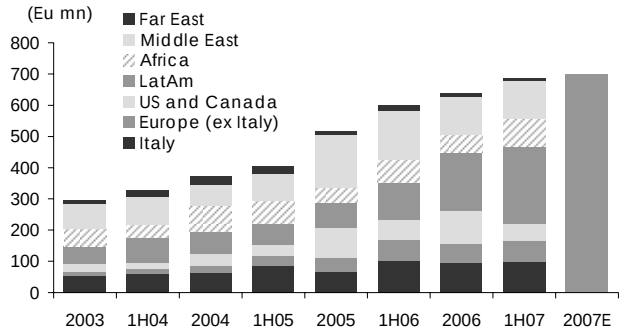
Trevi – Key Data (2003 - 2007E)

Eu mn	2003		2004		2005		2006		2007E	
Backlog	**296.0**		**371.1**		**516.5**		**636.8**		**699.0**	
Revenues	366.7		366.4		488.3		642.5		788.4	
EBITDA	**41.3**		**41.7**		**55.3**		**85.6**		**115.6**	
EBIT	16.7		17.5		28.7		59.0		82.8	
Net Income	**1.1**		**2.4**		**12.8**		**25.5**		**42.3**	
EBITDA Breakdown										
Foundation Services (Trevi)	29.4	71%	27.9	67%	30.7	56%	40.9	48%	51.3	44%
Foundation Equipment (Soilmec)	7.4	18%	8.0	19%	14.7	26%	25.1	29%	34.6	30%
Drilling Services (Petreven)	2.3	5%	2.4	6%	3.7	7%	8.0	9%	12.1	11%
Drilling Equipment (Drillmec)	2.2	5%	3.4	8%	6.3	11%	11.6	14%	17.6	15%
Capital Employed	183.7		228.9		228.1		302.9		333.7	
Equity	70.3		80.9		102.1		127.4		168.5	
Net Debt	113.3		148.0		126.0		175.5		165.3	
Debt/Equity	1.6		1.8		1.2		1.4		1.0	
Net Debt/EBITDA	2.7		3.5		2.3		2.0		1.4	

Source: Company data and intermonte SIM estimates.

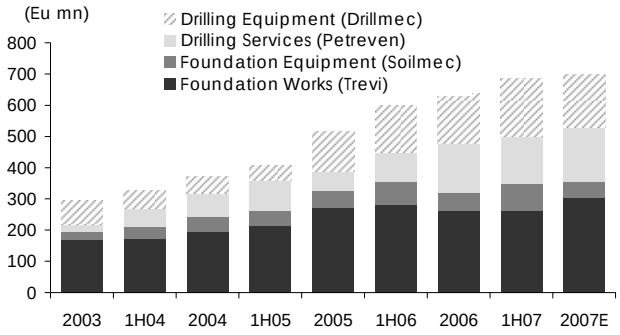
Backlog Evolution and Breakdown. The above-mentioned aggressive growth trend posted by the Group turnover in the last four years is the results of an underlying similar trend recorded by the Group backlog, more than doubled in the period 2003-2006 (from Eu295.6mn to Eu637.0mn, 29.2% CAGR). In terms of Geographical breakdown, it is interesting to highlight the increasing relevance of LatAm, after the US$46mn contracts signed by Petreven with Chevron-Texaco and Repsol in March 2006. As far as the divisional breakdown is concerned, the increasing exposure towards the Drilling sector is clearly reflected by the growing backlog of both Petreven and Drillmec, representing 50% of the Group's total backlog at the end of 2006 from 34% at the end of 2003.

Trevi – Backlog: Geographical Breakdown



Source: Company data and intermonte SIM estimates.

Trevi – Backlog: Divisional Breakdown



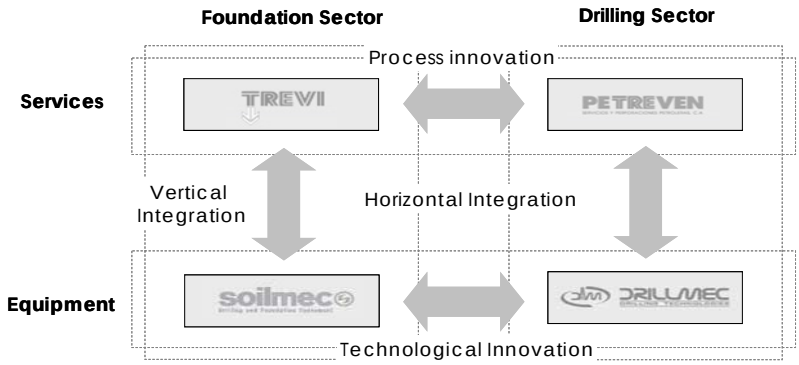
Source: Company data and intermonte SIM estimates.

Trevi – Growth Key Drivers

Growth key drivers. Over the last five years the Trevi Group has consolidated its position as a global high technology niche player in the foundation engineering sector and diversified its business model entering the oil drilling segment in 2004, intuitively seeing the enormous potential arsing from the transfer of the technological and process know-how gained in the Foundation sector to the new market segment. The rapid growth experienced by the company in the last few years, as well as the future growth potential, are based in our opinion on the following five key strengths:

- **Business integration.** Vertical integration in both the Foundation and Drilling sectors and horizontal integration between the two Services and Equipment companies are key strength of the Trevi Group, in terms of process and technological innovation and cross fertilisation.
- **Technological innovation.** The application of the hydraulic know-how developed by Soilmec in the Foundation sector to Drillmec's new HH series oil rigs has been the key trigger behind the Group's expansion over the last three years, and could, in our opinion, be the key growth driver for the group in the coming years.
- **Operational and logistic flexibility.** Trevi's 'joint planning and construction' supply model, based on the outsourcing to a reliable network of qualified suppliers of the less value added activities along the production chain, allows a clear reduction in fixed costs and in addition significantly reduces potential capacity constraints.
- **Qualified human resources.** As a niche player providing products and services characterised by a high technological content, the Group places great importance on R&D and skilled engineers. The continuing search for highly skilled human resources is a crucial issue for the company, especially in the definition of its supplier network.
- **Geographical diversification.** Thanks to its worldwide presence, the Group has the possibility to largely offset the cyclical downturns and slowdowns typically affecting each individual market and to ride the most aggressive growth trends.

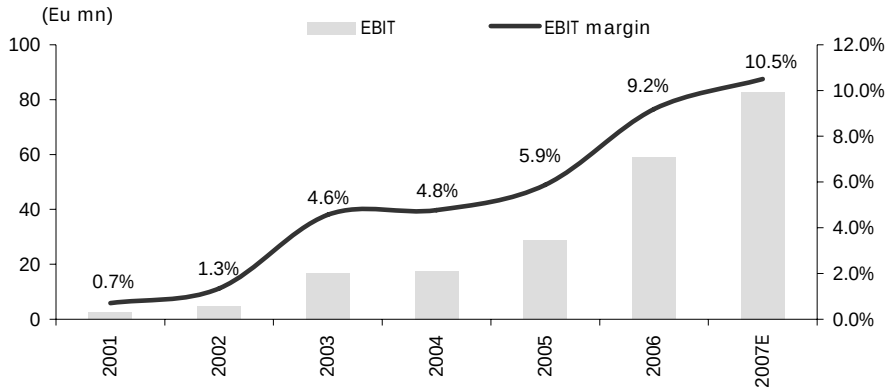
Trevi – Business Integration and Technological/Process Innovation



Source: Trevi Finanziaria industriale.

Margin improvements. The company's successful business model, coupled with the ongoing upturn in the construction cycle and the even more aggressive growth trend experienced by the oil drilling market have allowed a very strong margin improvement in the last four years, with the EBIT margin posting a clear first step-up in 2003 (4.6% from 1.3% in 2002) and a further leap in 2005 and 2006 (5.9% and 9.2% respectively). For the next years we expect this trend to continue, with EBIT unit margins reaching 13.7% in '10E.

Trevi – EBIT Margin Evolution

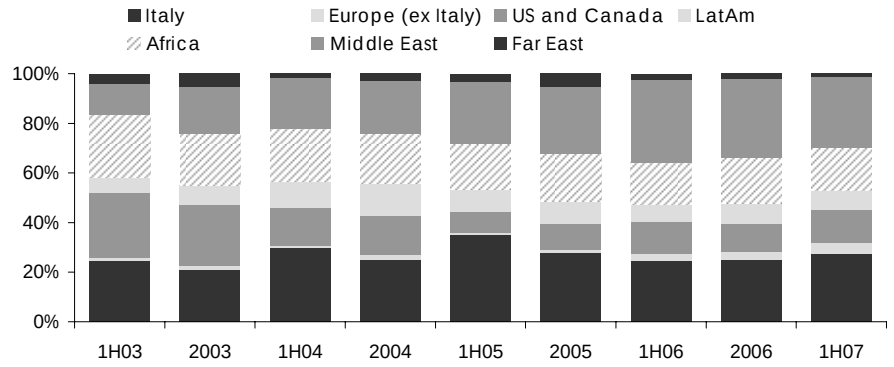


Source: Company data and Intermonte SIM estimates.

Foundations - Sector Outlook

Thanks to its widespread presence in different countries around the world, Trevi is benefiting from the ongoing growth trend characterising the Building and Construction sector, especially in emerging markets. As can clearly be seen in the chart below, Trevi's widely spread turnover in different geographical areas has allowed the company to offset the cyclical downturns and slowdowns typically affecting each individual market. The Middle East, and Dubai in particular, was the area where Trevi has achieved the most aggressive growth over the last three years, thanks to the huge investments made in new infrastructure, following the windfall deriving from the persistent high oil price scenario in recent years. In more detail, the Middle East increased its weight on Trevi's total turnover from 18.6% in 2003 to 31.6% at the end of 2006, offsetting the contraction recorded in North America, in a context of substantially stable activity in Italy, still penalised by the ongoing delays in the public works sub-sector. In more general terms we believe that, in addition to the Middle East, several emerging countries such as India, China and Brazil, are also entering into new very aggressive investment phases in the infrastructure sector, following the solid GDP growth trends in recent years, thus creating new very significant opportunities for companies like Trevi.

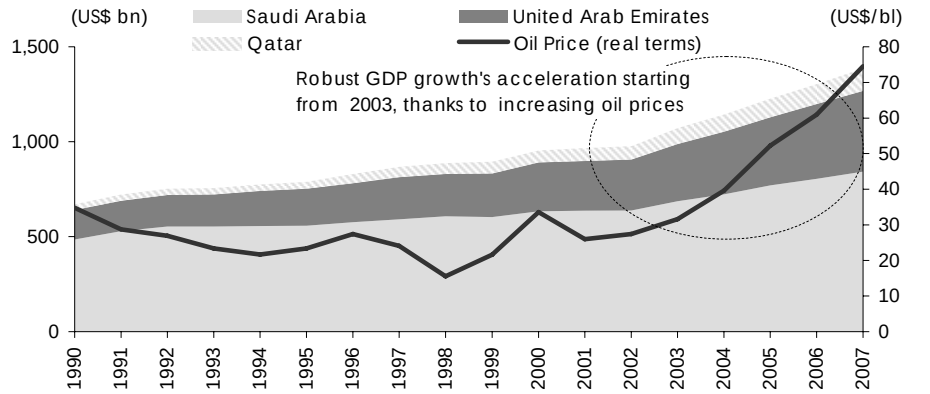
Trevi – Foundations Services: Revenues geographical breakdown evolution.



Source: Company data and Intermonte SIM estimates.

Gulf States. With oil prices fixed firmly above US$60/bl, fuelling strong economic growth acceleration, the GCC (Gulf Cooperation Council, Saudi Arabia, Kuwait, Bahrain, Qatar, the United Arab Emirates, the Sultanate of Oman, and the Republic of Yemen) construction industry is experiencing an unprecedented boom, with current infrastructure projects estimated to come to US$1 trillion, and 11.6% annual growth in civil construction sector. In addition to major ongoing projects in the UAE such as the Al Reem Island developments and Abu Dhabi Airport expansion project, other Gulf nations are also modernizing rapidly with projects like the new Doha International Airport in Qatar and King Abdullah Economic City in Saudi Arabia. The total value of contracts awarded in the region has more than doubled in the past two years. The huge number of transport projects needed in the Gulf will require further huge investments in the regional construction industry in the next few years. Most GCC countries have launched long-term strategic transport plans in a bid to alleviate escalating traffic congestion problems and support swelling populations. Saudi Arabia has signed contracts worth US$3.8bn to carry out major railway projects within the kingdom, while Bahrain is investing US$690mn into road projects. These include major strategic projects such as the rebuilding of the Sitra causeway and redevelopment of the Umm Al Hassam junction, as well as road improvements in villages and other secondary roads.

Gulf States – GDP Growth vs. Oil Price



Source: IMF and Datastream.

Other major projects in the region include the construction of a third metro line in Dubai linking passengers to the Jebel Ali International Airport, and a possible GCC rail link. As an example of the impressive growth trend experienced in the Gulf in the last few years, we offer a few figures on the construction industry in Kuwait: over US$8bn worth of projects were awarded in 2005, increasing to around US$12bn in 2006 and expected to hit the US$15bn mark in 2007. According to Ventures Middle East, a leading management consultancy firm in the region, Kuwait's overall project market has grown to over US$250bn, of which around US$200bn is focused in the building sector.

US. After the sharp contraction recorded in 2004 (-5.8%), the US public construction sector posted a clear recovery in 2006 (+4.5%) after a flat 2005. This recovery trend is expected to continue in the coming years, offsetting the ongoing decline in residential buildings. As far as Trevi is concerned, we believe the company could play an important role in the national programme for the reconstruction of dams, after having received the 'Best Contractor' award in 2003 from the US Army Corp of Engineers for the repair of the Walter F. George Dam. According to the data released by the US Department of Agriculture, more than 1,000 dams nationwide will reach the end of their 50-year life expectancy in the next ten years, thus creating significant works opportunities for niche players like Trevi. On top of this the enormous damage created by Hurricane Katrina, requiring huge investments for rehabilitating infrastructure, could pave the way to further significant work opportunities for Trevi.

Europe. According to a report published in May by Euroconstruct (network for construction, finance and business forecasting in Europe) 2006 was the culminating year for the past six-year development cycle in the construction industry of the Euro zone, with the next peak expected in 2012. Euroconstruct's statistical data for the 1990–2006 period shows the following construction market cycles: 1993–1999 (first cycle) and 1999–2006 (second cycle), with the European construction market reaching its 2nd cycle peak in 2006. According to Euroconstruct the next cycle peak should be reached in about 2012. In the second 1999-2006 cycle the highest growth rates were recorded in the last three years (2004-2006), with 2006 posting the highest YoY growth (3.7%). According to Euroconstruct 2007 can be considered as the starting year of the third cycle, hence growth rates are currently decreasing, and they are also expected to decrease in all Euroconstruct countries in 2008, with the single exceptions of Hungary, Poland and the United Kingdom. The turning point is expected in the 2008–2009 period, and growth rates will then catch up to the mentioned culmination in 2012. **Non-residential market.** Total non-residential building in Europe remained quite stable from 2002 to 2005. In 2006 growth reached 2.4% while the highest growth (+3.5%) is forecast for this year. In 2008 and 2009 the figure should be slightly under 3%. The forecasts for the non-residential sector are now clearly better than a year ago or last December. The clear growth that started in 2006 will last for the entire period until 2009. **Civil engineering.** After three years with relatively limited growth, new impulses in various countries are stimulating demand for civil engineering works in the period. The investment outlook for European civil engineering construction in the years ahead is optimistic, with growth rates between 3-4% annually. The major relative contribution to this outlook clearly stems from Central and Eastern European countries, with annual growth rates of above 10%. In Western Europe only Irish civil engineering production is rising at the same pace. Germany, Sweden, Spain and Austria are expected to post average yearly growth rates in excess of 4%, while a decreasing output is foreseen in Italy, Belgium and Portugal. Due to the positive development of European GDP, which stimulates private as well as public investments, civil engineering will be one of the driving forces in the construction industry. Road construction will be the most dynamic sector, expected to grow at an average of 4.4% between 2007 and 2009.

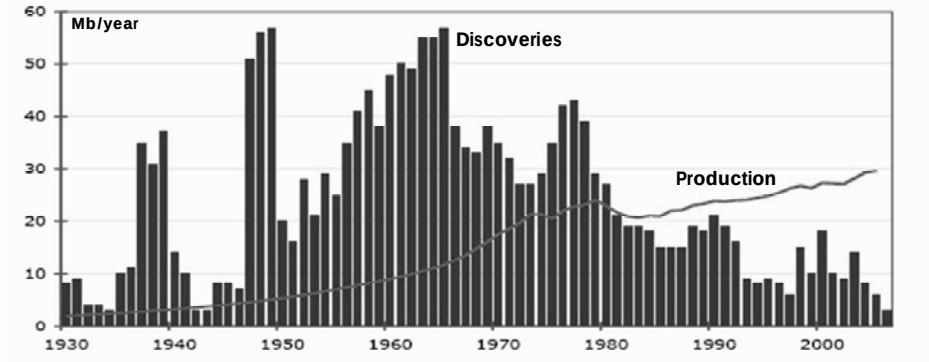
Italy. The Italian construction sector continued its growth trend in 2006, for the eighth consecutive year, with total investments up 2.1% YoY. This increase, according to figures released by ANCE in its last June 2007 trend monitor, should also continue this year, although at a more measured pace (+0.9%). This last figure is driven almost exclusively by the private building sector, however, as public works are continuing to undergo a period of robust slowdown. Indeed, according to ANCE forecasts, 2007 should post the third consecutive year of decline in infrastructure investments (-1.5% expected) after the 1% and 1.5% contractions recorded in 2006 and in 2005. This trend reflects the drastic cuts in resources for public works recorded in the last three years, more or less halved from 2004 to 2006 (-49.4%), only partially offset by the increased allocation included in the 2007 Budget Law (+23%). A further partial recovery for the public works sub-sector should be provided by the new 2008 Budget, currently pending approval, providing the allocation of Eu2.5bn, around one third of the total Eu7.5bn extra fiscal entries, to the realisation of public works, such as the RFI (Rete Ferroviaria Italiana, railway) and ANAS (motorway) expansions and modernisation programmes (Eu1,035mn and Eu215mn respectively), the Rome, Milan and Naples tubes (total Eu800mn) and the Mose project for Venice (Eu210mn). The long and complicated authorisation processes characterising the sector in Italy, together with the difficulties witnessed in the tender processes, in our opinion reduce in any case visibility on a potential clear turnaround for the sector in the coming months.

Oil Drilling - Sector Outlook

The outlook for the Oil Drilling sector is even more bullish in our opinion, as result of a gradually tightening oil supply/demand balance worldwide. The fast growing oil demand in recent years, underpinned mainly by the Far East and Emerging Markets, has not in fact been accompanied by a similar growth trend in oil production, due to declining output in mature fields, increasing depletion and no major new field discoveries.

Oil Discoveries and Production. The most critical issue for International Oil Companies (IOCs) in recent years has been the difficulty of increasing the level of production, in a context of gradually declining reserve replacement ratios (RRR). This trend is mainly the result of a sharp decline in new major oil field discoveries, after the boom recorded in the sixties and seventies. As very clearly highlighted in the chart below, no new giant field has been discovered in the last decade, with Kashagan, with its estimated 13bn boe reserves, representing the last significant discovery. The ongoing delays in putting new fields into production create further pressures on oil companies to respect their target production profiles. The increasing geopolitical tensions in the Middle East (Iraq, Iran) and in West Africa (Nigeria), coupled with the ongoing nationalization process witnessed in several countries around the world (Russia and Venezuela first and foremost) complete the picture of a much tighter worldwide oil demand/supply balance.

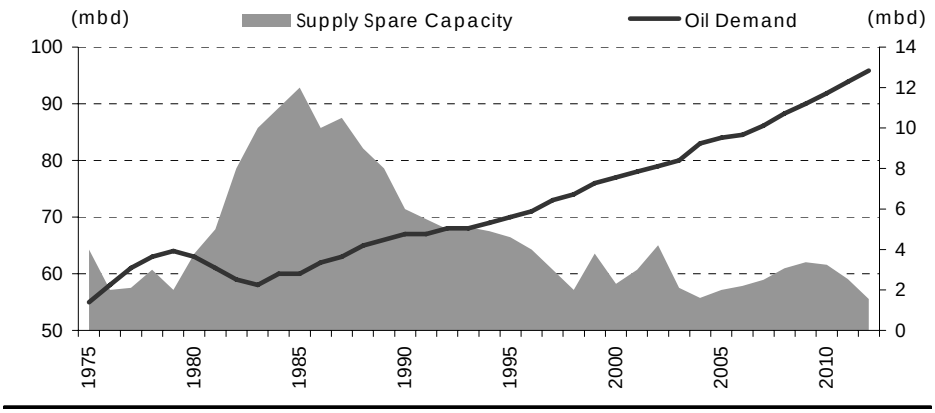
Oil Discoveries and Production (1930 – 2006)



Source: BP Statistics and Wood Mackenzie

Oil Demand and Supply Capacity. The above-mentioned trend in oil discoveries, with the significant capacity additions posted across the Sixties and Seventies, coupled with the oil demand deceleration recorded at the end of the Seventies, resulted in a very robust increase in spare capacity in the following decade (peak of 12mbd in 1985). With the gradual oil demand recovery that began in 1984, spare oil capacity began a declining path, culminating in 2004 with the overall world spare capacity falling to just 1.6mbd. According the latest data released by the IEA (International Energy Agency), at the end of 2006 the total spare supply capacity slightly increased to 2.2mbd. For the coming years, again according to the IEA projections, spare oil supply capacity is expected to gradually increase up to 3.4mbd in 2009, thanks to the new field coming into production in the middle east (mainly in Saudi Arabia), before declining again to 1.6mbd in 2012.

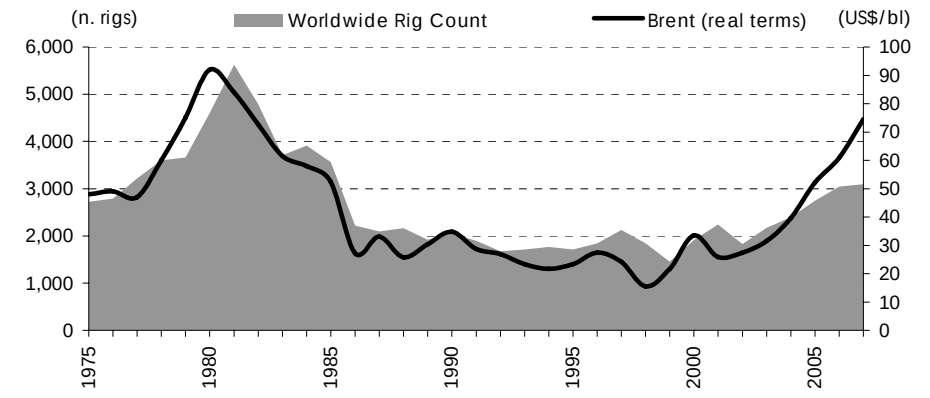
Oil Demand and Supply Capacity (1975 – 2010E)



Source: IEA, Medium-Term Oil Market Report 2007.

Worldwide Rig Count. The gradual world spare oil supply capacity contraction projected after 2010, reflecting the difficulties in adding new significant capacity and the ongoing depletion trend for mature fields will necessarily trigger significant additional investments in the E&P segment. A clear indicator of the oil sector spending the E&P segment is the number of active rigs worldwide. As outlined in the chart below, the number of active rigs significantly reduced in the second half of the Eighties (from 5,624 units in 1981to 1,919 in 1989) following the sharp oil price fall. In the following years, with the oil price stabilizing in the US$25-30/bl range, the overall number of rigs remained substantially stable between 1,500 and 2,200 units. In 2003, with the Brent beginning its four-year rising trend, the numbers of active rigs also increased significantly, reaching 3,125 units at the end of 2006. According to the latest data released by Baker&Hughes, 3,156 rigs were active around the world in the month of August, with the ongoing weakness recorded in the Canadian market essentially offset by the increasing figures recorded in the Middle East and LatAm. As can be seen in the chart below, in the last few months we have witnessed a sort of "de-coupling" of the oil price and rig count trends, as the overall number of active rigs have not kept up with the recent oil price spikes. We expect this gap to close in the coming months, with a strong acceleration in the total number of active rigs, driven by a recovery in Canada in 4Q07 and in 2008. The single risk to this scenario is represented in our opinion by a very warm winter in North America, which would impede the expected gas demand recovery.

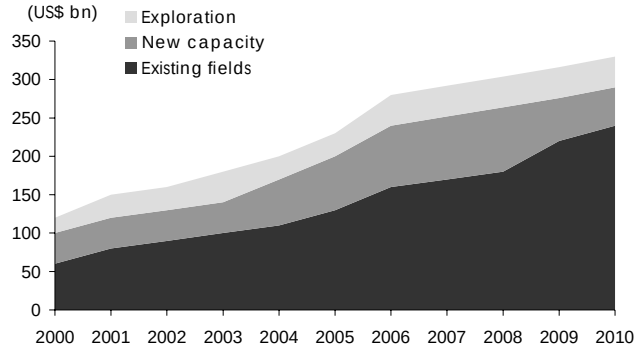
Oil Price and Worldwide Rig Count



Source: IEA, Medium-Term Oil Market Report 2007.

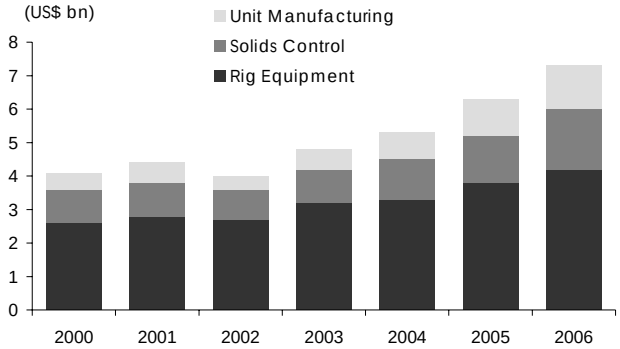
E&P Spending. The overall capex of the oil&gas industry in the upstream segment (exploration and development) has increased significantly since the beginning of this decade, and is expected to continue to rise through 2010. Total capital spending is estimated to have reached US$225bn in nominal terms in 2005, according to IEA, almost twice the level of 2000. In the current capex plans of major oil&gas companies, spending is expected to increase further to around US$310mn in 2010. The overall planned upstream spending in the 2006-10 period is assumed to come to around US$1.4trillion, compared to the total US$890bn of capex recorded in the previous five years (+57%). In terms of activity breakdown, around US$200bn (14% of the total) are expected to be dedicated to exploration, while the remaining US$1.2trillion should go to development and production. Out of this, around US$300bn is expected to be absorbed by the development of new fields, with the remaining US$900bn earmarked for maintaining the production of existing fields. As far as the rig equipment market is concerned, worldwide spending is expected to grow further in the coming years, after the robust acceleration recorded in the last four years (from US$5bn to US$8bn).

Oil Sector - Worldwide E&P Spending



Source: IEA, World Energy Outlook 2007.

Worldwide Rig Equipment Market Spending



Source: Spears&Associates.

Foundation Services (Trevi)

Operational Highlights. In the Foundation Services segment the group is present worldwide, with 32% of the backlog at end of June allocated in Europe (27.6% Italy, 4.6% in the rest of Europe), 12.9% in North America, 8% in LatAm, 17% in Africa and 28.7% in the Middle East. In **Italy** Trevi is currently managing the enlargement of the Port of Gioia Tauro, the securing of the industrial plant of Priolo for Snamprogetti and the artificial freezing of the subsoil for the construction of tunnels for the Naples Metro. In the **rest of Europe** Trevi's activity is currently focused mainly on the works for the consolidation of the Stans tunnel near Innsbruck in Austria. In **North America** Trevi is managing the contract for repair work on the Tuttle Creek dam in Kansas, commissioned by the Corps of Engineers of the American Armed Forces, and the contract for the diaphragm for the new transport hub of the World Trade Center in New York. In **LatAm**, in particular in Venezuela, the Group is carrying out numerous infrastructure projects for railways, bridges, motorways and subway systems. In **Africa** the company's activity is currently quite exclusively focused in Nigeria on the Prodeco-FLT1 project, after the completion in 1H07 of works related to the foundations of the Algiers Metro in Algeria. In the **Middle East** Trevi is managing numerous important foundation contracts in Dubai and in Abu Dhabi, while significant improvements are expected in Oman and Qatar after the slowdown recorded in 1H07. In Iran, after works had been at a standstill for several months, activity re-started in August when works for a second tranche of the extension of the docks at the Port of Bandar Abbas commenced. In **Oceania** repairs to the Arapuni dam in New Zealand, which involved the building of a water-proof diaphragm, were completed in 1H07.

Foundation Works (Trevi) - Snapshot

	Historical Trends (CAGR 03-06)	Outlook (06-10E)
Growth	Revenues +9.7%, EBITDA +11.6%	Revenues +10.6%, EBITDA +16.2%
Profitability	EBITDA margin: from 12.1% in 2003 to 12.7% in 2006	EBITDA margin expected at 15.5% in 2010E
Key Drivers	- Global growth of infrastructural expenditures	- Focusing on project with strong technological challenges
	- Strengthening mkt leadership in existing geograph. areas	(General Specialty Contractor)
	- Focus on 'big' infrastructural projects	- Selective growth in new geographical areas
		- Looking for new market niches to address
		- Focusing on maritime projects
Risks		- Currency risk (50% of revenues and costs in US$)
		- Risk of orders' delays

Source: Company data and Intermonte SIM estimates.

- **Expected revenue trend:** After revenues posted a 9.7% CAGR in the 2003-06 period, we expect this trend to continue in the next four years as well, with a 10.6% CAGR for 2006-2010E. In detail we project 6% growth in '07E and roughly 12% yearly growth in the following three years. Around 50% of Trevi SpA revenues and costs are denominated in US dollars, thus exposing the company to a quite substantial currency effect. Currently, the company backlog covers around 9 months (vs. 6 months for Keller, Trevi's main competitor), in a sector characterized by an average contacts duration of 4-6 months.

- **Expected unit margin trend:** As clearly visible in the table below, we expect gradual margin improvement for the division, after the recovery trend posted starting from 2006. In more detail, we project an EBITDA margin of 15.0% for '07E, from the 12.7% recorded in 2006, further increasing to 15.4% in '08E and then stabilizing at this level. At EBIT level this should translate into the following margin progression: 9.0% for 07E' (from 7.4% in 2006), 9.6% in '08E and around 10% in '09E. This improving trend should reflect the currently robust outlook for the construction sector and the expectation of increasing order sizes.

Foundation Works (Trevi): Key Data

(Eu mn)	2003	2004	2005	2006	2007E	2008E	2009E	2010E
Revenues	**244.1**	**224.1**	**273.1**	**322.4**	**340.8**	**380.7**	**437.8**	**481.6**
Operating costs	-214.7	-196.2	-242.4	-281.5	-289.5	-322.1	-370.0	-407.0
EBITDA	**29.4**	**27.9**	**30.7**	**40.9**	**51.3**	**58.6**	**67.8**	**74.6**
Margin %	12.1%	12.4%	11.2%	12.7%	15.0%	15.4%	15.5%	15.5%
Depr. and amort.	-17.0	-17.0	-17.0	-17.0	-20.7	-22.2	-23.8	-25.5
EBIT	**12.4**	**10.9**	**13.7**	**23.9**	**30.6**	**36.4**	**44.0**	**49.1**
Margin %	5.1%	4.9%	5.0%	7.4%	9.0%	9.6%	10.1%	10.2%
Backlog end Year	**169.6**	**194.8**	**273.7**	**281.3**	**304.5**	**312.7**	**302.8**	**291.8**

Source: Company data and Intermonte SIM estimates.

Foundation Equipment (Soilmec)

Operational Highlights. Among Trevi's four business divisions, Foundation Equipment is the one that has shown the most brilliant financial performance over the last four years, taking into account both growth in margins (2003-06 EBITDA CAGR of 50.2%, EBIT of 103.1%) and profitability increase (EBITDA margin from 8.9% in 2003 to 14.5% in 2006). This very aggressive growth trend reflects on one hand the positive trend recorded by the Construction and Building sector worldwide and on the other hand the robust efficiency gains recorded by the company in the last few years. On this front, Soilmec has been able to significantly contain the incidence of the high fixed costs that typically characterize this capital intensive activity, through the application of a flexible business model based on outsourcing activities along the production chain with less added value (e.g. metal working and pre-assembly) to third party suppliers, while continuing to directly manage the more critical final assembly phases. This 'joint planning and construction' supply model not only allowed for a clear reduction of fixed costs, but at the same time should offer Soilmec ample room for further upside to potential growth, reducing the capacity constraints in the event of further acceleration in demand (equipment +120% in '04-'06). In addition, the company succeeded in significantly expanding the range of products offered, developing a complete range of equipment for all the subsoil engineering sectors. The robust investments made in R&M also allowed the company to considerably increase the technological content of its products, resulting in highly recognized product reliability. Last but not least, the Group managed aggressive post-sales services, with the double effect of not only increasing the division's profitability but also increasing clients' loyalty.

Foundation Equipments (Soilmec) - Snapshot

	Historical Trends (CAGR 03-06)	Outlook (06-10E)
Growth	Revenues +27.7%, EBITDA +50.2%	Revenues +17.7%, EBITDA +20.3%
Profitability	EBITDA margin: from 8.9% in 2003 to 14.5% in 2006	EBITDA margin expected at 15.8% in 2010E
Key Drivers	- Global growth of infrastructural expenditures	- Strengthening of market share in the existing markets
	- Renewal of existing products line	- Increasing production capacity in Italy
	- Widening products' range	- Launching of new products
	- Outsourcing capabilities (equipments +120% in 04-06)	- Addressing new market niches
Risks		- Currency risk (15% of revenues in US$, 100% costs in Eu)
		- High capital intensive business

Source: Company data and Intermonte SIM estimates.

- **Expected revenue trend:** After the very robust growth trend posted in the last four years (27.7% 03-06 CAGR) revenues are expected to continue to expand significantly also in the coming years, reflecting the bullish sector outlook and the improved product mix. For FY07 we expect a 33% YoY increase, reflecting the expected increasing demand for foundation products, piling machinery and small diameter drilling machines, coming in particular from Asian countries (India, Pakistan, Thailand and Australia). For the following three years (08E-10E) we have assumed the prosecution of this trend, even if at a slightly less aggressive pace (13% CAGR).
- **Expected unit margin trend:** We have assumed in our projections a further margin improvement in the coming years, mainly as a result of an improving product mix, more and more shifted to more complex products and increasing orders size. In detail, for the EBITDA margin we expect an increase from the 14.5% recorded in 2006 to 15.3% in '08E and then stabilizing at around 15.7% from '09E onwards. At EBIT level we assumed an increased to 12.4% in '07E from 11.6% in 2006 to around 13.7% in '09E.

Foundation Equipments (Soilmec): Key Data

(Eu mn)	2003	2004	2005	2006	2007E	2008E	2009E	2010E
Revenues	**83.2**	**89.3**	**127.6**	**173.2**	**230.0**	**265.7**	**301.3**	**332.2**
Operating costs	-75.8	-81.3	-113.0	-148.1	-195.4	-225.0	-254.1	-279.6
EBITDA	**7.4**	**8.0**	**14.7**	**25.1**	**34.6**	**40.7**	**47.2**	**52.6**
Margin %	8.9%	9.0%	11.5%	14.5%	15.1%	15.3%	15.7%	15.8%
Depr. and amort.	-5.0	-5.0	-5.0	-5.0	-6.0	-6.0	-6.0	-7.1
EBIT	**2.4**	**3.0**	**9.7**	**20.1**	**28.6**	**34.7**	**41.2**	**45.4**
Margin %	2.9%	3.4%	7.6%	11.6%	12.4%	13.1%	13.7%	13.7%
Backlog end Year	**26.0**	**46.0**	**51.7**	**57.3**	**50.7**	**53.2**	**73.7**	**127.6**

Source: Company data and Intermonte SIM estimates.

Drilling Services (Petreven)

Operational Highlights. The Trevi Group entered the drilling services business in 2004 through subsidiary Petreven, managing two rigs in Colombia and Argentina. Two more machines were added the year after, following an agreement signed with Petrobras in December 2005 (3-year contract starting from July 2006 for US$17mn, plus an option for 3 additional years, raising to total contract value to US$34mn). In March 2006 Petreven signed two other contracts with Chevron-Texaco (US$16.1mn value, start-up December 2006, 3 years + 2 additional years option) and Repsol YPF (US$30.3mn value, 3 years + 2 additional years option), using three innovative hydraulic HH rigs manufactured by Drillmec. After these two contracts the total number of rigs managed at the end of 2006 reached six units. At the end of June 2007 the total number of rigs managed by Petreven reached nine units, of which five for Petrobras, two for Repsol YPF and one for Chevron Texaco. In terms of geographical location, out of the total nine rigs, five (HH100) are working in Argentina, two (HH100) in Peru, one in Venezuela (HH300) and one in Colombia (HH100). The important contracts signed with some of the main world oil companies, together with high operational efficiency showed by the new HH rigs could trigger in our opinion further significant growth potential for Petreven in the coming years, consolidating Trevi's presence in the Drilling Services segment.

Drilling Services (Petreven) - Snapshot

	Historical Trends (CAGR 03-06)	Outlook (06-10E)
Growth	Revenues +34.3%, EBITDA +52.3%	Revenues +51.7%, EBITDA +52.7%
Profitability	EBITDA margin: from 20.0% in 2003 to 29.2% in 2006	EBITDA margin expected at 30.0% in 2010E
Key Drivers	- High operating and safety standards	- Further development of know how (Hydraulic Rigs)
	- Preferential access to HH series technology	- Constant growth with 'acquisition' of new rigs
	- Historical strong presence in Latin America	- Development of commercial/technological partnerships
		- Addressing new market niches
Risks		- Currency risk (100% of revenues and costs in US$)
		- Risk of orders' delays

Source: Company data and Intermonte SIM estimates.

- **Expected revenue trend:** In the last four years Petreven revenues increased from Eu11.3mn in 2003 to Eu27.4mn in 2006, posting a 34.3% CAGR. Current unit dayrates amount to around US$20k/d, leading to a total unit average annual turnover of US$7.3mn. The division is strongly exposed to the Euro/US$ forex, as around 75% of the revenues and costs are denominated in US$ (translation effect). Our projections for the next years are based on the following assumptions, as far as the numbers of rigs in operation are concerned: 8 in '07E, 12 in'08E, 17 in '09E, 22 in '10E and 25 from '11E onwards. In terms of the dayrate evolution, we assumed an average 5% yearly increase over the 06-10 period, then a 2% inflation. On the back of these assumption, we expect total revenues for Petreven to reach Eu42.9mn in '07E, then increasing to Eu70.4mn in '08E and Eu145.1mn in '10E.

- **Expected unit margin trend:** In terms of EBITDA margins, we assumed a stabilization at around 30% from '09E onwards. This should translate in a 2006-10E EBITDA CAGR of 53%, substantially in line with the trend showed in 2003-06. At EBIT level, the growth trend could be even more aggressive, with a 2006-10E CAGR of around 55%.

Drilling Services (Petreven) Key Data

(Eu mn)	2003	2004	2005	2006	2007E	2008E	2009E	2010E
Revenues	**11.3**	**12.2**	**18.3**	**27.4**	**42.9**	**70.4**	**105.4**	**145.1**
Operating costs	-9.0	-9.8	-14.6	-19.4	-30.8	-49.6	-73.8	-101.5
EBITDA	**2.3**	**2.4**	**3.7**	**8.0**	**12.1**	**20.8**	**31.6**	**43.5**
Margin %	20.0%	20.0%	20.0%	29.2%	28.3%	29.6%	30.0%	30.0%
Depr. and amort.	-1.0	-1.0	-2.0	-2.0	-3.5	-4.4	-6.4	-8.6
EBIT	**1.3**	**1.4**	**1.7**	**6.0**	**8.7**	**16.4**	**25.2**	**35.0**
Margin %	11.2%	11.8%	9.1%	21.9%	20.2%	23.3%	23.9%	24.1%
Backlog end Year	**23.0**	**76.4**	**62.0**	**159.2**	**173.5**	**169.9**	**151.2**	**118.9**

Source: Company data and Intermonte SIM estimates.

Drilling Equipment (Drillmec)

Operational Highlights. Drillmec was founded on 1 January 2004 as a spin-off of Soilmec, when Trevi recognized that the drilling machines segment was witnessing a clear switch in terms of order backlogs and sales from the water to the oil business. In the 2003-06 period the overall revenues of Drillmec increased from Eu28.1mn to Eu119.5mn, posting an impressive 62.0% CAGR. We believe there are two key factors behind this very brilliant growth trend: 1) the technological innovations introduced with the HH series and 2) the more aggressive commercial strategy launched with the creation of the EDRA JV with two other European players, Wirth and Bentec. **Hydraulic rigs HH series**. The HH model is Drillmec's most innovative hydraulic rig, able to drill at a maximum depth of 4,000-4,500 metres. The HH series, compared with the others traditional mechanical rigs currently used on the market, have a high level of automation that enables them to reduce drilling costs (30% of average reduction), drilling time (+30% of average improvement in the drilling performance), and the costs of transportation (40% of average reduction) improving safety. **EDRA joint venture.** The European Drilling Rig Alliance (EDRA) joint venture was created in 2002 by Drillmec, Wirth and Bentec with the objective of participating in tenders of over Eu20mn with the possibility of offering a full package of drilling systems with high technological content. In 2004 EDRA received the first relevant order from Sonatrach (Algeria) for the supply of four integrated oil drilling rigs for a total amount of US$91.3mn (US$46.7mn Drillmec's quota). **Contracts awarded.** In 2005 Drillmec's orders inflow continued with several major contracts such as the US$7mn order signed with SINACO (Chinese National Petroleum Corporation), the two orders received in US from Cheyenne Drilling (US$10mn) and Mountain Drilling (US$115mn) and Eu8mn one in Oman from MB Petroleum. The order received from Mountain Drilling for the supply 25 HH-model machines was without any doubt a milestone in Drillmec's history, not only for its size, but also for the fact that it came directly from the US, where National Oilwell Varco, the world sector leader, operates. In 2006 Drillmec signed two other large contracts, the first one with NIOC in Iran (US$94mn contract assigned to the EDRA consortium for the supply of four oil drilling rigs, US$58mn Drillmec pro-quota), the second one with Repsol YPF, for the supply of five hydraulic drilling rigs (HH), including accessories, for a total value of US$79.1mn. The rigs will be delivered between 2H07 and 2H08 and will be used by the client in Argentina.

Drilling Equipment (Drillmec) - Snapshot

	Historical Trends (CAGR 03-06)	Outlook (06-10E)
Growth	Revenues +62.0%, EBITDA +73.0%	Revenues +36.0%, EBITDA +51.7%
Profitability	EBITDA margin: from 8.0% in 2003 to 9.7% in 2006	EBITDA margin expected at 15.0% in 2010E
Key Drivers	- Technological Innovation (HH)	- Widening products range
	- Strategic Partnership with clients and competitors	- Widening of commercial network
	- Outsourcing Capabilities	- Strengthening relationship with Majors
		- Increasing production capacity through delocalization
Risks		- Currency risk (50% of revenues in US$, 100% costs in Eu)
		- High capital intensive business

Source: Company data and Intermonte SIM estimates.

- **Expected revenue trend:** In 2006 Drillmec produced 18 rigs, for an average selling price of US$8.3mn. For '07E we are assuming 25 units sold at an average of US$9.5mn (+15% YoY). Going forward, our projections are based on the following assumptions: a 25% yearly increase in the numbers of rigs produced, reaching 50 units in '10E and an average rough 7% yearly selling price increase, then inflated at 2% onwards. On these assumptions we obtain a 36% 2006-10 CAGR for revenues. Taking into account that currently only 81HH rigs are operational around the world out of a total 3,200 active rigs, we believe the growth potential for Drillmec is really huge.
- **Expected unit margin trend:** As far as EBITDA margins are concerned, we project a gradual increase from 9.7% recorded in 2006 to 15.0% in '10E, as result of the economies of scale the company can benefit from in the coming years, thanks to the increasing number of HH machines sold.

Drilling Equipment (Drillmec) Key Data

(Eu mn)	2003	2004	2005	2006	2007E	2008E	2009E	2010E
Revenues	**28.1**	**40.8**	**69.3**	**119.5**	**174.6**	**237.5**	**311.7**	**409.1**
Operating costs	-25.9	-37.4	-63.0	-107.9	-157.1	-207.6	-268.4	-347.6
EBITDA	**2.2**	**3.4**	**6.3**	**11.6**	**17.6**	**29.9**	**43.4**	**61.5**
Margin %	8.0%	8.2%	9.1%	9.7%	10.1%	12.6%	13.9%	15.0%
Depr. and amort.	-1.6	-1.2	-2.6	-2.6	-2.6	-2.5	-2.4	-3.4
EBIT	**0.6**	**2.1**	**3.7**	**9.0**	**15.0**	**27.4**	**40.9**	**58.1**
Margin %	2.3%	5.2%	5.3%	7.5%	8.6%	11.6%	13.1%	14.2%
Backlog end Year	**77.0**	**53.8**	**129.1**	**159.2**	**170.2**	**176.2**	**193.1**	**227.7**

Source: Company data and Intermonte SIM estimates.

Valuation

Valuation. TP Eu17.60. We have valued Trevi using two different valuation methods: discounted cash flow (DCF) and market multiples (P/E). We believe the DCF is the most appropriate method to capture a company's long-term growth potential, while market multiples provide an overview of the sector's market momentum. Through the combination of these two valuation methods we obtained a TP of Eu17.60. We note that our valuation for the stock is calculated fully diluted, on a total of 70.2mn shares, the current 64.0mn plus the additional 6.2mn shares arising from the conversion of the convertible bond (expiry date 30 November 2011, strike price Eu11.30).

Trevi – TP Calculation

Method	Eu mn	Eu/sh	%	Comment
DCF	1,397	19.9	50%	7.8% WACC, 3.0% g rate
Mkt multiples	1,075	15.3	50%	12.5x 2009E P/E
TP	**1,236**	**17.6**		

Source: Intermonte SIM estimates.

DCF. Our DCF valuation yields an equity value of Eu1,397mn, corresponding to Eu19.9ps. In our DCF, we discount our 2007E-10E free cash flow estimates at a 7.50% base-case WACC. For the terminal value calculation, we discount a 'normalised' 2011E cash flow, assumed to be equal to the average NOPAT (EBIT less taxes) recorded in the 2007E-10E period, discounted at a 7.80% WACC. As for the g rate, we assumed 3.0%. Below are details of our cash flow projections.

Trevi – DCF cash Flows

(eu mn)	2007E	2008E	2009E	2010E	2011E
EBIT	83	115	151	188	134
Taxes on EBIT	-29	-41	-54	-68	-34
Depreciation/amortisation	33	35	39	45	
Change in NWC	-25	-27	-30	-28	
Capex - acquisitions	-45	-45	-50	-55	
Operating cah flow	**17**	**37**	**56**	**82**	**97**
NPV 2007-10 (WACC @ 7.50%)	154				
TV 2011 (WACC @ 7.80%)	1,386				
EV	**1,540**				

Source: Intermonte SIM estimates.

In the table below we provide a sensitivity analysis to different WACCs and g rates. From the different Enterprise Values obtained through the combination of the different WACCs and g rates, we subtracted the net debt at end 2006 and the minorities, while adding the 2006 financial assets, at book value, and the Eu70mn Equity injection related to the bond conversion.

Trevi – DCF Sensitivity

Growth rate		**2.5%**			**3.0%**			**3.5%**	
Wacc	**7.3%**	**7.8%**	**8.3%**	**7.3%**	**7.8%**	**8.3%**	**7.3%**	**7.8%**	**8.3%**
NPV 2007-10	156	154	152	156	154	152	156	154	152
TV 2011	1,419	1,255	1,121	1,583	1,386	1,226	1,792	1,547	1,354
EV	**1,574**	**1,409**	**1,272**	**1,739**	**1,540**	**1,378**	**1,948**	**1,701**	**1,506**
Net debt	-175	-175	-175	-175	-175	-175	-175	-175	-175
Cap. increase	70	70	70	70	70	70	70	70	70
Financials	2	2	2	2	2	2	2	2	2
Minorities	-40	-40	-40	-40	-40	-40	-40	-40	-40
Equity Value	**1,431**	**1,266**	**1,129**	**1,596**	**1,397**	**1,235**	**1,805**	**1,558**	**1,363**
Value/sh.	**20.4**	**18.0**	**16.1**	**22.7**	**19.9**	**17.6**	**25.7**	**22.2**	**19.4**

Source: Intermonte SIM estimates.

In the table below, we provide an analysis of the sensitivity to the Eu/US$ exchange rate. According to our calculation, a ±10 figures' move of the Eu/US$ exchange rate should lead to ±7% impact on the Group EPS and a ±5% effect on our valuation.

Trevi – DCF Valuation Sensitivity to Eu/US$ Exchange rate

g rate (%)		**2.5%**			**3.0%**			**3.5%**	
WACC (%)	**7.3%**	**7.8%**	**8.3%**	**7.3%**	**7.8%**	**8.3%**	**7.3%**	**7.8%**	**8.3%**
Exchange rate (Eu/US$)									
1.30	21.4	19.0	17.1	23.8	20.9	18.6	26.7	23.2	20.4
1.40	20.4	18.0	16.1	22.7	**19.9**	17.6	25.7	22.2	19.4
1.50	19.4	17.0	15.1	21.7	18.9	16.6	24.7	21.2	18.4

Source: Intermonte SIM estimates.

Market multiples. For market multiples, we used a 2009E P/E multiple of 12.5x, obtaining an Equity Value of Eu15.3ps. We believe a 12.5x P/E multiple in 2009 is sustainable, taking into account the further robust growth expected for Trevi in the following year (+28% YoY in 2010E).

Trevi – Market Multiples Valuation (P/E)

	2009E	
Net Income	86.0	
N. shares	70.2	Fully diluted (64.0mn outstanding shares plus 6.2mn new shares)
EPS	1.23	Fully diluted
Mkt multiple (P/E)	12.5	
Value per share	**15.3**	

Source: Intermonte SIM estimates.

In the table below we offer a cross check of our market multiple valuation, applying to Trevi's divisional '09E EBITDA the market multiples for the different sectors. See page 20 for a detailed Peers comparison's analysis.

Trevi – Market Multiples Valuation (EV/EBITDA)

	EV	EBITDA 09E	EV/EBITDA 09	Main Peers
Foundation Works	369	68	5.4	Bauer, Keller, Impregilo, Astaldi
Foundation Equipment	346	47	7.3	Caterpillar, Atlas Copco, Sandvik, Bauer
Drilling Services	120	32	3.8	Nabor Ind., Pride Int., Precision Drillling
Drilling Equipment	323	43	7.4	National Oilwell Varco, Cameron Int.
Total EV	**1,157**	**190**	**6.1**	
Net debt	-87			
Capital Increase	70			
Financial assets	2			
Minorities	-40			
Equity Value	**1,102**			
Value per share	**15.7**			

Source: Intermonte SIM estimates.

Trevi – 1H07 Results

1H07 results. Trevi reported a very strong set of results in 1H07, driven by solid top line growth and an ongoing upward trend in unit margins. In detail:
- revenues closed at Eu378.7mn, +18% YoY,
- EBITDA came in at Eu53.5mn, +29% YoY,
- EBIT was Eu40.0mn, +43% YoY,
- Net income came to Eu21.5mn, +72% YoY.

Foundation and Drilling Services division. The Services divisions closed with revenues, after inter-company eliminations, of Eu181.3mn in 1H07 (+8.7% YoY) and EBIT at Eu19.8mn (vs. Eu17.0mn in 1H06, +16.4% YoY). EBIT unit margin reached 10.5% from 9.8% in 1H06. Out of the total Eu181.3mn revenues recorded in 1H07, Eu162.0mn (89%) came from the Foundation Services segment (Trevi) and the remaining Eu19.2mn (9%) from the Drilling Services segment (Petreven). In terms of geographical breakdown, 51% of the division revenues came from Italy and Middle East (25% and 26% each), 17% from LatAm, 15% from Africa, 12% from US and Canada and the remaining 5% from the rest of Europe and Far East.

Foundations and Drilling Engineering Division. The Engineering Divisions closed the first half of 2007 with total revenues of Eu197.4mn (+35.1% YoY), operating profit at Eu24.2mn (vs. Eu11.2mn in 1H06, +115.6% YoY). EBIT unit margins reached 11.9%, from 7.7% in 1H06. Out of the total Eu197.4mn revenues recorded in 1H07, Eu133.2mn (67%) came from the Foundation Equipment segment (Soilmec) and the remaining Eu64.2mn (33%) from the Drilling Equipment segment (Drillmec).

At balance sheet level, net invested capital reached Eu303.9mn, up 18% YoY. Net debt closed at Eu159.3mn (from Eu186.4mn at the end of March and Eu175.5mn at the end of 2006, with a D/E ratio of 1.1x. CAPEX amounted to Eu25.3mn (+10% YoY), mainly related to the machinery and equipment required for contracts signed in the Middle East. The Group backlog reached Eu686.1mn at the end of June (from Eu668.1mn at the end of March and Eu636.8mn at the end of 2006) of which about half will be carried out in 2H07 and the remainder in future years.

Trevi – 2Q'07 Results

(Eu mn)	2Q06	1Q07	2Q07A	Chg YoY	Chg QoQ	1H06	1H07A	Chg YoY	2006	2007E	Chg YoY
Financial Results											
Total Revenues	**156.3**	**178.9**	**199.8**	**28%**	**12%**	**321.6**	**378.7**	**18%**	**642.5**	**788.4**	**23%**
Total Operating Costs	-139.4	-153.7	-171.5	23%	12%	-280.1	-325.2	16%	-556.9	-672.8	21%
EBITDA	**16.9**	**25.2**	**28.3**	**68%**	**12%**	**41.5**	**53.5**	**29%**	**85.6**	**115.6**	**35%**
Margin (%)	10.8%	14.1%	14.2%			12.9%	14.1%		13.3%	14.7%	
Depr/ Provisions	-5.0	-6.3	-7.2	46%	15%	-13.5	-13.5	0%	-26.6	-32.8	23%
EBIT	**11.9**	**18.9**	**21.0**	**77%**	**11%**	**28.0**	**40.0**	**43%**	**59.0**	**82.8**	**40%**
Margin (%)	7.6%	10.6%	10.5%			8.7%	10.6%		9.2%	10.5%	
Net Fin. Charges	-5.2	-3.4	-3.8	-27%	13%	-8.6	-7.2	-17%	-12.6	-13.2	5%
Other Charges/Income	0.0	0.0	0.0			0.0	0.0		-5.0	-2.0	
Net Oper. Margin	**6.7**	**15.6**	**17.2**	**159%**	**11%**	**19.4**	**32.8**	**69%**	**41.4**	**67.6**	**63%**
Taxes	-0.7	-5.2	-5.3	675%	1%	-6.5	-10.5	61%	-14.7	-23.3	59%
Tax Rate %	10.3%	33.6%	30.7%			33.6%	32.1%		35.5%	34.5%	
Net Income	**6.0**	**10.3**	**11.9**	**100%**	**15%**	**12.9**	**22.3**	**73%**	**26.7**	**44.3**	**66%**
Minorities	0.0	0.4	0.4			0.4	0.7		1.2	2.0	
Group Net Income	**6.0**	**10.0**	**11.5**	**92%**	**16%**	**12.5**	**21.5**	**72%**	**25.5**	**42.3**	**66%**
Capex	**17.0**	**8.4**	**16.9**	**-1%**	**101%**	**22.9**	**25.3**	**10%**	**55.5**	**45.0**	**-19%**
Equity	**108.1**	**137.9**	**144.6**	**34%**	**5%**	**108.1**	**144.6**	**34%**	**127.4**	**168.5**	**32%**
Net Debt	**148.4**	**186.4**	**159.3**	**7%**	**-15%**	**148.4**	**159.3**	**7%**	**175.5**	**165.3**	**-6%**
CE	**256.5**	**324.3**	**303.9**	**18%**	**-6%**	**256.5**	**303.9**	**18%**	**302.9**	**333.7**	**10%**
ROACE	13.9%	17.5%	20.8%	49%	18%	16.8%	19.1%	14%	17.2%	25.8%	50%
D/E Ratio	**1.37**	**1.35**	**1.10**	-20%	-18%	**1.37**	**1.10**	-20%	**1.38**	**0.98**	-29%
Revenues Breakdown											
Foundation Services (Trevi)	71.5	75.8	86.2	21%	14%	155.4	162.0	4%	322.4	340.8	6%
Foundation Equipment	40.6	64.7	68.5	69%	6%	83.7	133.2	59%	173.2	230.0	33%
Drilling Services (Petreven)	5.5	8.8	10.4	90%	19%	11.3	19.2	70%	27.4	42.9	57%
Drilling Equipment	32.3	29.6	34.6	7%	17%	62.4	64.2	3%	119.5	174.6	46%
Total	**150.9**	**178.9**	**199.8**	**32%**	**12%**	**314.1**	**378.7**	**21%**	**645.3**	**788.4**	**22%**
Backlog	**598.6**	**668.1**	**686.1**	15%	3%	**598.6**	**686.1**	15%	**636.8**	**699.0**	10%

Source: Company data and Intermonte SIM estimates.

Trevi – Financials

Trevi – Income Statement

(Eu mn)	2002	2003	2004	2005	2006	2007E	2008E	2009E	2010E
Total Revenues	**346.3**	**366.7**	**366.4**	**488.3**	**642.5**	**788.4**	**954.3**	**1,156.2**	**1,367.9**
Total Operating Costs	-319.0	-325.4	-324.7	-433.0	-556.9	-672.8	-804.2	-966.3	-1,135.8
EBITDA	**27.3**	**41.3**	**41.7**	**55.3**	**85.6**	**115.6**	**150.1**	**190.0**	**232.2**
Margin %	7.9%	11.3%	11.4%	11.3%	13.3%	14.7%	15.7%	16.4%	17.0%
Depr. Prov's. and Write-downs	-22.7	-24.6	-24.2	-26.6	-26.6	-32.8	-35.0	-38.6	-44.6
EBIT	**4.6**	**16.7**	**17.5**	**28.7**	**59.0**	**82.8**	**115.0**	**151.4**	**187.6**
Margin %	1.3%	4.6%	4.8%	5.9%	9.2%	10.5%	12.1%	13.1%	13.7%
Net Financial Charges	-13.5	-10.1	-8.8	-8.9	-12.6	-13.2	-12.0	-8.7	-5.1
Other Charges and Income	-1.3	-2.3	0.6	5.4	-5.0	-2.0	-2.0	-2.0	-2.0
Net Operating Margin	**-10.1**	**4.4**	**9.3**	**25.3**	**41.4**	**67.6**	**101.0**	**140.7**	**180.5**
Taxes	-4.5	-3.2	-6.3	-11.6	-14.7	-23.3	-36.4	-50.7	-65.0
Tax Rate %	-44.4%	74.2%	67.9%	45.8%	35.5%	34.5%	36.0%	36.0%	36.0%
Net Income	**-14.6**	**1.1**	**3.0**	**13.7**	**26.7**	**44.3**	**64.7**	**90.1**	**115.5**
Minorities	0.5	0.0	0.6	0.9	1.2	2.0	2.9	4.0	5.2
Group Net Income	**-15.0**	**1.1**	**2.4**	**12.8**	**25.5**	**42.3**	**61.8**	**86.0**	**110.3**
Adj. Group net income	**-15.0**	**1.1**	**2.4**	**12.8**	**25.5**	**42.3**	**61.8**	**86.0**	**110.3**

Source: Company data and Intermonte SIM estimates.

Trevi – EBIT Breakdown

(Eu mn)	2002	2003	2004	2005	2006	2007E	2008E	2009E	2010E
EBITDA	**4.6**	**16.7**	**17.5**	**28.7**	**59.0**	**82.8**	**115.0**	**151.4**	**187.6**
Margin %	1.3%	4.6%	4.8%	5.9%	9.2%	10.5%	12.1%	13.1%	13.7%
Foundation Services (Trevi)		12.4	10.9	13.7	23.9	30.6	36.4	44.0	49.1
Margin %		5.1%	4.9%	5.0%	7.4%	9.0%	9.6%	10.1%	10.2%
Foundation Equipment (Soilmec)		2.4	3.0	9.7	20.1	28.6	34.7	41.2	45.4
Margin %		2.9%	3.4%	7.6%	11.6%	12.4%	13.1%	13.7%	13.7%
Drilling Services (Petreven)		1.3	1.4	1.7	6.0	8.7	16.4	25.2	35.0
Margin %		11.2%	11.8%	9.1%	21.9%	20.2%	23.3%	23.9%	24.1%
Drilling Equipment (Drillmec)		0.6	2.1	3.7	9.0	15.0	27.4	40.9	58.1
Margin %		2.3%	5.2%	5.3%	7.5%	8.6%	11.6%	13.1%	14.2%

Source: Company data and Intermonte SIM estimates.

Trevi – Balance Sheet

(Eu mn)	2002	2003	2004	2005	2006	2007E	2008E	2009E	2010E
Fixed assets	142.6	133.8	160.2	175.2	199.3	211.5	221.5	232.4	242.7
Net working capital	74.9	70.1	81.3	67.0	128.5	147.2	168.1	194.8	220.5
Gross inv. capital	**217.5**	**204.0**	**241.5**	**242.2**	**327.9**	**358.7**	**389.5**	**427.2**	**463.2**
Severance provision	-20.3	-20.3	-12.6	-14.2	-25.0	-25.0	-25.0	-25.0	-25.0
Net invested capital	**197.2**	**183.7**	**228.9**	**228.1**	**302.9**	**333.7**	**364.5**	**402.2**	**438.2**
Group sharehold. equity	73.8	66.8	77.2	97.3	122.0	161.1	219.5	300.5	402.8
Minority interests	4.8	3.5	3.7	4.8	5.4	7.4	10.3	14.4	19.6
Total Equity	**78.6**	**70.3**	**80.9**	**102.1**	**127.4**	**168.5**	**229.8**	**314.8**	**422.3**
Net financial position	**-118.7**	**-113.3**	**-148.0**	**-126.0**	**-175.5**	**-165.3**	**-134.7**	**-87.3**	**-15.9**
Total cover	**197.2**	**183.7**	**228.9**	**228.1**	**302.9**	**333.7**	**364.5**	**402.2**	**438.2**

Source: Company data and Intermonte SIM estimates.

Trevi – Cash Flow Statement

(Eu mn)	2002	2003	2004	2005	2006	2007E	2008E	2009E	2010E
Net fin position beg of year	**0.0**	**-118.7**	**-113.3**	**-148.0**	**-126.0**	**-175.5**	**-165.3**	**-134.7**	**-87.3**
Net income	0.0	1.1	3.0	13.7	26.7	44.3	64.7	90.1	115.5
Depreciation	0.0	24.6	24.2	26.6	26.6	32.8	35.0	38.6	44.6
Cash flow from operations	**0.0**	**25.7**	**27.2**	**40.3**	**53.3**	**77.1**	**99.7**	**128.6**	**160.1**
Change in working capital	0.0	10.4	-44.9	-4.8	-46.3	-18.7	-20.8	-26.7	-25.7
Operating cash flow	**0.0**	**36.1**	**-17.6**	**35.5**	**7.0**	**58.4**	**78.9**	**101.9**	**134.4**
Investments	0.0	-22.7	-25.1	-20.7	-55.7	-45.0	-45.0	-49.5	-54.9
Free cash flow	**0.0**	**13.4**	**-42.7**	**14.8**	**-48.7**	**13.4**	**33.9**	**52.4**	**79.4**
Dividends	0.0	-0.9	-1.0	-1.3	-2.0	-3.2	-3.4	-5.0	-8.0
Other movements	0.0	-7.2	9.1	8.5	1.2	0.0	0.0	0.0	0.0
Cash flow	**0.0**	**5.3**	**-34.6**	**22.0**	**-49.5**	**10.2**	**30.5**	**47.4**	**71.4**
Net fin position end of year	**-118.7**	**-113.3**	**-148.0**	**-126.0**	**-175.5**	**-165.3**	**-134.7**	**-87.3**	**-15.9**

Source: Company data and Intermonte SIM estimates.

Trevi: Market Multiples Comparison

Foundations and Drilling: Market Multiples Comparison

Company		Price		Mkt. cap	P/E adj.			EV/EBITDA			Div. Yield (%)		
		(Eu/sh.)		(Eu mn)	2007E	2008E	2009E	2007E	2008E	2009E	2007E	2008E	2009E
Foundations and Drilling													
Trevi	It	13.90	Eu	890	21.0	14.4	10.3	9.1	6.8	5.1	0.4%	0.6%	0.9%
Foundations services													
Bauer	Ger	48.75	Eu	835	15.5	13.5	11.1	6.7	6.1	4.9	1.4%	1.6%	2.4%
Keller	UK	1,028	Eu	981	13.9	11.4	10.9	6.4	5.6	5.0	1.8%	2.0%	2.3%
Impregilo	It	5.20	Eu	2,105	17.8	12.6	12.2	6.9	6.3	6.0	1.7%	2.4%	1.7%
Astaldi	It	6.22	Eu	613	15.1	11.3	7.7	6.8	6.0	4.9	1.5%	2.1%	3.9%
Average				**4,534**	**16.2**	**12.3**	**11.1**	**6.7**	**6.1**	**5.4**	**1.6%**	**2.1%**	**2.3%**
Fundations Equipments													
Caterpillar	US	78.56	Eu	35,497	13.8	12.1	11.1	8.3	8.0	6.6	1.7%	1.8%	2.1%
Atlas Copco	SW	115.00	Eu	15,010	16.3	14.7	13.9	11.4	9.8	8.9	2.5%	2.8%	2.6%
Sandvik	SW	139.50	Eu	18,006	16.7	14.3	13.3	10.1	8.8	7.6	2.9%	3.2%	4.0%
Fki	UK	95.25	Eu	807	10.6	8.1	7.5	6.3	5.7	5.3	4.7%	4.7%	5.6%
Bauer	Ger	48.75	Eu	835	15.5	13.5	11.1	6.7	6.1	4.9	1.4%	1.6%	2.4%
Average				**70,155**	**15.0**	**13.2**	**12.2**	**9.4**	**8.5**	**7.3**	**2.2%**	**2.4%**	**2.7%**
Land Oil Drillers													
Nabors Industries	US	30.26	US$	6,039	8.7	7.5	6.7	6.5	5.7	4.4	-	-	-
Pride International	US	22.57	US$	2,508	8.8	9.7	5.9	4.2	3.8	2.7	2.0%	2.1%	1.7%
Precision Drilling Trust	US	19.04	US$	1,696	7.6	7.0	4.3	5.5	4.7	3.3	9.5%	8.2%	7.6%
Average				**10,243**	**8.5**	**7.9**	**6.1**	**5.8**	**5.1**	**3.8**	**2.0%**	**1.9%**	**1.7%**
Oil Equipments													
Tenaris	Lux	18.99	US$	22,418	14.6	12.5	11.2	9.2	8.0	6.9	1.4%	1.6%	1.8%
Vallourec	US	206.35	US$	10,946	11.0	10.7	10.9	6.1	5.8	5.7	3.1%	3.4%	3.2%
Sumitomo Metal	US	685.00	US$	19,933	15.5	14.9	14.0	9.6	9.2	8.6	1.2%	1.3%	1.2%
National Oilwell Varco	US	73.19	US$	18,440	20.3	16.9	14.3	11.7	10.0	7.5	-	-	-
Cameron Internationa	US	95.55	US$	7,345	21.8	18.0	14.3	12.7	10.2	8.2	-	-	-
Grant Prideco	US	54.39	US$	4,932	12.7	11.0	10.4	8.2	6.7	6.0	-	-	-
Fmc Technologies	US	56.58	US$	5,183	25.5	20.9	16.5	14.5	12.2	9.3	-	-	-
Dresser-Rand Group	US	43.48	US$	2,638	27.0	19.0	14.8	12.8	9.3	7.0	-	-	-
Dril Quip	US	50.55	US$	1,445	19.9	16.6	14.0	12.0	9.8	8.3	-	-	-
Chart Industries	US	32.15	US$	626	20.8	14.6	11.5	10.0	7.8	6.7	-	-	-
Average				**93,905**	**17.0**	**14.7**	**13.0**	**10.1**	**8.8**	**7.4**	**0.9%**	**1.1%**	**1.0%**

Source: Intermonte SIM estimates for Trevi, Tenaris, Impregilo and Astaldi, JCF Consensus for all the other stocks.

Appendix I. Main Contracts Awarded to Trevi in 03-06

Trevi - Contracts awarded in 2003-07

Year	Division	Country	Project	Operator	(US$ mn)
2003					
Mar-03	Foundation Services (Trevi)	Italy	Foundations	Aquater (Eni Group)	31
Sep-03	Foundation Services (Trevi)	Dubai	Foundations	Gov. of Dubai	27
Sep-03	Foundation Services (Trevi)	Italy	Foundations	Italian Railway System	9
Oct-03	Foundation Services (Trevi)	Algeria	Foundations	GAAMA	20
Oct-03	Foundation Services (Trevi)	Italy	Foundations	Sonatrach	7
Nov-03	Foundation Services (Trevi)	Nigeria	Foundations	Shell	12
Nov-03	Foundation Services (Trevi)	Nigeria	Foundations	Prodeco	5
Total orders' inflow: US$257mn					
2004					
Mar-04	Foundation Services (Trevi)	Nigeria	Port foundations	Prodeco - Shell	16
Mar-04	Foundation Services (Trevi)	UAE	Foundations	OMINIX	3
Jul-04	Foundation Services (Trevi)	Iran	Port foundations	Iranian Gov.	15
Sep-04	Foundation Services (Trevi)	Italy	Foundations	Sonatrach	25
Sep-04	Foundation Services (Trevi)	Mozambique	Dam Foundations	CMC	8
Sep-04	Foundation Services (Trevi)	Algeria	Dam Foundations		6
Sep-04	Foundation Services (Trevi)	UAE	Foundations		7
Sep-04	Drilling Equipment (Drillmec)	Algeria	Onshore Drilling	Sonatrach	47
Total orders' inflow: US$542mn					
2005					
Jan-05	Foundation Services (Trevi)	Nigeria	Onshore Drilling	Grimaldi Group	18
May-05	Drilling Equipment (Drillmec)	China	Onshore Drilling	SINACO	7
Mar-05	Drilling Equipment (Drillmec)	US	Onshore Drilling	Cheyenne Drilling	10
May-05	Foundation Services (Trevi)	Italy	Foundations	High Speed Railway, Snamprogetti	21
May-05	Foundation Services (Trevi)	Nigeria	Foundations		18
May-05	Foundation Services (Trevi)	US	Foundations		16
Jul-05	Foundation Services (Trevi)	New Zealand	Dam Foundations	Mighty River Power	8
Jul-05	Foundation Services (Trevi)	Persian Gulf	Foundations		34
Jul-05	Foundation Services (Trevi)	Canada	Diaphragm walls	Diavik Diamond Mines	9
Jul-05	Foundation Services (Trevi)	Italy	Foundations		23
Sep-05	Foundation Services (Trevi)	US	Dam Foundations	U.S. Army	50
Sep-05	Drilling Equipment (Drillmec)	US	Onshore Drilling	Mountain Drilling Company	115
Oct-05	Foundation Services (Trevi)	Austria	Stans Tunnel	Brenner Eisenbahn GmbH	21
Oct-05	Drilling Equipment (Drillmec)	Oman	Onshore Drilling	MB Petroleum	10
Oct-05	Drilling Equipment (Drillmec)	Iraq	Water	Ministry for Water Supply.	9
Oct-05	Foundation Equipment (Soilmec)	China	Railway Foundations	CREC	5
Dec-05	Drilling Services (Petreven)	Peru	Onshore Drilling	Petrobras	17
Total orders' inflow: US$786mn					
2006					
Feb-06	Drilling Equipment (Drillmec)	Turkey	Onshore Drilling	Turkie Petrolleri	20
Mar-06	Drilling Services (Petreven)	Argentina	Onshore Drilling	Chevron-Texaco, Repsol YPF	46
Jun-06	Drilling Equipment (Drillmec)	Iran	Onshore Drilling	NIOC	58
Oct-06	Foundation Services (Trevi)	US	New York new WTC		17
Total orders' inflow: US$953mn					
2007					
Jun-07	Drilling Equipment (Drillmec)	Argentina	Onshore Drilling	Repsol YPF	79
Jun-07	Foundation Services (Trevi)	US	Harvard and MIT		18
Total expected orders' inflow: US$1,156mn					

Source: Intermonte SIM elaboration on company data.

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Stock NAME	**TREVI Fin. Ind.**		
Current Recomm:	BUY	Previous Recomm:	---
Current Target (Eu):	17.60	Previous Target (Eu):	----
Current Price (Eu):	13.90	Previous Price (Eu):	
Date of report:	04/10/2007	Date of last report:	

Further information is available