TREVI - Finanziaria Industriale S.p.A.

ANNUAL REPORT AND ACCOUNTS

as at 31 December 2006

Trevi – Finanziaria Industriale S.p.A.
Registered Office in Cesena (FC) – Via larga 201 – Italy
Share Capital Euro 32,000,000.
Forlì – Cesena Chamber of Commerce Business Register No. 201,271
Tax code, VAT no. and Forlì-Cesena business registry: 01547370401
Website: www.trevifin.com

BOARD OF DIRECTORS

Chairman
Cav. del Lavoro Davide Trevisani

Managing Directors
Gianluigi Trevisani
Cesare Trevisani

Directors
Stefano Trevisani
Mario Amoroso
Guglielmo Antonio Claudio Moscato
Pio Teodorani Fabbri
Enrico Bocchini
Franco Mosconi

BOARD OF STATUTORY AUDITORS

Statutory Auditors
Adolfo Leonardi (Chairman)
Giacinto Alessandri
Giancarlo Poletti

Alternate Auditors
Marco Alessandri
Giancarlo Daltri

INDEPENDENT AUDITORS
PricewaterhouseCoopers S.p.A.

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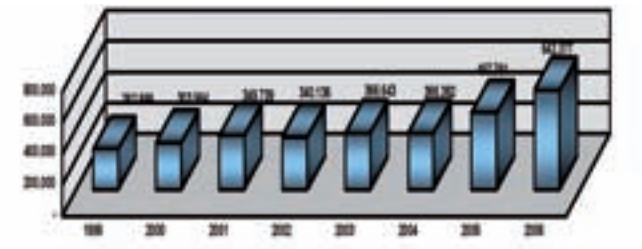
KEY FINANCIAL INFORMATION[1]

	Thousands of Euro	Thousands of Euro	
	12/31/2006	**12/31/2005**	**Changes**
Production value	675,343	506,753	33.3%
Total revenues	642,377	497,761	29.1%
Added value	190,311	149,345	27.4%
% on total revenues	29,6%	30,0%	
E.B.I.T.D.A.	85,649	55,307	54.9%
% on total revenues	13,33%	11,11%	
E.B.I.T.	58,077	28,699	102.4%
E.B.I.T. / total revenues	9,04%	5,77%	
Net result of the Group	26,760	12,824	108.7%
Gross technical investments2	55,533	19,975	178.0%
Net invested capital3	302,933	228,076	32.8%
Net financial position 4	(175,540)	(126,008)	-39.3%
Total stockholders' equity	127,393	102,068	24.8%
Group's net equity	121,973	97,224	25.5%
Minority interests	5,420	4,844	11.9%
Nr. of employees 5	4,218	3,577	
Orders' portfolio	636,837	516,507	23.3%
Earning per Share	0.418	0.200	
Diluted earning per share	0.379	0.200	
E.B.I.T./Net invested capital (R.O.I.)	19.17%	12.58%	
Net income/Net stockholders' equity (R.O.E.)	21.01%	12.56%	
E.B.I.T./Total revenues (R.O.S.)	9.04%	5.77%	
Net financial position/Total net stockholders' equity (Debt/Equity)	1.38	1.23	

TOTAL REVENUES IN THOUSANDS OF EURO



1999-2003 italian gaap; 2004-2006 IAS

1 Value reconciled with the balance sheet values at the foot of the following Consolidated Income statement and Balance Sheet
2 See note (1) of the Consolidated Balance Sheet (Change in tangible fixed assets)
3 See relevant table in the review of operations
4 See relevant table in both the review of operations and explanatory notes
5 See note No. 25 of the Income Statement

CONSOLIDATED FINANCIAL STATEMENTS

TO 31 DECEMBER 2006


RIG 1

Dear shareholders,

We present the Consolidated Financial Statements of TREVI – Finanziaria Industriale SpA and its subsidiaries to 31 December 2006 prepared for the first time using the IAS/IFRS accounting standards. Revenues totalled Euro 642.38 million and group net profit was Euro 26.8 million (+108.7%); earnings per share rose from Euro 0.20 to Euro 0.41 per share while diluted EPS was Euro 0.38. Net debt was Euro 175.54 million (+39.3%).

In 2006 Trevi made a quantum leap in size from a small to a medium sized company operating on an international scale; due to the successes of the preceding year and positive trends in all our reference markets, we had excellent organic growth and reached record levels of profitability. These results reflect the strong performance of the engineering division which, for the second consecutive year, had a total increase in revenues of circa 50%. The gross operating profit rose in both sectors by circa 75%. At the end of the year the Group order portfolio was circa Euro 637 million (+23%).

The Group's performance was reflected in the company's capitalization on the Milan Stock Exchange where it considerably exceeded Euro 600 million. 2006 was also the year that foreign investors took large scale holdings in the company for the first time.

The progressive internationalization of Gruppo Trevi continued. Revenues from markets outside Italy rose from 79.8% to 83% of total Consolidated Revenues even with Revenues from Italy increasing in absolute values from Euro 100.76 million to Euro 109.47 million.

The value of Production rose from Euro 506.7 million to Euro 675.3 million (+33.3%), due also to a Euro 13.7 million increase in Assets for Own Use.

TREVI GROUP

CONSOLIDATED PROFIT AND LOSS

(IN THOUSANDS OF EURO)

	12/31/2006	12/31/2005	Changes	%
TOTAL REVENUES[6]	**642,377**	**497,761**	**144,616**	**29.1%**
Changes in inventories of work in progress, semifinished and finished products	18,365	5,582	12,783	
Additions to fixed assets by internal production	13,726	3,410	10,316	
Other operating revenues	874	0	874	
VALUE OF PRODUCTION[7]	**675,342**	**506,753**	**168,589**	**33.3%**
Use of raw materials and outside services[8]	479,468	351,639	127,829	36.4%
Other operating expenses[9]	5,564	5,769	(205)	
VALUE ADDED[10]	**190,311**	**149,345**	**40,966**	**27.4%**
Payroll and related contributions	104,662	94,038	10,624	
E.B.I.T.D.A.[11]	85,649	55,307	30,342	54.9%
Amortization, depreciation	23,933	20,503	3,430	
Writedowns and provisions	3,639	6,105	(2,466)	
E.B.I.T.[12]	58,077	28,699	29,378	102.4%
Financial Income (expenses)[13]	(10,419)	(8,870)	(1,549)	
Net difference from exchange	(5,062)	5,557	(10,619)	
Income /(expenses) from associated companies	8	(110)	118	
Gain (losses) on assets disposal	0	0	0	
PRE-TAX RESULT	**42,603**	**25,276**	**17,327**	**68.5%**
Income taxes for the year	14,674	11,577	3,097	
Minority interests	1,169	875	294	
CONSOLIDATED INCOME	**26,760**	**12,824**	**13,936**	**109%**

6 Total revenues including the following items: revenues from sales and services, other operating revenues excluding those of a non-ordinary nature, changes in work in progress.

7 Value of Production includes the following items: revenues from sales and services, increases in capitalized work for own use, other operating revenues, change in inventories of finished products and work in progress, changes in work to order in progress.

8 The item "Consumption of raw materials and external services" including the following items: raw materials, changes in inventory of raw materials, other material input costs, and miscellaneous other operating costs not included in other operating costs (Note 26)

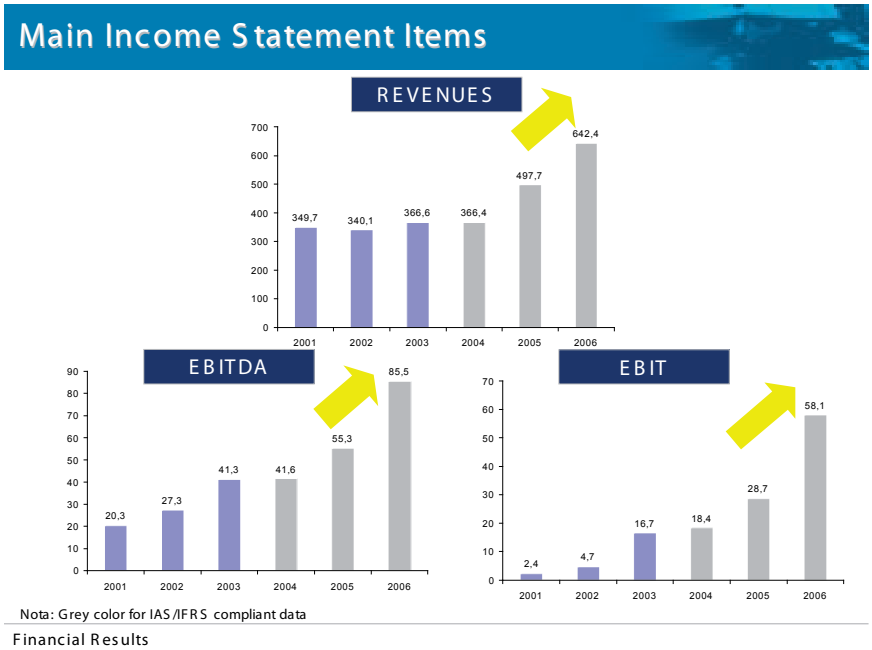
9 For further detail on the item "Other operating costs" see Note 26 of the consolidated income statement.

10 Value added is the sum of the value of production, raw material costs and external services and other operating costs.

11 EBITDA (Gross operating profit) is an economic indicator not defined be IFRS, adopted by TREVI Group beginning with the consolidated financial statements at 31 December 2005. EBITDA is a measure used by TREVI's management to monitor and evaluate the operating performance of the group. The management believes that EBITDA is an important parameter for the measurement of group performance insofar as it is not influenced by the volatility generated by various factors used in determining taxable income, by the amount and nature of capital employed and by depreciation policies. At the current date (upon notice of more detail regarding the evolution of alternative corporate performance measurement criteria) EBITDA (Earnings before interest, taxes, depreciation and amortization) is defined by Trevi as Profit/Loss for the period gross of depreciation and amortization of tangible and intangible fixed assets, provisions and devaluations, financial income and expenses, and taxes.

12 EBIT (Operating profit) is an economic indicator not defined by IFRS, adopted by the TREVI Group, beginning with the consolidated financial statements at 31 December 2005. EBIT is one of the measures used by Trevi's management to monitor and evaluate the operating performance of the Group. The management believes that EBIT is an important parameter for the measurement of group performance insofar as it is not influenced by the volatility generated by the impact of various factors used in determining taxable income, the amount and nature of capital employed and by depreciation policies. EBIT (Earnings before interest and taxes) is defined by Trevi as Profit/Losses for the period gross of financial income and expenses and taxes.

The income statement above, referred to in the notes, is a reclassified summary of the Consolidated Income Statement. The Value Added increased by Euro 40.97 million, from Euro 149.35 million to Euro 190.31 million (+27.4%); once again it fell as a percentage of Total Revenues, from 30.1% to 29.6%, indicating that the growth came in part through the outsourcing of production. The Gross Operating Profit was Euro 85.6 million (+54.9%), a margin of 13.33% on revenues; in the 2005 financial year it was Euro 55.3 million, a margin of 11.1%. After depreciation of Euro 23.9 million and provisions of Euro 3.6 million, the Operating Profit rose 102.4% to Euro 58 million (a margin of 9.04% on total revenues); in 2005 the Operating Profit was Euro 28.7 million (5.77% of total revenues).

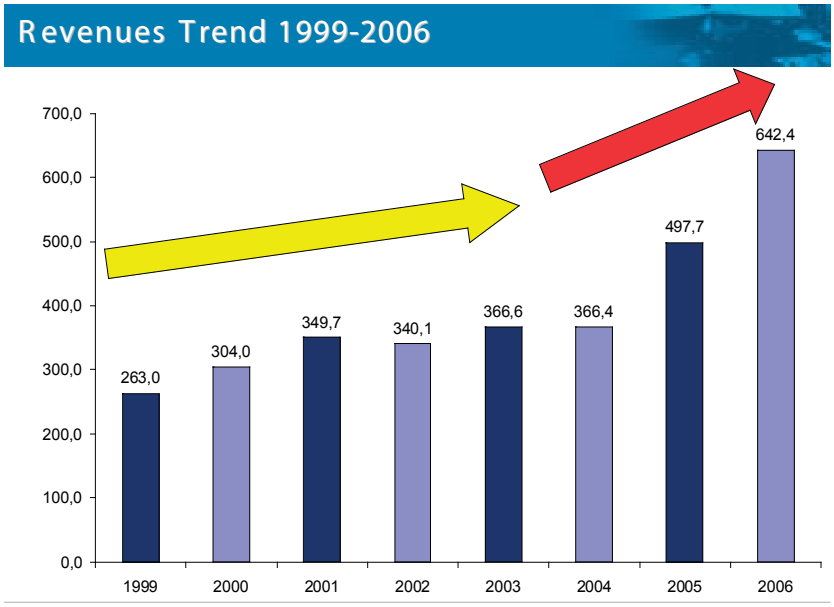


Net financial costs came to Euro 10.4 million, an increase of Euro 1.6 million compared to 2005. Net exchange rate losses totaled Euro 5 million (of which Euro 3.7 million unrealized) compared to gains of Euro 5.5 million in 2005.

The Pre-tax Profit was Euro 42.6 million (+68.5%) which, net of current, deferred and advance taxes, gave a Group Result of Euro 26.8 million, almost double that achieved in the previous year.

These results were penalized by the depreciation of the US dollar versus the Euro. We have already mentioned the Group's strong presence in international markets reflected in the percentage of sales made outside Italy, 83% of the total; the weight of Italian sales

on Group revenues fell slightly to about 17%.



Financial Results

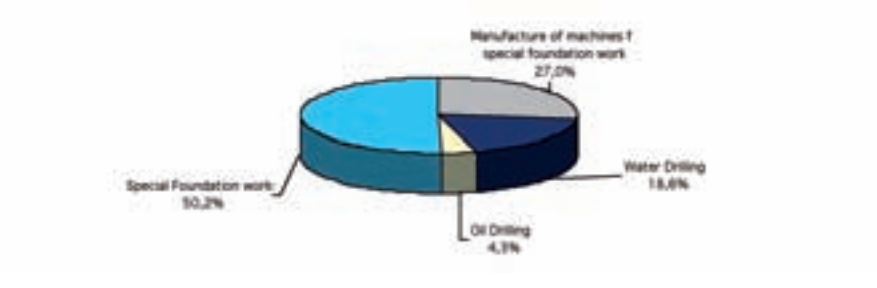
Sales in the Rest of Europe increased Euro 31 million and grew at a stable 13.9%. The weight of Middle East sales on total sales rose 23% to 25.7% as a result of revenues from this area increasing Euro 50.7 million; that in North America rose 11.3% to 13.9%; there was also strong growth in Africa and in Latin America, whilst the weight of Far Eastern sales remained unchanged.

(In thousands of Euro)

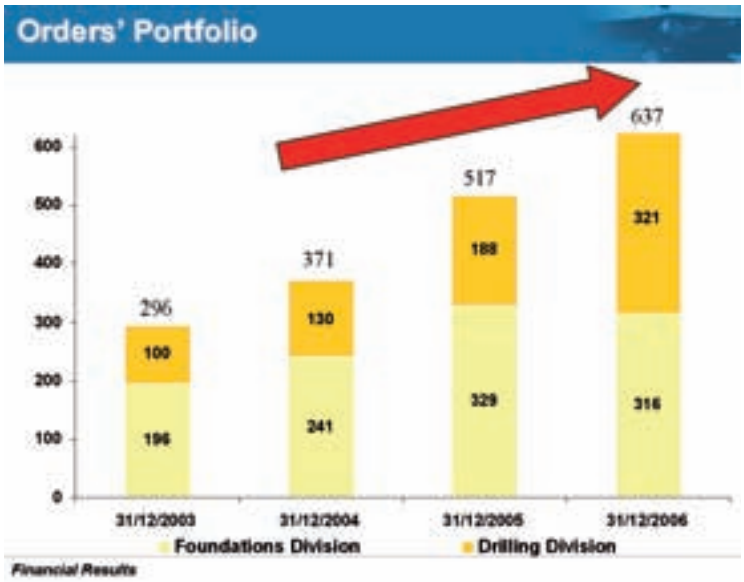
AREA	12/31/2006	%	12/31/2005	%	Changes	%
Italy	109,451	17.0%	100,763	20.2%	8,688	8.6%
Europe (excluding Italy)	84,895	13.2%	53,828	10.8%	31,067	57.7%
U.S.A. and Canada	89,015	13.9%	55,941	11.2%	33,074	59.1%
South American countries	61,871	9.6%	48,577	9.8%	13,294	27.4%
Africa	99,199	15.4%	89,147	17.9%	10,052	11.3%
Middle East	165,313	25.7%	114,638	23.0%	50,675	44.2%
Far East	29,162	4.5%	31,692	6.4%	(2,530)	(8.0%)
Rest of the world	3,471	0.5%	3,175	0.6%	296	9.3%
TOTAL	**642,377**	**100%**	**497,761**	**100%**	**144,616**	**29%**

The breakdown of total revenues by production sector is shown in the following table:

MANUFACTURING SECTOR	12/31/2006	%	12/31/2005	%	Changes	%
Manufacture of machines for special foundation work	173,132	27.0%	127,626	25.6%	45,507	35.7%
Manufacture of machinery for oil, gas and water drilling	119,460	18.6%	78,725	15.8%	40,735	51.7%
Oil drilling	27,353	4.3%	18,302	3.7%	9,051	49.5%
Special foundation works	322,432	50.2%	273,109	54.9%	49,323	18.1%
TOTAL	**642,377**	**100%**	**497,761**	**100%**	**144,616**	**29%**



At 31 December 2006 the Group's order portfolio was Euro 636.8 million (+23.3% compared to 31 December 2005) of w8 million (+23.3% compared to 31 December 2005) of which 65% will be completed in 2007.



TREVI GROUP - *CONSOLIDATED BALANCE SHEET*
(IN THOUSANDS OF EURO)

		12.31.2006	12.31.2005	Changes	%
A)	**Fixed assets**				
	- Property, plant and equipment[14]	192,538	168,373	24,165	
	- Intangible fixed assets	4,916	4,055	861	
	- Financial fixed assets[15]	1,922	2,741	(819)	
		199,377	175,169	24,208	14%
B)	**Net working capital**				
	- Inventories	169,189	120,282	48,907	
	- Trade receivables[16]	193,993	163,450	30,543	
	- Trade payables (-)[17]	(182,477)	(162,802)	(19,675)	
	- Advances (-)[18]	(43,448)	(29,070)	(14,378)	
	- Others assets (liabilities)[19]	(17,634)	(24,776)	7,142	
		119,622	67,084	52,538	78%
C)	**Invested capital minus current liabilities (A+B)**	**318,999**	**242,253**	**76,746**	**32%**
D)	**Employee termination indemnities (-)**	**(16,067)**	**(14,177)**	**(1,890)**	**13%**
E)	**NET INVESTED CAPITAL (C+D)**	**302,933**	**228,076**	**74,856**	**33%**
	Financed by:				
F)	Group stockholders' equity	*121,973*	*97,224*	*24,749*	*25%*
G)	Minority interests in capital and reserves	5,420	4,844	576	
H)	Net financial position[20]	**175,540**	**126,008**	**49,532**	**-39%**
I)	**TOTAL SOURCES OF FUNDS (F+G+H)**	**302,933**	**228,076**	**74,856**	**33%**

15 Tangible fixed assets includes non-core property investments, Note 3
Financial assets includes major shareholdings (Note 4) and other Long term financial receivables (Note 8)

16 Trade receivables includes: long term trade receivables (Note 9) and short term trade receivables (Note 11), short term receivables from subsidiaries (Note11).

17 Trade payables includes: short term payables to suppliers (Note 19), short term payables to subsidiaries (Note 19)

18 Advances includes both long term deposits (Note 18) and short term deposits (Note19)

19 Other assets/liabilities includes: other payables/receivables, accruals and prepayments, tax credits/payable, both long and short term risk provisions (Notes 9-11-11.a-16-18-19-20).

20 The net financial position used as an indicator of financial indebtedness, is the sum of the following positive and negative balance sheet items:
Short and long term positive items: cash and cash equivalents (cash, bank drafts and bank assets); readily realizable investments in working capital, financial credits.
Short and long term negative items: bank debts, payables to other financial organizations, leasing and factoring companies; payables to associates for financing. For more detail on this item refer to the relevant table in the explanatory notes.

Net invested capital was circa Euro 302.9 million, a substantial increase (+33%) over 31 December 2005, firstly due to the Euro 52.5 million increase in net capital in the period (+77%) and secondly to the Euro 24.2 million increase in net fixed assets (+14%). This is the best gauge for understanding that the growth has been healthy: the increase in working capital occurred mainly in the manufacturing sector for oil drilling rigs, where a favourable market required bringing forward the production of high quality components by several months; this increase was instigated also to satisfy the sustained demand of the first months of 2007.

The Group Shareholders' Equity increased by circa Euro 24.7 million (+25%), this was despite the negative effect on the Translation Reserve (-Euro 7.7 million) from the appreciation of the Euro against the US dollar (which moved from 1.36 at 31 December 2004 to 1.18 at 31 December 2005 and to 1.317 at 31 December 2006) and from the Group Net Profit which went from Euro 12.8 million at 31 December 2005 to Euro 26.8 million in 2006 (+Euro 14 million).

TREVI GROUP

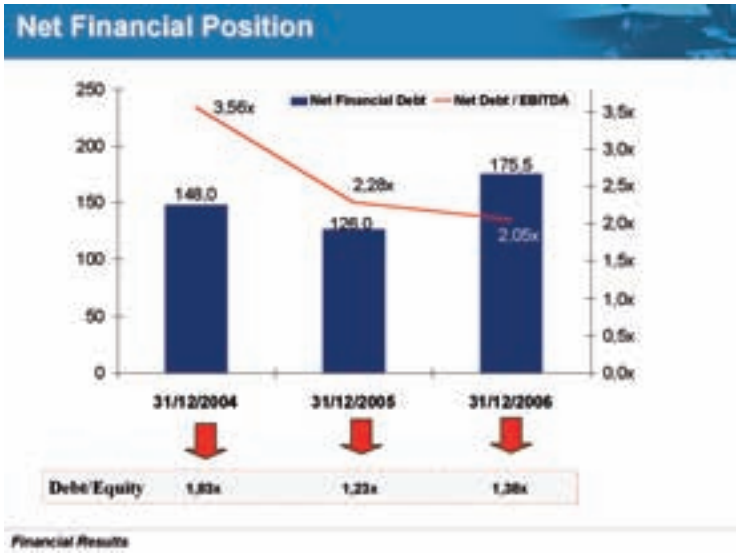
NET CONSOLIDATED FINANCIAL POSITION

(IN THOUSANDS OF EURO)

	12/31/2006	12/31/2005	Changes
Short-term bank loans	(61,397)	(69,813)	8,416
Other short-term borrowing	(7,340)	(12,244)	4,904
Short-term Derivative financial instruments	88	(5)	93
Short-term liquid assets	90,106	51,576	38,530
Total short-term portion	21,457	(30,486)	51,943
Medium- to long-term bank loans	(172,636)	(76,848)	(95,788)
Other medium- and long-term borrowing	(24,375)	(18,496)	(5,879)
Derivative financial instruments	14	(178)	192
Total medium- and long-term portion	**(196,997)**	**(95,522)**	**(101,475)**
Net financial position	**(175,540)**	**(126,008)**	**(49,532)**

Short-term debt fell circa Euro 51.9 million compared to 31 December 2005, moving from a negative Euro 30.5 million to a positive Euro 21.5 million; at the same time medium and long-term debt rose Euro 101.5 million, moving from Euro 95.5 million to Euro 197 million. This was primarily due to the issue at the end of November of a Euro 70 million indirect convertible loan to finance the Group's development.

It has a duration of five years and the conversion price is fixed at Euro 11.3 per share. In the course of 2006, net debt increased by circa Euro 49 million. The ratio of Net Debt/Total Net Total Equity rose from 1.23 to 1.38 over the year.



Net operating cash flow fell to Euro 1.2 million (2005: Euro 48.2 million). To this must be added negative cash flow for investments of circa Euro 50 million, which was financed by long-term debt and the issue of the convertible loan described above. The ratio of Net Debt/ Gross Operating Profit fell further from 2.28 in 2005 to 2.05 in 2006.

Investments

Gross investments in tangible fixed assets for Gruppo Trevi totaled Euro 55.8 million in 2006. This represents the most important programme of production capacity increase ever realized by the Group and was made through the acquisition of plant and equipment destined primarily for the engineering and oil drilling services divisions. The largest investments were those made in United Arab Emirates, Latin America, Africa and Italy. Divestments were Euro 6.5 million at historical cost for assets almost entirely depreciated. Depreciation totaled Euro 22.3 million. The net value of Tangible Fixed Assets of Euro 193.4 million at 31 December is impacted by exchange rate differences of Euro 6.7 million due to the difference in the historical exchange rates and those of 31 December 2006. These tangible fixed assets are financed for Euro 30.6 million by financial leasing agreements.

Research and Development

In 2006, the Company's research and development was characterized by three main themes:

- The development of new models
- The development of new technologies
- Functional innovations to existing models to improve performance

With reference to the first bullet point, the renewal of the entire pile range continued whilst renewal of the machinery line using continuous rotary technology has now started.

In the crane sector, soil mixing technology was applied to the 90 ton model and a study to renew the entire range has been undertaken.

The drilling rod range has been completed with the development of a 21 ton model. New modular rotaries with bigger internal passages have been designed and new systems for stocking and loading drilling rods have been identified.

Particular attention has been paid to the development of new technologies in the diaphragm sector with the construction of the first hydromill model. Significant site experience was derived from the on-going use of bored pile equipment without the production of spoil material. In the drilling rod sector, an alternative technology to the traditional hammers has been developed using vibrating masses to reduce noise and realize improved depth performances.

With reference to the third bullet point, project studies were completed in all sectors aimed at increasing productivity in several areas through the improvement of some large and small diameter

rotary rigs in order to increase the available torque range and improve the power distribution to the excavator. The production was also completed of crowd system devices to facilitate the installation of cased piles which, at the same time, improves the modification of equipment for different set-ups. Drilling Mate System for registering drilling data was introduced throughout the range of pile drills whilst its development and use is being studied for all existing and new technologies.
The parent company is undertaking a research and development project in the foundation engineering sector for artificial freezing of the subsoil. The Emilia Romagna region has recognized this project as eligible for grants under the PRRIITT scheme, item 3.1. At 31 December 2006, costs incurred for this project were 613 Thousands of Euro. Euro 1.5 million of development costs have been capitalized whilst Euro 5.6 million of research costs have been charged to the income statement.

SECTOR REVIEW

Parent Company Performance

The 2006 Financial Statements, prepared by the company in accordance with IAS/IFRS accounting principles, had revenues from sales and services of 8,668 Thousands of Euro (a decline of 947 Thousands of Euro on the 9,615 Thousands of 2005), financial income of 9,818 Thousands of Euro (an increase of 5,564 Thousands on the 4,255 Thousands of 2005); the profit for the year was 4,811Thousands of Euro (an increase of 3,402 Thousands of Euro over the 1,409 Thousands of Euro of the preceding period).
The reduction in revenues is principally attributable to the conclusion of some leasing contracts with Group companies and to the ending of the agreement for technical, administrative and financial assistance for the management and execution of the maintenance contract on the “Borde Seco” dam for the energy entity, CADAFE, following the conclusion of the contract carried out by U.T.E. of Venezuela, Trevi S.p.A., Trevi-Finanziaria Industriale S.p.A. and S C Sembenelli S.r.l. This reduction was offset by an increase in revenues for commissions on guarantees attributable to the strong growth in the Group’s activities and to the continuing process of centralization of certain activities within the parent company. These activities include planning, research and development, plant and equipment hire, operational and administrative management and support, human resources and personnel, IT and integrated business software services, and other activities related to the TREVI Group’s activity

as an industrial holding company (management of shareholdings and financing agreements with its subsidiaries).
The financial operations of the parent company show a strong increase in income from participations (5,820thousands of euro in 2006 compared to 650 thousands of euro in 2005, an increase of 5,170 thousands of euro) due to dividends received from the subsidiary, Soilmec S.p.A., both as a distribution of profits for the 2005 accounting year and for a partial pre-payment of the 2006 dividend, approved by the Shareholders' Meeting of Soilmec S.p.A. on 5 December 2006.
In the 2006 financial year, the only variation in directly held shareholdings is the 10,369 thousands of euro increase in the holding in the subsidiary Petreven C,A, (a company that operates in the drilling services sector) due to the acquisition of 250 shares by the subsidiary, Trevi Contractors BV, for a sum of 39 thousands of euro and by the subscription by the parent company of a share capital increase for 10,330 thousands of euro. These operations increased the parent company's shareholding to 70.68%. In the accounting period under review, the parent company sources of financing shifted substantially towards medium-long term instruments.
Of particular importance was the Euro 61,053,068 fixed-rate financing agreement with SanPaolo IMI S.p.A of five year duration with repayment at maturity. This financing was conceded by the aforementioned bank on 30 November 2006 following the conclusion of the Indirect Convertible Bond Loan, of which a detailed description is given in the notes to the Group Financial Statements.
A review of the performance of the individual subsidiaries is given below in this report.
The increase in financing to subsidiaries should be highlighted.
It should also be noted that, at 31 December 2006, the sureties given (to credit institutions, insurance companies and other third parties) totaled 230,346 thousands of euro compared to 202,491 thousands of euro in 2005, an increase of 27,855 thousands of euro.
Guarantees given to credit institutions increased as a result of the strong growth in business and revenues at the subsidiary companies. The reduction of guarantees to insurance companies was primarily due to a reduction in the surety given to a leading American insurance company, on behalf of Trevi Icos Corporation, for the repair contract for the Tuttle Creek dam in Missouri. This was equal to 100% of the contract quota currently being carried out and decreased due to the advancement of the contract and the reduced amount of work still to be completed. For detailed comments on individual balance sheet items, please see the Explanatory Notes to the Accounts.

Foundations and Services Division

The Foundations and Services Division had total revenues of Euro 361.5 million, up 21.4% on the preceding year. Value added was circa 34.3% of revenues reflecting this division's activity as a supplier of engineering services for special foundations. Gross operating profit was Euro 51.2 million. After depreciation of Euro 15.3 million and provisions of Euro 2.6 million, the operating profit was Euro 33.3 million (+196% on 2005), a margin of 9.22% on revenues. A geographical breakdown of the Division's activities is given below.

The Americas

In 2006, Trevi had Euro 44.4 million of revenues in the U.S.A., circa 6.9% of total consolidated revenues. Work continued on the contract for the repair of the Tuttle Creek Dam in Kansas, acquired from the Corps of Engineers of the American Armed Forces and worth US$ 50 million. In the course of 2006, Trevi Foundations Canada Inc. successfully completed a contract to consolidate the terrain surrounding a diamond mine in Canada.

The considerable improvement in the Argentine economy over the last few years meant that the subsidiary, Pilotes Trevi S.A., completed contracts worth circa Euro 6.5 million and was able to close 2006 with a profit.

In Venezuela, a lessening of social and political conflict has permitted a return to weak but continuous growth in industrial activity; Euro 13.9 million of revenues were generated with a positive net result. The year under review saw the completion of the "Borde Seco" contract for the planning and realization of the re-proofing and repair of the dam, a contract worth US$24 million awarded by the Venezuelan entity C.A.D.A.F.E.

In Peru, a foundations services contract for the repair of the Limon dam has been started on behalf of the Brazilian group, Odebrecht.

Oil drilling activity in Venezuela, Argentina and Colombia on behalf of the Brazilian oil company, Petrobras, continued in 2006 with excellent results. In 2006, the in-house construction of four new drills was almost completed. One is already operating in Peru for Petrobras and a second in Argentina for the Spanish group Repsol-YPF. The other two plants will be operative in the course of the first quarter 2007 on behalf of Chevron-Texaco and Repsol-YPF respectively.

Europe

Production value from Europe totaled Euro 132.0 million in Trevi S.p.A.'s accounts, an increase of circa 10.5% over 2005. The volume

of business attributable just to the typical business activities of the company came to Euro 112.1 million, compared to Euro 105.7 million in the previous year (+6.0%), with Euro 75.6 million from Italy (+8.4% over the preceding year), accounting for 67.4% of regional revenues, and Euro 36.5 million outside Italy (+1.5% above 2005), 32.6% of total revenues in this geographical area.
The gross operating profit was Euro 8.45 million, a considerable increase on the Euro 5.05 million of 2005.
The operating profit, after depreciation and provisions, was Euro 4.07 million, which compares with a loss of Euro 1.82 million in 2005.
The positive nature of the gross operating profit and the operating profit is noteworthy and it is worth reiterating what has been stated on previous occasions, that the net loss is the result of a series of factors that it is hoped will not be repeated, namely the absence of dividends and the negative result of exchange rate management, the latter particularly due the partial reversal of the excellent results obtained the preceding year.
In Italy the relevant sector in the domestic market fulfilled the expectations held at the time of the integration of the assets acquired at the end of 2005 with the business division of the failed company, Ing. Giovanni Rodio, and which were clearly manifest at the time of the budget meeting. These led to a consistent increase in the value of production and, above all, resulted in a positive trend in some long-planned contracts, which were finally implemented.
It is fair to say that these are the best results of recent years and are the product of the ever improving competitive positioning and the growing operational capacity of your company. These have been nurtured over time and have also involved considerable structural costs which, nevertheless, have assured that high value added associated with the name Trevi.
Italian business was in line with the budget drawn up at the start of the year, both in terms of results and volumes, and leads us to believe it will make a profit this year even though the Italian market remains both difficult and highly competitive.
We would draw your attention to the improved profitability of the most important contracts. For these the corrective action taken through operational techniques developed by management have had a greater impact given the extended nature of these contracts.
We are referring, in particular, to contracts acquired through direct allocation, like that with the Port Authority of Gioia Tauro for the construction of a dock and the contract with Snamprogetti for the

securing of the Syndial refinery at Priolo, or the subcontracted works for the construction of Line “B” of the Rome Metro.
The above results are even more significant considering the difficult situation of the domestic construction market, which fell up to the middle of the preceding year with a reduction both in the number of tenders and in the spending power of awarding entities.
Outside Italy, Trevi S.p.A. continued along the development lines laid down by the group in previous years, preferring to operate with local companies in countries new to the group and managing its activities through subsidiaries in those where Trevi is traditionally present or where it is carrying out single contracts.
As shown above, foreign business volume was substantially unchanged in 2006 compared to 2005 despite the more optimistic budget at the start of the year.
This was almost entirely due to the failure of the second phase of the construction of the Sahid Rajaee port at Bandar Abbas in Iran to start. This contract, worth circa US$25 million, was signed at the end of 2005 and, despite assurances from the local authorities, has yet to start due to uncertainties concerning its financing.
However, the situation appears to be moving in a favourable direction with the recent payment of the first tranche of the contract advance.
The construction work on the Borde Seco dam in Venezuela has also been completed. This was a contract where the profitability was not in line with the strong technical results obtained.
The Venezuelan and Algerian subsidiaries had stable performances but the prospects of winning important contracts in both countries in the short term are excellent.
The works for the construction of a new naval terminal on the island of Onne in Nigeria and of a bridge on the river Pianz in Tajikistan have both been completed.
In the final months of 2006 a contract, with a value of Euro 5 million, was begun for the construction of a bridge on the Zambesi River in Mozambique and, at the beginning of 2007, one for the contruction of the “San Vicente” bridge in Guinea Bissau, worth Euro 4.2 million, was also begun. Both contracts will be invoiced mainly in the current year.
The work on the contract for the Leipzig Metro, acquired in temporary association with important German companies in the sector, has been completed and at this moment there are no further contracts in Germany.

Africa

In Africa, Trevi carried out contracts worth Euro 52.7 million, an increase of 36% on the preceding year. Nigeria has remained politically stable with the exception of the area around Port Harcourt where the highly dangerous and unstable social environment has produced inevitable problems. Works and contracts drawn up at the start of the year are uncertain due to the imminent political elections (April 2007).

The revenues from the Lagos area are mainly due to the work carried out for the Grimaldi Group. The construction of the dock started last year and circa 70% of the new project (a second dock adjacent to the first) have been completed. The combined value of the two contracts is over US$17 million. The contract for the second dock will be completed by the end of the first half of 2007 and will generate revenues of US$5 million. This project has been the driver of Trevi's performance in Nigeria in 2006.

In the Port Harcourt area the group has carried out work for Shell, connected to the Kidney Island project, and was awarded a contract by Saipem, as well as carrying out numerous works for Rockson.

Algeria continues to be a country of considerable importance to the Group; in addition to contracts with local companies in the hydroelectric sector, the first phase of the foundations for the Algiers Metro has been successfully completed.

The Middle and Far East

In 2006, the Trevi group had revenues of Euro 101.9 million and an excellent operating result in the Middle East. Business in the UAE was driven by important foundation engineering contracts for Emaar in Dubai. On the other side of the Straits of Hormuz, Trevi completed the enlargement of the docks at the port of Bandar Abbas in Iran and is now negotiating a new package of works.

Mechanical Engineering Division: production of special foundation and drilling equipment

The results achieved by the Mechanical Engineering Division in the year to 31 December 2006 confirm the definite trend of both total revenue growth and the improvement of the economic results. Total revenues rose Euro 207.9 million to Euro 310 million (+49.1%) and the operating profit almost doubled to Euro 31.7 million from Euro 15.8 million (+99.8%). For further details see the relevant attachment in the Explanatory Notes.

The increase in total revenues reflects continued growth in the drilling sector which, since 2004, has been run as a separate company, Drillmec S.p.A., for the design, production and sale of drilling equipment for water, oil and geothermal energy. The company is located at Gariga di Podenzano (PC) in a plant of circa 95,000 sq. metres (of which circa 13,000 sq. metres is covered). In 2006, the expectations and the efforts of management in raising the international visibility of the company were rewarded whilst the favourable environment for the oil sector worldwide also helped. Production was reorganized and a considerable amount was sub-contracted in order to support the explosive growth trend. The company's revenues grew from Euro 75.4 million to Euro 123 million and the operating profit went from Euro 2.8 million to Euro 7.7 million.
The revenues of the Ground Engineering Division increased from Euro 150.7 million to Euro 190.5 million; the operating profit rose from Euro 13.1 million to Euro 21.5 million. This result was obtained by consolidating the company's leadership position in its principal operating sector, that of medium and small machinery, and by gaining market share in the high-end machinery sectors, in cranes for foundations and micropile equipment.
The higher figure for inventories, which rose from Euro 39 million to Euro 58 million, also results from a desire to smooth production and delivery of equipment and guarantees that the first quarter of 2007 will have stronger sales volumes than in 2006.
Amongst the positive events of 2006, we would highlight the strong performance of the subsidiaries, Soilmec Ltd (UK), Soilmec (H.K.) Ltd and Drillmec Inc U.S.A. (ex-Soilmec Branham), which all had excellent revenues and profits. The geographical breakdown of total revenues shows the strong sales generated in Europe, the Middle East and the Far East.

Group related party transactions with non-consolidated subsidiaries, associated and controlling companies, companies controlled by the latter and with other related parties

TREVI- Finanziaria Industriale S.p.A. has limited relations with SOFITRE S.r.l., a company controlled 100% by the Trevisani family, and with the companies it controls which are mainly involved in the construction and management of car parks. In the accounting period under review, this relationship gave rise to revenues of 1.543 Thousands of Euro costs of 79 Thousands of Euro and credits of 1.748 Thousands of Euro and liabilities of 131 Thousands of Euro at

31 December 2006.
Transactions with related companies are conducted at normal market conditions.
There still exist sureties and guarantees for 2,310 Thousands of Euro (3,730 Thousands at the end of the preceding years) given by TREVI – Finanziaria Industriale S.p.A., prior to its market listing, to some banks on behalf of companies belonging to the SOFITRE Group. These relate primarily to the companies Parcheggi S.p.A and Roma Park S.r.l. for the construction of automated car parks.

Policy for covering exchange rate and interest rate risk
The Trevi Group has a policy for covering financial risk, which includes defined term currency contracts, financing in foreign currencies to cover expected cash flows; detailed information on the means used to cover exchange rates and the valuation criteria adopted for these are given in the Notes to the Accounts.

Relevant events subsequent to 31 December 2006
There are no significant post balance sheet events.

Adoption of the Self-Regulatory Code of Conduct for Listed Companies
In March 2006 the Committee for Corporate Governance published a new self-regulatory code of conduct for listed companies which replaced that introduced in 1999 and amended in 2002; pursuant to the ruling of the Mercato Organizzati e Gestiti by Borsa Italiana S.p.A. section IA.2.6 and that confirmed in statements published jointly by Borsa Italiana and Assonime on 16 November 2006, the present instruction will make reference to the preceding version of the code of 2002; in an appropriate section information will be given regarding the adoption by the end of 2006 of the Code published in March 2006.
The company has adopted the general principles of the Self-Regulatory Code of Conduct (2002 version) as a means of improving its own corporate governance rules and internal organization and in order to direct management to the creation of shareholder value and to reflect positively also on other stakeholders (clients, creditors, suppliers, employees, the community and general social environment).
This report, which will be available to shareholders, together with the necessary documentation for the Annual General Meeting to approve the Financial Statements, and at the same time forwarded

to Borsa Italiana and posted on the company website, will inform the market and shareholders of the internal corporate governance of the company and its adoption of the Self-Regulatory Code of Conduct.
The organizational structure of TREVI – Finanziaria Industriale S.p.A. is based on the traditional model where management is assigned exclusively to the Board of Directors, the central governing body of the company; the supervisory functions are assigned to the Board of Statutory Auditors and accounting verification to the independent auditors appointed by the Shareholders Meeting.

BOARD OF DIRECTORS

The regulations governing corporate entities emphasise the central role of the Board of Directors as the governing body and details its relations with other corporate entities. Article 23 of the company articles vests the Board of Directors with the most wide-ranging and unlimited powers for the ordinary and extraordinary management of the company, excluding only those matters that by law are explicitly reserved for the Shareholders' Meeting.

Meetings of the Board of Directors are convened by the Chairman or, in his absence or in the event of incapacity, by the Managing Directors or by written request of at least one member of the board or a member of the Board of Statutory Auditors to be sent to members of the Board of Directors and Board of Auditors at least three days before the meeting, containing a summary of the agenda to be discussed. Board meetings can also be held via video or teleconference. Timely information on the agenda for discussion is provided to all Board members and auditors. The Board of Directors meets regularly, at least every two months, and has the main responsibility of defining the strategic objectives of all the operating companies and ensuring their achievement. The Board is responsible for:

- defining the operating structure of the group and deciding on the setting up and/or closure of operating companies
- examining and approving the annual and quarterly strategic, financial and industrial plans of the Group companies and periodically comparing the results achieved with those planned
- assigning and revoking the powers of the Managing Directors and defining the limits and ways in which they will be exercised; at the first board meeting of the year the activities carried out through the exercise of the powers received or granted in the period will be discussed;
- examining and approving any operations of significant impact on

the assets, the economic or financial position of the company; with reference to operations with related parties when approved by the independent board members; in cases under Article 2391 of the Civil Code, "board members' interests", the Board must vote with the abstention of those having an interest
- deciding on the acquisition of companies and investments in fixed assets
- appointing the directors of directly controlled companies
- deliberating the recruitment of senior management in the parent company and in the subsidiaries, as well as the remuneration and incentive schemes of senior management
- regulating the conduct of subsidiaries in inter-group transactions
- monitoring the regular progress of management with particular attention to possible conflicts of interest, in particular taking into account information received from the Managing Directors and from the general managers of the operating companies, and referring to shareholders in Shareholders' Meetings.

The company articles state that the Board of Directors must be composed of a minimum of three and a maximum of eleven members.

The Board of Directors, as appointed on 30 April 2004, is composed of nine members, four executive members and five independent non-executive members

On 31 July 2006, the Board of Directors accepted the resignation of the independent non-executive member, Roberto Pinza, and co-opted Franco Mosconi as an independent non-executive member.

Table 1) shows the current composition of the Board of Directors and Committees. The current Board of Directors expires with the approval of the Reports and Accounts as at 31 December 2006.

Pursuant to Article 30 of the company articles, the Chairman of the Board of Directors is responsible for signing on behalf of and representing the company with third parties and in court. Within the limits of the powers accorded them, the Managing Directors can also represent and sign on behalf of the company.

The three Managing Directors, one of which is the Chairman, have wide-reaching powers for the ordinary management of the company, a choice motivated by and connected to the activities of the Group, which is an industrial holding company that provides services predominantly for other group companies.

On the occasion of the last renewal of corporate appointments at the Shareholders Meeting of 30 April 2004, the curriculum vitae of each candidate was deposited at the company's registered office.

During 2006, the Board of Directors met eight times.
The company articles do not stipulate a minimum frequency for board meetings.
The remuneration of Board Members, detailed in the Notes to the Accounts for the financial year 2006, is not linked to the company's results or the achievement of specific objectives. The Report of the Board of Directors also contains details of the shareholdings of each member of the Board of Directors in the parent company and in its subsidiaries.
Corporate positions held by board members in other companies listed on regulated markets are given below:

- Pio Fabbri Teodorani:
- Member of the Boards of IFIL S.p.A. and I.F.I. S.p.A. Important positions held in unlisted companies of significant size: Member of the Board of Lloyd Adriatico S.p.A. (Allianz Group), of which he is a member of the executive committee, and a member of the Managing Board of Assonime.
- During the 2005 financial year, the Member of the Board, Claudio Antonio Guglielmo Moscato, ended his mandate as a Member of the Board of ENI S.p.A. and member of the internal control committee and of the oil and gas committee; he is currently the President of Eni Corporate University.

In order to improve operating ability and policy making and to adhere to the Self-Regulatory Code of Conduct for Listed companies, the Board of Directors has set up two committees.

COMMITTEE FOR DIRECTORS' REMUNERATION

The company has set up the Committee for Directors' Remuneration which is composed of three independent non-executive members. The Board of Directors of 15 May 2004 appointed as committee members the independent non-executive board members, Avv. Mario Amoroso (Chairman) and Ing. Enrico Bocchini, and, at the Board of Directors meeting of 13 November 2006, appointed the third member of the committee, Dott. Franco Mosconi; this takes account of the fact that the Board of Directors was nominated at the Shareholders Meeting of 30 April 2004 and its mandate expires with the approval of the 2006 Financial Statements.

INTERNAL CONTROL COMMITTEE

The company has set up the Internal Control Committee, composed of three independent non-executive members. At the meeting of the Board of Directors of 15 May 2004, the independent non-executive

board members, Avv. Mario Amoroso (Chairman) and Ing. Enrico Bocchini, were appointed as committee members, and, at the meeting of the Board of Directors of 13 November 2006, the third member of the committee, Dott. Franco Mosconi, was appointed. The committee reported every six months to the Board of Directors and met three times in the course of the financial year. The President of the Board of Statutory Auditors was also present at these meetings.

COMMITTEE FOR BOARD APPOINTMENTS

A Committee for Board Appointments, as suggested in the Self-Regulatory Code, has not been set up. Nominations to the Board are put forward by shareholders, and in particular the majority shareholders, who make a provisional selection from among the nominations.

BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors, pursuant to Article 149 of Decree Law n. 58/98 monitors the correct observance of the law and of the company memorandum of association with regard to management and the adequacy of the management structure of the company; it monitors those aspects of the internal control, administrative and accounting systems that fall within its remit

The Board of Statutory Auditors is made up of three statutory and two alternate members elected for a period of three years by the Shareholders' Meeting of 30 April 2004 and due to expire with the approval of the 2006 Financial Statements. Table 2) shows the composition of the Board of Statutory Auditors, the number of meetings held during the financial year and attendance percentage at each meeting.

Pursuant to Article 18 of the company articles, and barring any incompatibilities under the law, members may not be elected if they already act as a member of the Board of Statutory auditors in more than five other companies listed on regulated markets, excluding those companies which directly or indirectly control the company or are controlled by it, or if they do not have the necessary good name and professionalism as required by the law.

Minority shareholders have the right to elect one statutory and one alternate auditor; those shareholders who alone or collectively hold shares representing at least 3% of the share capital have the right to propose lists of candidates for election.

The lists must be deposited at the company's registered office at least five days before the date of the Shareholders' Meeting and

must be published in at least one national daily newspaper within the same period.
No minority shareholders presented a list of candidates at the Shareholders' Meeting of 30 April 2004, when the sitting Board of Statutory Auditors was appointed.
In the financial year 2006, the Board of Statutory Auditors met thirteen times; the Board of Statutory Auditors was fully represented at all eight Board of Directors Meetings.
None of the statutory or alternate auditors hold the position of Director or Auditor in other companies listed on regulated markets.

INDEPENDENT AUDITORS

The auditing of the accounts is assigned to a company of auditors listed on the official register of accounting auditors, as required by law, and is appointed by the Shareholders' Meeting. The current auditors are PricewaterhouseCoopers S.p.A., which was appointed for three years at the Shareholders' Meeting of 13 May 2005 and whose mandate expires at the approval of the 2007 Financial Statements.

SHAREHOLDERS' MEETING

The Shareholders' Meeting, when the Directors of the Company meet with its shareholders, is both ordinary and extraordinary, under the law, and any decisions taken in compliance with the law and the company articles are binding on all shareholders.
To enable shareholder participation, proxy votes are permitted in pursuant to enacted law. The company has not adopted procedural regulations given the limited number of shareholders present, which has always permitted the meeting to be held in an orderly manner with those present able to take part in any discussion. At the Ordinary and Extraordinary Shareholders' Meeting of 28 April 2006, the shareholders were given appropriate information on the company's adoption of the Self-Regulatory Code for Listed Companies; those shareholders present at the meeting were offered the possibility of a guided visit of the Cesena production facilities; the initiative was aimed at giving them a fuller understanding of the company and was an important opportunity for shareholders and the company management to meet and exchange ideas.
On 13 September 2006 an Extraordinary Shareholders' Meeting was held which, pursuant to articles 2443 and 2441 of the Civil Code, gave the Board of Directors a mandate to increase the share capital, in one or more occasions, for a maximum period of five years

from the date of deliberation, and for a maximum nominal amount equivalent to 10% (ten per cent) of the issued share capital at the time the mandate was given without taking into account any eventual share price premium. The amount was to be raised from the issue of 6,400,000 (six million four hundred thousand) ordinary shares of nominal value Euro 0.50 (zero point fifty) each, with the Board having the ability to (i) hold a rights issue and/or (ii) reserve all or part of the shares for Italian or foreign institutional investors thereby circumscribing the subscription rights. The mandate was exercised by the Board of Directors at the meeting of 23 November 2006 when it voted in favour of a share capital increase, with no subscription rights, to service the indirect conversion rights of the underwriters of the convertible bonds, of 6,194,690 ordinary shares of nominal value Euro 0.50 each. Details of the Indirect Convertible Bond Loan are given in the Notes to the 2006 Parent Company Accounts.

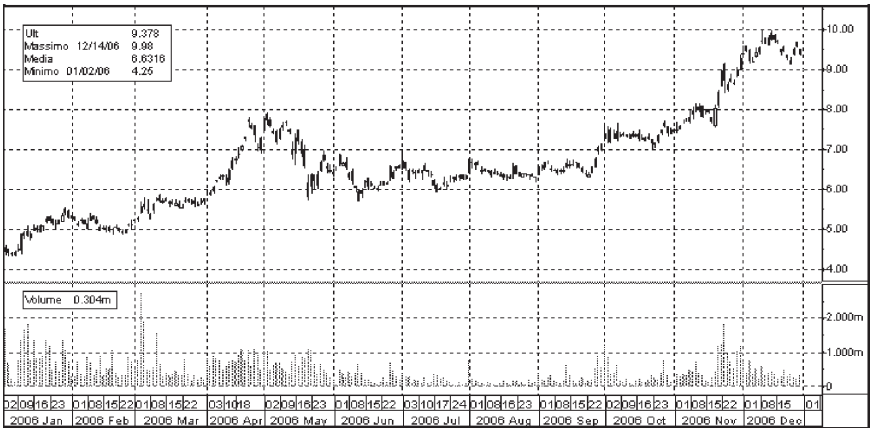
THE COMPANY ARTICLES

The current company articles, approved by the Extraordinary Shareholders' Meeting of 13 September 2006, are deposited with Borsa Italiana and available on the company website. There are 37 articles. The Board of Directors' report commenting and presenting the proposed new company articles has also been properly deposited at the registered offices of Borsa Italiana S.p.A. and is available to shareholders. The Extraordinary Shareholders' Meeting to approve new company statutes in accordance with Law 262/2005 and subsequent amendments has been convoked for a first calling on 30 April 2007 and a second calling on 7 May 2007; the Board of Directors report commenting and presenting the new articles will be deposited at the company's registered offices and Borsa Italiana and available to shareholders according to law.

COMMUNICATION WITH SHAREHOLDERS AND INSTITUTIONAL INVESTORS

To facilitate an open dialogue with all shareholders and, in particular, with institutional investors, the company has nominated a person to be responsible for financial communications (the Investor Relations Manager) and to make available information released by the company (reports and accounts, reviews, press releases) on its website, www.trevifin.com, both in Italian and English. In the financial year 2006 the website was updated and it is now possible not only to obtain available information on the parent company but also to access the websites of its main subsidiaries.

Contact details of the Investor Relations Manager are:
Stefano Campana
Tel. -39 (0)547-319411
Fax: -39 (0)547-319313
e-mail: scampana@trevifin.com
The company promotes regular meetings with institutional investors and, in conjunction with AIAF (The Italian Association of Financial Analysts), organises twice yearly presentations at the Italian Stock Exchange in Milan to the financial community for its half-year and full-year results and the strategies of the principal business sectors. In the last financial year, the company actively promoted meetings with the financial community involving a guided tour of its production facilities as well as one-to-one meetings with individual shareholders and investors both in Italy and abroad. The company intends to follow the guidelines of the "Guida per l'informazione al mercato" (Guide for communicating with the market) compiled by Forum ref. and Borsa Italiana for its corporate communications.
The calendar of corporate events has been sent by NIS to the Italian Stock Exchange and is available on the company website.



2006 was a positive year for the Italian stock market; the Mibtel index rose 17.9%. "Trevi" shares had the second strongest performance over the year of all shares listed on the Milan stock exchange rising 113.7%. This followed a 274.7% rise in the share price in 2005 and was accompanied by a strong increase in daily traded volumes. The share price at the balance sheet date was Euro 9.40. The market particularly appreciated the organic growth strategy of the company in all its main markets and the further significant improvement in all its principal financial and economic figures.

SHARE CAPITAL

The issued share capital of TREVI – Finanziaria Industriale S.p.A. at 31 December 2006 totaled Euro 32,000,000 fully paid-up and comprising 64,000,000 ordinary shares of nominal value Euro 0.50 each.

The company is controlled by TREVI Holding Aps which holds 53.125% of the share capital.

At 31 December 2006, from data held by CONSOB, JP Morgan Asset Management (UK) Ltd had a holding that exceeded 2% of the company share capital, namely 2.135%; on 31 January the company declared that it had increased its stake to 5.178%.

Shares held by board members and statutory auditors are listed in the Notes to the 2006 Financial Statements.

At 31 December 2006, the company held none of its own shares either directly or through its subsidiaries.

ADDITIONAL INFORMATION

The attachment, Table 3), has been included, as directed in the guide to the preparation of the corporate governance review by Assonime, to give other information and estimates under the Self-Regulatory Code.

CODE OF ETHICS

On 13 November 2006 the Board of Directors approved an internal code of ethics which is available on the company website

NEW SELF-REGULATORY CODE OF PRACTICE

As mentioned above, in March 2006 a new Self-Regulatory Code of Practice was published, seven years after the original version, by the Corporate Governance Committee of the Italian Stock Exchange. The new code, with the growing awareness of best practice and the efficacy of good corporate governance in evaluating and protecting the investment of a company's shareholders, requires all listed Italian companies to strengthen their own governance systems.

The company will adopt this new code in its entirety during the 2007 financial year, also because of the imminent renewal of the directors' mandates due with the approval of the 2006 Financial Statements; to date, the company has already adopted some of the principles contained therein. Franco Mosconi has been named as the third independent non-executive member of the Internal Control Committee and of the Committee for Board Members Remuneration; Gianluigi Trevisani has been named Executive Administrator to monitor the

functioning of the internal control system; and authorization has been given for the task of strengthening and implementing the internal control system to be given to a company of consultants. A review of corporate governance will be included in the Financial Statements to 31 December 2007, pursuant to the March 2006 edition of the Self-Regulatory Code.

Law 262/2005 for the protection of savings and investments, with subsequent modifications and amendments, has led to a substantial change in the regulations for listed companies regarding the administrative bodies, controls and governance, which has also led to companies giving added emphasis to the application of best practice.

TABLE 1: STRUCTURE OF BOARD OF DIRECTORS AND COMITEE

		Board of Directors					Internal Control Committee °		Remuner-atoin Commitee °°		Committee Appoint-ments#		Exec-utive Commitee	
Position Held	**Member**	**Executive**	**Non-Executive**	**Independent**	********	**Number of positions held ****	*******	********	*******	********	*******	********	*******	********
Chairman and Managing Director.	Trevisani Davide	X			100%									
Deputy Chairman and Managing Director	Trevisani Gianluigi	X			87,5%									
Managing Director	Trevisani Cesare	X			87,5%									
Board Member	Trevisani Stefano	X			75%									
Board Member	Amoroso Mario		X	X	75%		X	67%				---		
Board Member	Moscato Guglielmo		X	X	50%									
Board Member	Teodorani Fabbri Pio		X	X	75%									
Board Member	Bocchini Enrico		X	X	87,5%		X	100%				----		
Board Member	Pinza Roberto		X	X	25%									
Board Member	Franco Mosconi		X	X	80%		X	---				---		

° Summary of reasons for any absence from the committee, or different composition from that recommended in the code of practice:

°° Summary of reasons for any absence from the committee, or different composition from that recommended in the code of practice:

Summary of reasons for any absence from the committee, or different composition from that recommended in the code of practice: Not envisaged

Number of meetings held during the year in question	**Board of Directors: 8**	**Internal Control Committee: 3**	**Remuneration Committee: ---**	**Committee Appointments: ---**	**Executive Committee: ----**	**Executive Committee: ---**

NOTES:

**The asterisk indicates if the board member has been appointed by minority shareholders.*

*** This column indicates the number of appointments held by board members or auditors in other companies quoted on regulated markets, including overseas, in finance, banking, insurance companies or of relevant size. In the corporate governance report appointments are given in greater detail.*

**** In this column, the "X" denotes a board member appointed to a committee.*

***** This column indicates the attendance percentage of members at board and committee meetings.*

As indicated in the corporate governace report, the remuneration committees and the internal control committees are been supplemented with a third component by the Board of Directors resolution of 13th November 2006

In 31st July 2006 meeting, the Board of Directors took note of Roberto Pinza's resignation, the indipendent and not executive Director, and it provided to co-opt Franco Mosconi

TABLE 2: BOARD OF AUDITORS

Carica	Members	Attendance percentage at auditors' meetings	Number of other appointments**
Chairman	Leonardi Adolfo	100%	
Statutory auditor	Alessandri Giacinto	100%	
Statutory auditor	Poletti Giancarlo	100%	
Statutory auditor	Daltri Giancarlo	----	
Statutory auditor	Alessandri Marco	----	
Number of meetings held in the business year in question: 12			
Required quorum for minority shareholders presenting lists of election candidates for one or more statutory members (from art. 148 TUF): at least 3% of the total capital stock			

NOTE:
** The asterisk indicates if the auditor has been appointed by minority shareholders.*
*** This column indicates the number of appointments held by board members or auditors in other companies quoted on regulated Italian markets.*
In the corporate governance report these appointments are given in greater detail.

TABLE 3: OTHER PROVISIONS OF THE SELF-REGULATORY CODE OF PRACTICE

	YES	NO	Summary notes for any diversions from the recommendations of the code
System of delegation and operations with other associated parties			
Has the Board delegated powers defining their:			
a) limits	x		
b) implementation methods	x		
c) reporting intervals?	x		
Does the board retain the right to examine and approve operations with a significant effect on assets or on the economic and financial standing of the company (including those with other associated parties)?	x		
Has the board set guidelines and defined criteria to identify "significant" operations?	x		
Are the above guidelines and criteria described in the report?	x		
Has the board defined appropriate procedures to examine and approve operations with other associated parties?	x		
Are the procedures for approving operations with associated parties described in the report?	x		

Procedures for appointing the most recent board members and auditors

Was notice of the candidature for board membership deposited at least ten days in advance?	x		
Was the candidature for board membership accompanied by complete information?	x		
Was the candidature for board membership accompanied by indications that s/he was suitably qualified as independent?	x		
Was notice of the candidature as an auditor deposited at least ten days in advance	x		
Was the candidature notice accompanied by complete information?	x		

General Shareholder Meetings			
Has the company approved a regulation procedure?		x	Limited number of shareholders present
I the regulation procedure attached to the report (or is there an indication where it can be obtained/downloaded)?			

Internal Control			
Has the Company appointed personnel responsible for internal control?	x		

Organisational unit responsible for internal control (from article. 9.3 of the code	Consolidated Balance Sheet and Management Control Office

Investor relations			
Has the company appointed an investor relatoins manager?	x		
Organisational unit and contact details (address/telephone/fax/e-mail) of the investor relations manager	Campana Stefano based at the Company's registered office in Cesena (FC) Via Larga, 201 - tel. 0547-319411 fax 0547-319313 E mail: scampana@trevifin.com		

Internal Dealing

In the 2006 financial year there were eighteen communications concerning internal dealing by the company Managing Directors, Davide Trevisani (also in the person of his wife, Caterina Santagata), Gianluigi Trevisani, Cesare Trevisani; by Simone Trevisani, Managing Director of the subsidiary Soilmec S.p.A.; and by the Administrative and Finance Director, Daniele Forti (in the person of his wife, Anna Biscaglia). All these communications were deposited with Borsa Italiana and are available on its website.

Treasury shares and shares in the controlling shareholder

At the closing date of the financial statements the company does not own directly or through its subsidiaries any of its own shares nor does it hold shares and/or stakes in the controlling shareholder, Trevi Holding APS

Additional information

The company has had a subsidiary in Venezuela since March 2004 for the purpose of running the consortium that includes Trevi SpA (50%), Trevi – Finanziaria Industriale (45%) and SC Sembenelli Srl (5%), which won the contract awarded by CADAFE in Venezuela for the repair of the “Borde Seco” dam.

Within the time frame envisaged by the law, the company has introduced the Security Planning Document governed by Article 34 of the New Consolidation Act on privacy.

In accordance with Consob ruling 11520 of 2 July 1998, shares held personally by board members and statutory auditors are as follows:

1. Shares held in Trevi – Finanziaria Industriale S.p.A.

Surname and name	Possession Title	No. of shares owned on 12/31/05	No. of shares bought	No. of shares sold	No. of shares owned on 12/31/06
Trevisani Davide	Owner	1,990,069		290,215	1,699,854
	Owned by married partner	0	56,447	0	56,447
Trevisani Gianluigi	Owner	193,700	104,000	75,000	222,700
Trevisani Cesare	Owner	167,115	85,299	66,000	186,414
Trevisani Stefano		-			-
Amoroso Mario		-	-	-	-
Moscato Antonio Claudio	Owner	2,000		2,000	-
Franco Mosconi		-	-	-	-
Teodorani Fabbri Pio		-	-	-	-
Bocchini Enrico	Owner	1,000	-	-	1,000
Leonardi Adolfo		-	-	-	-
Alessandri Giacinto		-	-	-	-
Poletti Giancarlo		-	-	-	-
Daltri Giancarlo		-	-	-	-
Alessandri Marco		-	-	-	-

2. Share held in the subsidiary SOILMEC S.p.A., with registered offices in Cesena (FC) Via Dismano, 5819 - Business Register of Forlì – Cesena no. 00139200406, share capital of Euro 5.160 million, fully paid-up, representing 1,000,000 ordinary shares of nominal value Euro 5.16 each.

Surname and name	Possession Title	No. shares owned on 12/31/05	No. shares bought	No. shares sold	No. shares owned on 12/31/06
Trevisani Davide	Owner	16,800	-	-	16,800
Trevisani Gianluigi	Owner	10,200	-	-	10,200
Trevisani Cesare	Owner	3,000	-	-	3,000

Proposed allocation of profits

The profit in the TREVI – Finanziaria Industriale S.p.A. financial statements for the year ending 31 December 2006 was Euro 4,811,230 which we propose should be distributed as follows:

- 5%, equal to Euro 240,562, to the legal reserve;
- Euro 0.050 per share to the shareholders ranking for dividend with an ex-dividend date of 9 July 2007 and payment from 12 July 2007;
- the remainder to the extraordinary reserve

Dear shareholders,
2006 was an exceptional year for Trevi Group during which we confirmed our excellent organic growth in all our international markets and had a substantial increase in profits.
These results can be attributed to the skill and commitment of our workforce. On behalf of the Board of Directors, I wish to thank them for their support and professionalism. The size of the order portfolio makes us confident that 2007 will also be a positive year for Trevi Group with a strong increase in the main financial figures.

Cesena 29 March 2007

On behalf of the Board of Directors
The Chairman
Davide Trevisani

CONSOLIDATED

Thousands of Euro

ASSETS	Notes	12.31.2006	12.31.2005
Non-current assets			
Tangible fixed assets		37,961	37,522
Lands and Buildings		99,171	90,415
Plant and machinery		17,178	14,135
Other assets		21,559	24,835
Assets under construction and advance payments		16,523	1,807
Total tangible fixed assets	**(1)**	**192,391**	**168,714**
Intangible fixed assets			
Deferred development costs		2,851	2,441
Industrial patents and intellectual		611	494
Concessions, licenses and trademarks		573	541
Other intangible fixed assests		881	55
Total intangible fixed assets	**(2)**	**4,916**	**3,531**
Investment property	(3)	147	183
Investments	(4)	842	984
Deferred income tax assets	(5)	7,291	3,509
Derivative financial instruments	(6)	135	
Financial activities owned till due	(7)	200	200
Other financial assets - Loans	(8)	1,080	1,757
Trade and other receivables	(9)	7,822	7,644
Total Financial fixed assets		**17,518**	**14,277**
Total non-current assets		**214,826**	**186,522**
Inventories	(10)	169,189	120,282
Trade and other receivables	(11)	226,240	183,452
- of which with related parties		*1,748*	*1,665*
Current income tax receivables	(11.a)	11,224	9,509
Derivative financial instruments	(12)	164	5
Liquid funds	(13)	89,906	51,376
Total current-assets		**496,723**	**364,624**
TOTAL ASSETS		**711,549**	**551,146**

BALANCE SHEET

Liabilities and Stockholders' Equity	Notes	12.31.2006	12.31.2005
Capital and reserves attributable to Company's equity holders			
Capital Stock		32,000	32,000
Other reserve		46,472	46,459
Profit (Loss) brought forward		16,741	5,941
Net income (loss) for the year		26,760	12,824
Total	**(14)**	**121,973**	**97,224**
Minority interests in capital and reserves		**5,420**	**4,844**
Total Equity		**127,393**	**102,068**
Non-current liabilities			
Long term borrowings	(15)	172,636	76,848
Due to other providers of finance	(15)	24,375	18,496
Derivative financial instruments	(15)	121	188
Deferred income tax liabilities	(16)	23,568	19,716
Post-employment benefit	(17)	16,067	14,177
Long term provisions	(16)	8,729	9,080
Other payables	(18)	2,966	1,870
Total non-current liabilities		**248,463**	**140,375**
Current Liabilities			
Trade and other payables	(19)	254,802	215,247
- of which with related parties		*131*	*207*
Current income tax liabilities	(20)	12,079	11,399
Short term borrowing	(21)	61,397	69,813
Due to other providers of finance	(22)	7,340	12,244
Derivative financial instruments	(23)	76	
Total current liabilities		**335,694**	**308,703**
Total liabilities		**584,156**	**449,078**
Total liabilities and Stockholders' equity		**711,549**	**551,146**

CONSOLIDATED PROFIT AND LOSS

(Thousands of Euro)

	Note	12.31.2006	12.31.2005
Revenues from sales and services	(24)	606,850	474,004
- of which with related parties		*1,543*	*412*
Additions to fixed assets by internal production		13,726	3,410
Other income	(24)	21,075	13,974
- of which not ordinary items		*874*	-
Changes in inventories of work in progress and finished products		18,365	5,582
Changes in contract work in progress	(24)	15,326	9,783
Costs of goods		(332,681)	(230,185)
Changes in inventories of raw, ancillary and consumable materials		18,122	10,106
Salaries and employee benefits	(25)	(104,662)	(94,038)
Other operating expenses	(26)	(170,473)	(137,330)
- of which with related parties		*(79)*	*(55)*
Depreciation	(1)-(2)	(23,933)	(20,503)
Writedowns and provisions	(27)	(3,639)	(6,105)
E.B.I.T.		**58,077**	**28,698**
Financial income	(28)	2,154	1,576
Financial expenses	(29)	(12,573)	(10,446)
Net difference from exchange	(30)	(5,062)	5,558
Sub-Total Financial income/expenses and Net diff. From exch.		**(15,482)**	**(3,312)**
Income /(expenses) from associated companies	(31)	8	(110)
Gain (losses) on disposal of intangible-tangible assets			
Results before taxation		**42,603**	**25,276**
Income taxes for the year	(32)	(14,674)	(11,577)
Net income (loss) for the year		**27,929**	**13,699**
Minority interests		(1,169)	(875)
Group net income for the year		**26,760**	**12,824**
Earning per Share	**(33)**	**0,418**	**0,200**
Earning diluted per Share	**(33)**	**0,379**	**0,200**

CONSOLIDATED STATEMENT OF CHANGES TO NET EQUITY

(Thousands of Euro)

Descrizione	Share Share	Other Reserves	Retained Profits Losses	Group Share of Profit for the period	Minorities share of net equity.	Total Net equity
Balance at 12/31/2004	**31,304**	**38,763**	**4,576**	**2,555**	**3,685**	**80,883**
Application of Profit 2004		104	1,491	(1,595)		-
Dividend distribution				(960)		(960)
Translation differences		6,946				6,946
Changes in the area of						0
Consolidation and other changes		646	(126)		1,159	1,679
Treasury shares	696					696
Group share of Profit for the year				12,824		12,824
Balance al 12/31/2005	**32,000**	**46,459**	**5,941**	**12,824**	**4,844**	**102,068**
Application of Profit 2005		424	10,800	(11,224)		-
Dividend distribution				(1,600)		(1,600)
Translation differences		(7,694)				(7,694)
Changes in net equity of minorities					576	576
Effects of issue of Convertible Bond		7,146				7,146
Cash-Flow Hedge reserves		136				136
Group share of Profit for the year				26,760		26,760
Balance at 12/31/2006	**32,000**	**46,471**	**16,741**	**26,760**	**5,420**	**127,393**

STATEMENT OF PROFITS/(LOSSES) TAKEN TO NET EQUITY

(Thousands of Euro)

	2006	2005
Profits/ (losses) taken directly to cash-flow hedge reserve	136	-
Profits/ (losses) taken directly to translation reserve	(7,694)	6,946
Profits/ (losses) taken directly to net equity	**(7,558)**	**6,946**
Group share of Profit for the year	27,929	13,699
Profit recognized for the year	**20,371**	**20,645**
Attributable to:		
Parent Company shareholders	19,529	19,197
Minority shareholders	842	1,448

STATEMENT OF CONSOLIDATED CASH-FLOW *(Thousands of Euro)*

		Notes	12/31/2006	12/31/2005
	Net income for the year		27,929	13,699
	Income taxes for the year	(32)	14,674	11,577
	Result before taxation		**42,603**	**25,276**
	Depreciation	(1)-(2)	23,934	20,503
	Financial (Income) / Expenses	(28)-(29)	10,418	8,870
	Changes in the reserve for post employment benefit	(17)	(179)	(352)
	Increase in the reserve for post employment benefit	(16)-(17)	12,402	12,979
	Decrease in the reserve for post employment benefit	(16)-(17)	(6,460)	(5,194)
	(Income)/ Expenses from associated companies	(31)	(8)	110
	Gain (Losses) on disposal of intangible - tangible fixed assets	(24)-(26)	434	746
(A)	**Cash Flow from operations before changes in the Working Capital**		**83,145**	**62,938**
	(Increase)/Decrease Trade receivables	(9)-(11)	(30,543)	(37,454)
	(Increase)/Decrease inventories	(10)	(48,904)	(28,358)
	(Increase)/Decrease Other activities		(17,248)	(14,328)
	Increase/(Decrease) Trade payables	(19)	19,675	64,607
	Increase/(Decrease) Other liabilities		17,402	15,871
(B)	**Cash Flow from Working Capital**		**(59,617)**	**338**
(C)	Cash out for Interests and other expenses	(28)-(29)	(10,418)	(8,870)
(D)	Cash out for Taxes	(13)	(10,791)	(4,431)
(E)	**Cash Flow from operating activities (A+B+C+D)**		**2,319**	**49,975**
	(Investments)	(1)-(2)	(57,576)	(26,234)
	Disinvestments	(1)-(2)	1,514	455
	Exchange differences	(1)-(2)	6,668	(9,661)
	Net changes in financial fixed assets	(4)	150	(33)
(F)	**Cash Flow from investment activities**		**(49,244)**	**(35,473)**
	Capital Stock's increases	(14)	0	696
	Other changes		(1,004)	7,748
	Increase/(Decrease) of other bank liabilities	(15)-(21)	88,292	(2,424)
	Increase/(Decrease) of financial leasing liabilities	(15)-(22)	975	(4,558)
	Distributed Dividends	(13)	(1,600)	(960)
(G)	**Cash Flow from financing activities**		**86,662**	**502**
(H)	**Net change in Cash Flows (E+F+G)**		**39,736**	**15,004**
	Net liquid funds, opening amount		**48,576**	**33,572**
	Net liquid funds, opening amount		**39,736**	**15,004**
	Net change in Cash Flows		**88,312**	**48,576**

Note of reconciliation of the available cash balance as shown on the Cash Flow Statement

Description	Note	**12/31/06**	**12/31/05**
Liquid Fund	(13)	89,906	51,376
Bank overdraft	(21)	(1,594)	(2,800)
Net Liquid fund		**88,312**	**48,576**

Group profile and activities

TREVI – Finanziaria Industriale S.p.A. and the companies it controls (henceforth known as "TREVI Group" or "the Group") is active in the following sectors: contracts and services in foundation engineering for civil works and infrastructure projects, oil services and the manufacture of plant and equipment for special foundations, tunneling, and drilling rigs for the extraction of hydrocarbons and water exploration. These business sectors are organized within the four main companies of the Group: Trevi S.p.A, which heads the division for foundation engineering (the "Trevi Division"); Soilmec S.p.A., which heads the division manufacturing and marketing plant and equipment for foundation engineering (the "Soilmec Division"); Drillmec S.p.A., which produces and sells drilling equipment for the extraction of hydrocarbons and water exploration; and Petreven C.A., active in the drilling sector providing oil drilling services.
The Group is controlled by Trevi Holding A.P.S.
TREVI – Finanziaria Industriale is listed on the Milan Stock Exchange. These Financial Statements were approved by the Board of Directors on 29 March 2007. The Shareholders' Meeting has the power to alter the Financial Statements on the recommendation of the Board of Directors.
For information on the business areas in which the Group operates, on related party transactions and on events subsequent to the balance sheet date, please see the Operating Review.

General presentation criteria
Pursuant to EC Regulation no. 1606/2002 pf 19 July 2002, the Consolidated Financial Statements of the Trevi Group to 31 December 2006 have been prepared and presented in accordance with the International Accounting Standards issued by the I.A.S.B. – International Accounting Standards Board and adopted by the European Commission (henceforth singly IAS or IFRS or together IFRS) and currently in force and according to the SIC/IFRC interpretive standards published to date by the Standing Interpretations Committee and by the International Financial Reporting Interpretations Committee.
The Trevi Group applied International Accounting Standards in 2005; the Consolidated Financial Statements to 31 December 2005, the first IAS/IFRS compliant statements, were audited.
The parent company, TREVI – Finanziaria Industriale S.p.A., using the faculty available under Decree Law no.38 of 28 February 2005 adopted the International Accounting Standards from 1 January 2006 for its financial statements. The reconciliation required under IFRS 1

concerning the effects of the transition to IAS/IFRS accounting can be found in the Appendices.
The economic and financial results of the group in 2006 and comparative periods have been prepared according to the International Financial Reporting Standards (IFRS) ratified by the European Union and in effect at the date of publication of the present document.

Preparation of Financial Statements
The Consolidated Income Statement uses aggregated costs by category as this classification is deemed more useful for understanding the results of the Group.
The Balance Sheet is classified using the operating cycle of the company to make the distinction between current and non-current items. On this basis, assets and liabilities are considered current if it is assumed that they will be realized or settled within a normal operating cycle of the Group.
The Cash Flow Statement is prepared using the indirect method to determine financial flows deriving from financial or investment activities.
In preparing the Consolidated Financial Statements, the Parent Company and the Italian and foreign subsidiaries have prepared their income, balance sheet and cash flow data in accordance with IAS/IFRS principles.

Consolidation principies

Subsidiaries:
Companies are considered subsidiaries when the Parent Company has the right directly or indirectly to exercise control over the management of the company and to obtain the benefits of its activities. Control is presumed to exist when the Group holds the majority of the voting rights; the definition of control also assumes any potential voting rights which at the date of the Financial Statements can be exercised.
The accounts of subsidiaries are consolidated using the line by line method from the time that control is acquired until such time as this control is relinquished.
Under IFRS 3 (Business Combinations), the purchase method is used for the acquisition costs of subsidiaries acquired by the Group whereby:
- the acquisition cost is made up of the fair value of assets given, taking into account any equity instruments issued or any liabilities

assumed, plus any costs directly attributable to the combination;

- the excess of the cost of the business combination over the fair value of the share of the net assets acquired by the Group is accounted as goodwill
- if the acquisition cost is lower than the fair value of the share of the net assets acquired by the Group, the difference is recognized in the income statement

The reciprocal debit/credit and cost/revenue relationships for companies within the area of consolidation, and the effects of all significant transactions among these companies, are transparent. Unrealised profits with third parties deriving from inter-group transactions, including those from a valuation of inventories at the balance sheet date, are eliminated.

The share of net equity pertaining to minority shareholders has an appropriate entry in the Financial Statements whilst that pertaining to third parties is shown as a specific item in the Consolidated Income Statement.

Associated Companies:

Associated companies are those in which the Group exercises significant influence but where it does not have operating control. It is deemed to have significant influence when it holds an important share (between 20% and 50%) of the voting rights in a Shareholders' Meeting of a company.

The Group's share of the profits or losses of associated companies are recognized in the Consolidated Financial Statements using the equity accounting method from the date that the significant influence is acquired until such time as this influence is relinquished.

The Group's share of the profits or losses of associated companies, following acquisition of the shareholdings in these companies, is recognized in the Consolidated Income Statement.

The equity accounting method is as follows:

The Group's share of the profit or losses are recognized in the Consolidated Income Statement of the Consolidated Financial Statements from the date on which significant influence or joint control began until the date on which such influence or joint control ceases. The variations in the asset values of companies valued using the equity method and not included in the income statement are taken as an adjustment to reserves in the balance sheet;

Unrealised profits and losses resulting from transactions between the Parent Company or its subsidiaries and associates are eliminated to the extent of the Group's interest in the associate.

Unrealised losses are eliminated except where they represent a reduction in the value of the associate.
The joint ventures in Argentina are equity accounted.

Joint ventures:
IAS 31 ("Financial Reporting of Interests in Joint Ventures") defines a Joint Venture as a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control and requires that they either be proportionally consolidated or equity accounted,
Under proportionate consolidation the balance sheet of the venturer includes its share of the assets, liabilities, revenues and costs of the jointly controlled entity. Investments acquired or divested in the course of a financial year are consolidated for the period of joint control.
The equity method of consolidation means a summary consolidation whereby the carrying value of the investment in the joint venture is replaced by the relative share of its net equity as determined by the consolidation principles.

Translation to Euro of financial statements of foreign companies
The financial statements of foreign companies that are consolidated are converted into Euro applying exchange rates prevailing at the year end to assets and liabilities and the average exchange rates for the financial period for the income statements. Exchange rate differences deriving from the conversion of the opening assets and liabilities at the exchange rate prevailing at the year end and that prevailing at the start of the year and those deriving from the translation of the income statement using average exchange rates are recognized in a translation reserve included in shareholders' equity.
The exchange rates used in the 2006 financial statements areshown in the following table:

Currency		Average exchange 12/31/06	Rate for the year at 12/31/06	Average exchange 12/31/05	Average exchange 12/31/05
Pound sterling	GBP	0.6818	0.6715	0.684	0.685
Japanese Yen	JPY	146.062	156.93	136.871	138.900
U.S. Dollar	USD	1.2557	1.317	1.245	1.1797
Turkish Lira	TRL	1.807	1.864	1.678	1.592
Pesos Argentino	ARS	3.860	4.045	3.638	3.573
Venezuelan Bolivar	VEB	2,696.29	2,827.99	2,619.93	2,533.17
Nigerian Naira	NGN	161.297	169.344	164.788	153.275
Singapore Dollar	SGD	1.994	2.020	2.071	1.963
Philippine Peso	PHP	64.3615	64.5460	68.520	62.719
Chinese renmimbi	CNY	10.009	10.279	10.204	9.520
Malaysian Ringgit	MYR	4.6031	4.6490	4.7146	4.458
Dirham U.A.E.	AED	4.612	4.837	4.572	4.333
Algerina dinar	DZD	91.4218	93.6974	90.727	86.038
Swedish kroner	SEK	9.2533	9.0404	9.280	9.389
Hong Kong Dollar	HKD	9.7549	10.2409	9.682	9.147
Iranian Rial	IRR	11,516.13	12,146.70	11,153.417	10,725.80

Area of consolidation

The area of consolidation includes the financial statements of the Parent Company, TREVI – Finanziaria Industriale S.p.A., its subsidiaries and its associates without exception. Subsidiaries are those companies in which the Group has a controlling interest. Control is deemed to exist when more than half the existing or potential voting rights that can be exercised at an Ordinary Shareholders' Meeting are held, directly or indirectly, at the balance sheet date.
Associates are those companies in which the Parent Company exerts significant influence. This influence is deemed to exist when more than 20% of the existing or potential voting rights that can be exercised at an Ordinary Shareholders' Meeting are held at the balance sheet date.
Subsidiaries and associates are consolidated from the date on which the Group obtains control and are no longer consolidated from the date on which this control is relinquished.

Acquisition of subsidiaries and associates are accounted for using the acquisition method. The acquisition cost is the current value of assets given, taking into account any equity instruments issued or any liabilities assumed, plus any costs directly attributable to the acquisition. The excess of the cost of acquisition over the Group's

interest in the net assets acquired is accounted for according to IFRS 3 (purchase method) on the basis of which:

a) the acquisition cost is composed of the Fair Value of the asset sold, considering the potential issue of net equity instruments and of the liabilities assumed, increased by the costs directly attributable to the acquisition.
b) the excess of the cost of acquisition compared to market value of the share of the group's interest in the assets and accounted as goodwill.
c) if the acquisition cost is lower than the fair value of the Group's interest in the net assets acquired, the difference is recognized immediately in the income statement.

In associate companies the goodwill is included in the value of the shareholding and eventually adjusted for any reduction in value revealed by an impairment test.

In the case of associate companies, any goodwill is included in the acquisition value of the Group's interest and subsequently written down for the amount of any accumulated impairment losses.
Subsidiaries are accounted for using the line-by-line method, assuming the entire value of the assets and liabilities and all the cost and revenues irrespective of the actual percentage share held in the subsidiary. The carrying value of consolidated holdings is eliminated from net equity. Intragroup balances, transactions, income and expenses are eliminated in full. Minority interests in net equity are shown as a specific entry in the balance sheet and minority interests in the profit or loss of the Group are shown separately in the Consolidated Income Statement.
Following acquisition, holdings in associate companies are equity accounted and reporting the Group's interest in the Income Statement. Unrealized profits and losses resulting from transactions between the Parent Company and associates are eliminated to the extent of the Group's interest in the associate. When the Group's share of the losses in an associate company equals or exceeds the value of the investment, the Group does not recognize further losses unless it has an obligation to make good the losses or has made a payment on behalf of the associated company.
All financial statements of companies of the Group are prepared as of the same reporting date and refer to financial periods of equal length.
The area of consolidation has changed in respect of 31 December 2005 as follows:

1. Soilmec France S.a.S., 98.18% controlled by Soilmec International B.V. (Holland) was set up on 21 December 2005 and began operating on 1 January 2006. This company is engaged in trading activity, technical assistance and after-sales service.
2. Soilmec S.p.A. bought 60% of PSM S.r.l.; the company manufactures equipment for small drills in the special foundations sector and the acquisition was made to strengthen the range of products offered
3. A joint venture, Kiewit / Treviicos Corporation was set up and is 50% consolidated
4. The holding in Soilmec Far East Pte Ltd has gone from 70% to 10% and has been accounted for at cost, for a value of 252 Thousands of Euro in investments

Associated companies in which the Parent Company has a direct or indirect holding which does not constitute control, as well as non-operative Joint Ventures, where the work for which they were set up is almost complete or is about to be completed, are equity accounted. The attachment (1a) shows the holdings valued using the equity accounting method. The values under the equity accounting method use the most recent financial statements approved by these companies as the point of reference. Translation of financial statements in foreign currencies are converted using the exchange rates prevailing at the year end.

Minority holdings and minority stakes in consortia or non-operative companies are valued using the cost accounting method and adjusted for material impairment losses. In particular, limited liability consortia and consortia specifically set up as operating entities for projects or works acquired by a consortium including other companies and in existence for a limited period, which have financial statements with no operating result because they off-set any direct costs by a corresponding debit to the combined businesses of the consortium, are cost accounted. Attachment 1c gives details of these holdings.
Profuro International Lda, Trevi Park Plc, Hercules Trevi Foundation A.B., and Trevi Spezialtiefbau Gmbh, in which the Group holds 47.5%, 26.5%, 49.5% and 99% respectively have been accounted for at cost since they are considered of immaterial size. These companies were set up in prior years for specific projects in their relative countries. On completion of these projects the Group retained these

companies, albeit completely inoperative, in case of future business opportunities. The percentage held in these companies is shown in the following table:

Company	Group holds interest
Profuro International Lda	47.50%
Trevi Park Plc	26.50%
Hercules Trevi Foundation A.B.	49.50%
Trevi Spezialtiefbau Gmbh	99%

For greater detail, please see the Group Organisational Chart (Attachment no.2).

Valuation criteria

NON-CURRENT ASSETS

Tangible fixed assets

The operating tangible fixed assets acquired after the adoption of IAS/IFRS, are valued using the cost method as required by IAS 16. In accordance with this, tangible assets are stated at their acquisition or construction cost, including contingent costs and costs incurred, and subsequently adjusted for depreciation, impairment losses and revaluations.

Depreciation is calculated and charged to the income statement on a straight line basis over the useful life of the asset.

The cost to purchase or produce the asset is the cash price equivalent at the recognition date, except where the payment is deferred beyond the normal credit terms when the difference between the cash price equivalent and the total payment is recognized as interest over the period of the credit.

Financial costs contingent on the acquisition, construction or manufacture of a tangible fixed asset are charged to the Income Statement.

The capitalization of costs contingent on adding to, updating or improving assets for the Group's own use or in use from third parties is only effected when these costs meet the requirement for them to be classified as a separate asset or part of an asset.

The depreciable amount of each significant element of a tangible fixed asset with a different useful life is apportioned on a straight line basis over its expected useful life.

Description	years	%
Land	Indefinite useful life	
Industrial Buildings	33	3%
Light constructions	10	10%
Generic equipment and accessories	20	5%
Drilling equipment	13	7.5%
Assorted small equipment	5	20%
Motor vehicles	5-4	18.75% - 25%
Transport vehicles	10	10%
Excavators and power shovels	10	10%
Office furniture and fittings	8.3	12%
Electromechanical machinery for offices	5	20%
Watercraft	20	5%

The criteria for the depreciation rate used, the useful life and the residual value are calculated at least as often as the end of each financial year in order to take account of any significant changes.
The capitalized costs for improvements to third-party assets are recognized in the relevant fixed asset category and depreciated for the shorter of either the residual length of the leasing contract or the residual useful life.
The carrying value of tangible fixed assets remains on the balance sheet as long as that value can be recouped from their use.
Ordinary maintenance costs are entirely charged to the Income Statement. Those increasing the value of the asset, by extending its useful life, are capitalized.

Leasing contracts

Finance Leases are accounted for in accordance with IAS 17. This requires that:

- The cost of leased assets is recognized in fixed assets and is depreciated on a straight line basis for the estimated useful life of the asset; there is a corresponding entry for financial payables towards the lessor for an amount equal to the fair value of the leased asset
- Lease payments are recognized in such a way as to separate the financial element from the capital element, considered as repayment of the outstanding liability to the lessor

Leasing contracts where the lessor retains almost all the risks and rewards of the asset are classed as operating leases and the lease payments are recognized as an expense in the income statement over the lease term on a straight line basis.

Intangible fixed assets

Intangible assets acquired or produced internally are recognized at the cost of acquisition or production when it is probable that use of the asset will produce future economic benefits and when the cost of acquiring or producing the asset can be reliably determined. These assets are valued at acquisition or production cost.

Those intangible assets having a finite useful life are depreciated on a straight line basis over the estimated useful life of the assets as follows:

Descriptions	Years	%
Development costs	5	20%
Industrial patent and intellectual property right	5	20%
Concessions, licenses, brands	5	20%
Other intangible fixed assets	5	20%

Assets with an indefinite useful life are not depreciated but are subject to annual impairment tests or more frequently, if there is any indication that the assets might be impaired.

- *Development costs*

Research costs are recognized in the income statement at the time they are incurred. Development costs that are required by IAS 38 to be classified as an asset (when there is the technical capacity, the intention and capability, the availability of necessary resources to complete the asset for use or sale, or the ability exists to make a reliable assessment of the attributable development costs) are usually depreciated over five years on the basis of their estimated future useful life from the moment such assets are available for economic use. The useful life is assessed and modified if there is any estimated change in its future usefulness.

- *Industrial patents, intellectual property rights, concessions, licenses and brands:*

These are valued at cost net of accumulated depreciation, calculated on a straight line basis for the duration of the useful life barring any significant impairment. The criteria for depreciation, useful life and residual value are examined and measured at least as often as the end of each financial year in order to take account of any significant changes.

Investment property

This balance sheet item contains fixed assets which under IAS 40 (Investment Property) are not considered essential to the business activities of the company.

Such assets include property held to earn rentals or for capital appreciation when the cost of the property can be reliably measured and the future economic benefits associated with it will flow to the business; the cost is depreciated on the basis of the estimated future economic life of the asset

Investments

For details of the investment values in subsidiaries not fully consolidated or in associate companies, please refer to the information given in the section “Area of Consolidation”.

Financial assets

Financial assets are designated under the following categories:

- Financial assets at fair value through profit and loss: financial assets acquired primarily with the intention of generating a profit from short-term price fluctuations or designated as such on initial recognition
- Held-to-maturity investments: investments in financial assets with fixed maturities and determinable or fixed payments which the Group has the intention and capacity to hold to maturity;
- Available for sale financial assets: financial assets other than those in the preceding paragraphs or those designated as such from the start

The Group decides the designation of the financial assets at the moment of purchase; the initial recognition is the fair value at the purchase date, including transaction costs; for purchase or sale date, the settlement date of the transaction is intended.

After the initial recognition, the financial assets at fair value through profit and loss and the available-for-sale financial assets are measured at fair value. Gains or losses deriving from variations in the fair values of the financial assets at fair value through profit and loss are recognized in the income statement in the financial year they occur. The unrealised gains or losses deriving from variations in the fair value of assets designated as financial assets available for sale are recognized in equity.

The held-to-maturity investments, as well as loans receivable and other financial receivables, are measured at amortised cost net of any persistent impairment loss.

The fair value of financial assets is measured on the basis of listed offer prices or financial models. The fair value of unlisted financial assets is estimated using valuation techniques appropriate to the characteristics of the issuer. Financial assets for which the current value cannot be reliably determined are accounted for at cost less impairment.
At each balance sheet date the presence of any indications that assets may be impaired is assessed and any losses are charged to the income statement. Previously recognized impairment losses are reversed if the reason for the original recognition of the impairment no longer exists.

Treasury shares
In accordance with IAS 32, when the Group's own equity instruments are reacquired, these treasury shares are deducted from equity under the entry Treasury shares. Gains or losses are not recognized in the income statement on the purchase, sale or cancellation of treasury shares.
Any consideration paid or received, including any transaction cost directly attributable to the capital transaction, net of any associated tax benefit, is recognized directly as a change in net equity.

Grants
In accordance with IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance), grants are recognized, even without a formal confirmation, when there is a reasonable assurance that the company will adhere to the conditions attached to the grant and that the grant will be received.
The grant is recognized in the income statement on the basis of the useful life of the benefit for which it is given, by means of the deferral method in order to deduct the calculated depreciation.
A grant relating to expenses and costs already incurred or for immediate financial support to a company, with no future related costs, is recognized as income in the period in which it is received.

Impairment
A tangible or intangible asset is impaired when the carrying value in the balance sheet exceeds the recoverable value. Under IAS 36, the aim of the impairment test is to ensure that tangible and intangible assets do not have a carrying amount in the accounts that exceeds their recoverable amount, the greater of their net selling price or the value in use.

The value in use is the discounted present value of estimated future cash flows expected to arise from the asset or the cash-generating unit to which the asset belongs. The expected cash flows are discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset.
If the carrying amount exceeds the recoverable cost, the assets or the cash-generating units to which the assets belong, are adjusted down to reflect the recoverable amount. The impairment losses are charged to the income statement.
The impairment test is carried out when conditions either internal or external to the company indicate that the assets have been impaired. Goodwill or other intangible assets of indefinite useful life are tested for impairment at least annually.
If the conditions that caused the impairment no longer exist, the impairment loss is reversed proportionally until, as a maximum level, the value the asset would have had, net of depreciation calculated on its historical cost, is reached. Reversal of an impairment loss is recognized as income in the income statement.
As prescribed by International Accounting Standards there is no reversal for impairment losses for goodwill.

CURRENT ASSETS

Inventories

Inventories are carried at the lower of purchase cost and net realizable value; any impairment losses accounted for are reversed if in future financial periods the causes of the impairment no longer exist.
The cost is calculated using the average weighted cost method for raw materials, secondary, consumable and semi-finished materials and the specific cost for the other categories of inventories.

Contract work in progress

A construction contract is defined by IAS 11 (Accounting for Construction Contracts) as a contract specifically negotiated for the construction of an asset or a group of interrelated assets or interdependent as regards their planning, technology and function or their final use. Contract costs are expensed in the financial year they are incurred. Contract revenues are recognized in proportion to the stage of completion of contract activity at the date of the financial statements when the outcome of the contract can be estimated reliably.
When the outcome of a contract cannot be estimated reliably, the revenues are recognized only to the extent that contract costs

incurred are expected to be recoverable.
When it is likely that the total costs of a contract exceed the total revenues of the contract, the total estimated losses are immediately recognized as a cost.
Contract revenues are recognized on the basis of percentage of completion, on a cost-to-cost basis, whereby the proportion of contract costs incurred for work performed at balance sheet date to the estimated total contract costs is calculated.
In the balance sheet, contract work is included in Inventories when the costs incurred, plus the related profits (less the related losses), exceed any advances received. They are classified amongst the liabilities when the advances received exceed the costs incurred plus the related profits (less the related losses).

Trade receivables and other short-term assets
Receivables due within the credit terms or which carry interest at market rates are not discounted but are recognized at nominal value net of an allowance for doubtful receivables so that their value is in line with the estimated realizable value.
Receivables are recognized at their estimated realization value; this value approximates the amortised cost. If this is expressed in foreign currency, it is translated using the exchange rate at the balance sheet date.
This balance sheet item also includes the share of costs and revenues spread over two or more years to reflect the time proportion principle correctly.
Receivable sales are both with recourse and without recourse; with recourse sales include deferred payment clauses; all those transactions which, under IAS 39, do not classify for elimination of the assets from the balance sheet because the relative risks and benefits have not substantially been transferred, remain in the balance sheet of the Group even if they have been legally transferred.

Cash and cash equivalents
Cash and cash equivalents are highly liquid short-term investments (with an original maturity of no more than three months), easily convertible into known cash amounts and subject to no relevant variation from fair value.
For the Cash Flow Statement, cash and cash equivalents include cash, bank accounts and bank overdrafts. In the balance sheet, bank overdrafts are included in financial debts as part of current liabilities.

EQUITY AND LIABILITIES

- *Issued share capital*
  This item is the subscribed and fully paid up share capital; it is shown at nominal value. The acquisition of treasury shares, valued at the consideration paid, including any related costs, is recognized as a change in shareholders' funds and the nominal value of the treasury stock is deducted from shareholders funds whilst the difference between the purchase cost and the nominal value of the treasury stock is deducted from reserves.
- *Share premium Reserve*
  This item is the excess of the issue price of the shares over their nominal value and this reserve also includes the difference of the conversion price of the bonds to shares.
- *IAS Reserve*
  This entry includes the adjustments made on the first-time adoption of IAS/IFRS on 1 January 2005
- *Other reserves*
  These include capital reserves with a specific destination within the parent company.
- *Retained profit (losses)*
  This item includes the economic results of prior financial years which have not been distributed or taken to reserves (in the case of profits) or covered (in the case of losses), and movements from other equity reserves when the need for which the latter were set up no longer exists.

Financing agreements

These are initially recognized at cost on the day they are raised, which is equal to the fair value of the sum received net of related costs. Subsequently, financing transactions are valued with the amortised cost method using the current interest rate.

Employee benefits

- Short-term benefits
  Short-term employee benefits are charged to the income statement in the period of service rendered by the employee

- Post employment benefits (Defined benefit plans)
  The group recognizes certain benefits to its employees post-employment (TFR, employee termination indemnities, for the Italian companies of the Group and pension benefits for the

foreign companies). These benefits fall into the category of defined benefits, verifiable as to their existence and quantifiable as regards the amount payable but uncertain as to when payment will be required. Under IAS 19, the liability is valued using the Projected Unit Credit Method and calculated by independent actuaries. This method calculates the present value of the defined benefit obligation that an employee will receive at the estimated date when the service rendered by the employee ceases using actuarial assumptions (for example, the mortality rate, the rotation rate of personnel) and financial assumptions (for example, the discount rate and future increases in employee remuneration). The present value of the defined benefit obligation is calculated annually by an external, independent actuary. Actuarial gains and losses are charged in full to the income statement in the year in which they are realized. The Group has not used the so-called corridor method for dealing with actuarial gains and losses.

- *Defined contribution plans*

The Group participates in state defined contribution plans. The contributions paid fulfill the obligations of the Group towards its employees. The contributions are costs recognized in the period in which the benefit is earned.

Provisions for potential risks and costs, assets and liabilities

Risk and costs provisions are probable liabilities where the amount and/or timing of the obligation derive from a past event and where the fulfillment of that obligation will result in an outflow of financial resources. Provisions are made exclusively for existing obligations, either legal or implicit, deriving from a past event where at the balance sheet date a reliable estimate of the amount of the obligation can be made. The amount provided represents the best estimate of the amount necessary to fulfill that obligation made at the balance sheet date. Provisions made are re-assessed at the end of each interim accounting period in the year and adjusted to reflect the best current estimate.

Where settlement of the obligation is likely to be beyond the normal credit terms, the amount of the provision represents the estimated value of the future obligation discounted to its present value.

Potential assets and liabilities are not entered in the balance sheet; however information is provided.

Income taxes

Current income taxes are determined on the basis of estimated taxable income for the financial year according to the enacted legislation and at the tax rates payable on the balance sheet date.

Deferred taxes are calculated for all temporary differences between the carrying values of assets and liabilities and the fiscal valuation of assets and liabilities. Deferred taxes are calculated using the tax rates expected to apply when the temporary differences will be realized or settled.

Current and deferred taxes are shown in the income statement except where they refer to entries directly debited or credited in the balance sheet.

Pre-paid taxes relating to consolidation operations or the temporary differences between taxable results and the results of the companies, as derived from the financial statements used for the consolidation, are recognized to the probable amount that there will be future taxable income against which they can be offset.

Derivative instruments

The Trevi Group has adopted a Risk Policy for the whole group. The recognition of changes in fair value differs according to the designation of the derivative instrument (held for trading or cover) and the nature of the risk covered (Fair Value Hedge or Cash Flow Hedge).

For those contracts designated as held for trading, changes in fair value are recognized directly in the income statement.

For those contracts like a Fair Value Hedge, changes in fair value of the hedging instrument and of the hedged item are recognized in the income statement, independent of the valuation criteria adopted for the latter.

For Cash Flow Hedges, changes in fair value are recognized directly in equity if the hedging instrument is determined to be an effective hedge whilst the portion determined as ineffective is recognized in the income statement. The changes recognized in equity are recycled to the income statement in the same financial period or periods in which the hedged asset or liability affects profit or loss.

Risk management

Credit risk:

The nature of the Group's business, which covers several sectors, with a marked geographical spread of its production units and the

number of countries in which it sells its plant and equipment (circa 80), means it has no concentrated client or country risk. In fact the credit risk is spread over a large number of counterparties and clients. The credit risk associated with normal commercial operations is monitored both by the company involved and by the Group Finance Department.
The Group Engineering Division is mainly active abroad and uses market financial instruments to cover credit risk, in particular letters of credit. The Division for special foundations and services for large engineering projects uses advance payment instruments, letters of credit and SACE S.p.A.insurance policies and buyers' credits.

- *Liquidity risks:*
  Liquidity risk is the risk that the available financial resources will be inadequate to meet maturing obligations. At the current date, the Group maintains that its cash flow generation, the wide range of financial resources and the availability of credit lines in all the technical forms necessary for the execution of its business, is sufficient to meet its budgeted financial requirements. In the 2006 financial year, medium and long term financial debt rose significantly through numerous operations with different expiration dates, as long as eight years, and with different banking counterparts.

- *Foreign exchange risks*
  Exchange rate risks are the risks that exchange rates will deteriorate between the time the target rate was set, or from when undertakings are made for future receipt or payments in foreign currency and the date on which these undertakings become, firstly, orders and, then, revenues and costs. The Group's exposure to foreign exchange rate risks is due to its activities in many countries and in currencies other than the Euro (in particular the US dollar). Transactions to cover this risk are subject to hedge accounting as they concern highly probable forecast transactions.
  The group regularly assesses its exposure to exchange rate risks; it uses instruments that correlate the cash flows and counterbalance them in the same currency, advance commercial financing in the same currency as the sales contract, forward selling of currency and the use of derivative instruments. The Group does not use speculative instruments to cover its exchange rate risk; where the derivative instruments do not meet the conditions required for

the accounting of derivative instruments in IAS 39, the changes in their fair value are recognized in the income statement as financial income/costs.

- *Interest rate risks*
  Interest rate risk is the risk of increased financial costs on variable rate interest payments resulting from changes to interest rates. The aim of interest rate risk management is to limit and stabilize negative cash flows from interest payments on financing agreements. This is done through derivative contracts, covering specific medium and long-term financing operations with a time period not exceeding that of the financing, mainly interest rate swaps and collar contracts. The Group does not use speculative instruments to cover its interest rate risk; where the derivative instruments do not meet the conditions required for the accounting of derivative instruments in IAS 39, the changes in fair value are recognized in the income statement as financial income/costs.

Debts
Debts are recognized at their presumed settlement value, approximately the amortised cost. If expressed in foreign currency, the values are determined using the exchange rate at the balance sheet date.

Guarantees and potential liabilities
This includes guarantees and sureties given, as well as goods received on deposit for various reasons. They are recognized at nominal value.

INCOME STATEMENT

Revenues and costs
Revenues are recognized and accounted for to the extent that the economic benefits are probable and the relative amounts can be reliably estimated. Revenues deriving from the sale of an asset are recognized upon transfer of the risks of ownership, normally at the time of shipping. Revenues for contract work are recognized according to the stage of completion of the contract, as illustrated above.
Costs are recognized on a similar basis to revenues and always recognized on a time-proportion basis.

Financial income and costs

Financial income and costs are recognized in the income statement on a time-proportion basis and using the effective interest method.

Dividends

These are recognized in the financial year when the Shareholders have the right to receive the payment, usually the year in which the Shareholders Meeting decides on the dividend distribution.

Dividends distributed to Shareholders are recognized as a liability in the financial statements of the year in which the distribution is approved by the Shareholders Meeting.

Taxes on profit for the year

The income tax in the income statement includes both current and deferred taxes. Income taxes are normally charged to the income statement except when relevant to items that can be taken directly to net equity. In this case the income taxes are also taken directly to net equity.

Current taxes are those that are expected to be paid in that financial period and are calculated by applying to the taxable income the tax rate enacted on the balance sheet date.

Deferred taxes are calculated using the liability method for the temporary differences between the carrying amount of the assets and liabilities in the Consolidated Balance Sheet and the corresponding tax base values attributed to them. Deferred taxes are calculated using the tax rate expected to apply to the period when the asset is realized or the liability is settled.

Deferred tax assets and liabilities are recognized only when there is a legal right to compensation and when it refers to taxes levied by the same taxing authority.

Deferred tax assets are recognized only if it is considered probable that there will be sufficient future taxable profit available against which the assets can be utilized.

Earnings per share

Basic earnings per share is calculated by dividing the share of the Group's economic result attributable to the ordinary shareholders by the average weighted number of outstanding ordinary shares, excluding any treasury shares.

Fully diluted earnings per share is calculated taking the share of the profit or loss attributable to the shareholders of the Parent Company by the average weighted number of shares in circulation, taking into

account all potential dilutive securities.

Criteria for translation of foreign currency items

Receivables and payables in currencies other than Euro are originally translated into Euro at the historical rates prevailing at the date of the relative transactions.

Exchange rate differences realized on the payment of receivables or the settlement of payables in foreign currencies are recognized immediately in the income statement

Assets and liabilities in foreign currencies, with the exception of tangible and intangible fixed assets and investments, are determined using the exchange rate of the balance sheet date and any related exchange rate gains or losses are recognized in the income statement. Fixed-term currency contracts are used to cover the fluctuation risk of foreign currencies. The foreign subsidiaries of Trevi S.p.A. keep two separate financial statements, one in local currency and one in Euro, using a multi-currency system. At the balance sheet date, the amounts of the financial statements expressed in local currencies are translated using the exchange rates of 31 December published on the website of the Ufficio Italiano Cambi and any differences arising are recognized in the income statement.

Comment on accounting estimates

The preparation of the Consolidated Financial Statements requires Management to apply accounting principles and methodologies that, in some cases, employ complex and subjective valuations and estimates. These are based on past experience and assumptions, which are always considered reasonable and realistic given the information available at the time. The application of these estimates and assumptions affects the figures in the financial statements - the balance sheet, the income statement and the cash flow statement, as well as those given in the additional information. Real results may differ from these estimates given the uncertainty surrounding the assumptions and conditions on which the estimates are based.

Listed below are the items from the financial statements requiring the greatest degree of subjectivity on the part of Management in establishing estimates and, for which any change in the conditions underlying the assumptions used, would have a significant impact on the Group's Consolidated Financial Statements.

- Write-down of fixed assets
- Contract work in progress
- Development costs

- Deferred tax assets
- Provisions for credit risks
- Employee benefits
- Provisions for risks and costs

Recent changes in accounting principles

The accounting standards described above and adopted in the 2006 Financial Statements are substantially the same as those adopted for the financial statements to 31 December 2005.
The development and approval of International Accounting Standards means constant revision of the standards by the IASB (International Accounting Standards Board) and the IFRIC (International Financial Reporting Interpretations Committee).
Some of these changes are applicable to the Trevi Group; the main amendments approved by the European Commission and applied by the Trevi Group with the consequent impact is shown in the following table:

I.F.R.S. / I.F.R.I.C.	Impact on the Group
IAS 1: Presentation of Financial Statements: disclosure on the objectives, policies and processes for managing capital	Adoption obligatory from financial year 2007
IAS 21: The Effects of Changes in Foreign Exchange Rates: exchange rate differences on monetary items that are part of an entity's investment in a foreign operation are to be recognized in a separate item in the balance sheet	The amendment has been adopted with the current financial statements
IFRS 7: Financial Instruments Reporting and Accounting: established the disclosures to be given for financial instruments and the exposure, as well as the policies and objectives of the risk management of the company. IFRS 7 requires some disclosures currently contained in IAS 32, Accounting for Financial Instruments: exposures and additional disclosures	Adoption obligatory from financial year 2007
IFRS 8: Segment Reporting substituting IAS 14	The group is assessing the effect on the financial statements

NON-CURRENT ASSETS

(1) Tangible fixed assets:

Tangible fixed assets at 31 December 2006 were 192.391 Thousands of Euro, an increase of 23.677 Thousands of Euro compared to the preceding financial year:

Movements relating to the 2005 financial year are summarized in the following table:

Description	Historical cost 12/31/04	Accumul. deprec. as of 12/31/04	Balance as of 12/31/04	Increas.	Decrea.	Deprec.	Decrease in the reserve	Other	Adj.	Exch.	Historical cost 12/31/05	Accumulated deprec. as of 12/31/05	Balance as of 12/31/05
Lands	10,899	0	10,899					48			10,947	0	10,947
Buildings	33,928	(7,047)	26,881	1,800	(1,015)	(1,461)	439	(527)		458	34,644	(8,069)	26,575
Plant and machinery	135,325	(59,027)	76,298	8,961	(1,204)	(9,599)	4,439	5,359		6,161	154,602	(64,187)	90,415
Industrial and commercial equipment	34,222	(15,997)	18,225	3,623	(5,034)	(2,886)	4,180	(4,928)		955	28,838	(14,703)	14,135
Other assets	32,273	(11,812)	20,461	3,685	(1,402)	(4,849)	1,868	2,675	524	1,873	39,104	(14,269)	24,835
Assets under construction and advance paymentsi	1,496	0	1,496	1,906	(535)	0	0	(1,145)		85	1,807	0	1,807
TOTAL	**248,143**	**(93,883)**	**154,260**	**19,975**	**(9,190)**	**(18,795)**	**10,926**	**1,482**	**524**	**9,532**	**269,942**	**(101,228)**	**168,714**

Movements relating to the 2006 financial year are summarized in the following table:

Description	Historical cost 12/31/05	Accumul. deprec. as of 12/31/05	Balance as of 12/31/05	Increas.	Decrea.	Deprec.	Decrease in the reserve	Other	Adj.	Historical cost 12/31/05	Accumulated deprec. as of 12/31/05	Balance as of 12/31/05
Lands	10,947	0	10,947	0	0	0	0	51	(8)	10,990	0	10,990
Buildings	34,644	(8,069)	26,575	2,337	(427)	(1,486)	1,094	(850)	(272)	35,432	(8,461)	26,971
Plant and machinery	154,602	(64,187)	90,415	28,105	(2,965)	(11,131)	2,324	(2,741)	(4,835)	172,165	(72,994)	99,171
Industrial and commercial equipment	28,838	(14,703)	14,135	4,184	(728)	(3,641)	1,138	2,567	(477)	34,384	(17,206)	17,178
Other assets	39,104	(14,269)	24,835	1,389	(335)	(6,009)	483	2,110	(914)	41,355	(19,795)	21,559
Assets under construction and advance paymentsi	1,807	0	1,807	19,517	(1,925)	0	0	(2,729)	(147)	16,523	0	16,523
TOTAL	**269,942**	**(101,228)**	**168,714**	**55,533**	**(6,381)**	**(22,267)**	**5,038**	**(1,592)**	**(6,653)**	**310,849**	**(118,457)**	**192,391**

The gross increase of 55,533 Thousands of Euro in the period is in part due to the acquisition of plant and equipment required for contracts commenced in 2006, amongst which should be noted the start-up of new projects in the United Arab Emirates, Argentina, Italy, Africa and Venezuela.
The decrease of 6,381 Thousands of Euro is due to normal replacement of plant and equipment.
1,040 Thousands of Euro of the increase in the total of the item "buildings" refers to the acquisition, through a leasing company, of a building in Via De Blasio in Bari destined as a warehouse for stocking and maintaining equipment used, in particular, on the project sites in southern Italy.
Some fixed assets are mortgaged as part of financing agreements, as described under the entry Debt. The opening amount at 31 December 2005 includes a reclassification for 3.000 Thousands of Euro from "building" to "land", and a reclassification of the opening balance for 524 Thousands of Euro relating to improvements to third party assets in the subsidiary, Trevi Foundations Nigeria, due to the correct application of IAS 16. The translation differences equal to (6,653) Thousands of Euro are generated by the difference in the historical exchange rates and those at 31 December 2006 used to convert the value of tangible fixed assets into Euro.

(2) Intangible fixed assets:

At 31 December 2006, intangible fixed assets were 4,916 Thousands of Euro an increase of 1,385 Thousands compared to 31 December 2005.

Movements relating to the 2005 financial year are summarized in the table below:

Description	Historical cost 12/31/04	Accumul. deprec. as of 12/31/04	Balance as of 12/31/04	Increas.	Decrea.	Deprec.	Exchange diff.	Adj.	Historical cost 12/31/05	Accumulated deprec. as of 12/31/05	Balance as of 12/31/05
Deferred development costs	4,072	(2,354)	1,718	1,541	(72)	(771)	25		5,566	(3,125)	2441
Industrial patents and intellectual	2,355	(1,775)	580	246		(343)	11		2,612	(2,118)	494
Concessions, licenses and trademarks	429	(69)	360	247		(66)			676	(135)	541
Deferred costs and payment on account	69	0	69		(69)				0	0	0
Other intangible fixed assests	2,991	(1,926)	1,065	499	(550)	(528)	93	(524)	3,033	(2,978)	55
TOTAL	**9,916**	**(6,124)**	**3,792**	**2,533**	**(691)**	**(1,708)**	**129**	**(524)**	**11,887**	**(8,356)**	**3,531**

Movements relating to the 2006 financial year are summarized in the table below:

Description	Historical cost 12/31/05	Accumul. deprec. as of 12/31/05	Balance as of 12/31/05	Increas.	Decrea.	Deprec.	Exchange diff.	Historical cost 12/31/06	Accumulated deprec. as of 12/31/06	Balance as of 12/31/06
Deferred development costs	5,566	(3,125)	2,441	1,545	(133)	(989)	(13)	6,965	(4,114)	2,851
Industrial patents and intellectual										
Concessions, licenses and trademarks	2,612	(2,118)	494	429		(310)	(2)	3,039	(2,428)	611
Consolidation differences	676	(135)	541	129	(38)	(59)		767	(194)	573
Other intangible fixed assests	3,033	(2,978)	55	1,134		(308)		4,167	(3,286)	881
TOTAL	**11,887**	**(8,356)**	**3,531**	**3,237**	**(171)**	**(1,666)**	**(15)**	**14,938**	**(10,022)**	**4,916**

The net value of development costs to 31 December 2006 was 2.851 Thousands of Euro; the increase of 1.545 Thousands of Euro refers to capitalized costs for the development of technology and equipment for the foundation and drilling sector of the subsidiary Soilmec S.p.A.
Costs recognized under IAS 38 were capitalized and subsequently

depreciated from the start of production over the average economic life of the relevant products.
Recurring research and development costs in 2006, charged to the income statement, totaled 5,574 Thousands of Euro whilst, in 2005, they were 3,979 Thousands of Euro.
The gross increase of 429 Thousands of Euro in the cost of patents is attributable to the capitalization of 334 Thousands of Euro of costs for the licenses for three-dimensional technical design programmes used by the companies of the Soilmec Division, and to the subsidiary Trevi S.p.A for 83 Thousands of Euro.

Of the gross increase of 129 Thousands of Euro in concessions, licenses and brands, 50 Thousands of Euro is attributable to the Parent Company for software licenses for the integrated management of the Group treasury activities and the remainder to the subsidiary, Drillmec S.p.A.

Other intangible fixed assets are 881 Thousands of Euro at 31 December 2006, The 1,134 Thousands of Euro increase is due for 765 Thousands of Euro to the purchase of the client portfolio of its French distributor by the newly constituted Soilmec France S.a.S., with the premium paid to the fair value of the assets and liabilities acquired being allocated to “Client Relations” and for the remaining 369 Thousands of Euro to the subsidiary Trevi S.p.A.

(3) Investment property:
This was 147 Thousands of Euro, relating to land and buildings in Argentina belonging to Trevi S.p.A and valued at amortised cost.

(4) Investments
Investments were 842 Thousands of Euro, down 142 Thousands of Euro on the preceding year.
A summary of changes in investments in 2006 is given in the following table:

Description	Balance as of 12/31/05	Increas.	Decreas.	Revaluations	Write-downs	Balance as of 12/31/06
Associated companies	2	252				254
Other companies	982	41	(435)			588
TOTAL	**984**	**293**	**(435)**	**0**	**0**	**842**

The 293 Thousands of Euro increase mainly reflects the deconsolidation of Soilmec Far East Pte Ltd following the sale of a stake which took the investment at the Group level from 70% to 10%. The sum received for 60% of this shareholding was 541 Thousands of Euro paid on 21 November 2006; at 30 September 2006 the available liquidity and other equivalent items of the subsidiary were 1.231 Thousands of Euro. The main assets and liabilities other than cash and cash equivalents are listed below:
- Tangible fixed assets: 1.006 Thousands of Euro
- Inventories 1,057 Thousands of Euro
- Trade receivables: 276 Thousands of Euro
- Trade payables: 824 Thousands of Euro
- Total net equity: 2,625 Thousands of Euro

Attachment 1a lists the investments in associated companies. Attachment 1c lists the directly or indirectly held investments in other companies giving the currency denomination, the registered offices, the share capital, the amount held and the balance sheet value for each one.

(5) Pre-paid tax assets

These totaled 7,291 Thousands of Euro at 31 December 2006, an increase of 3,782 Thousands of Euro over the preceding year. The details for each company are given below:

Description	12/31/05	12/31/04	Changes
TREVI-Finanziaria industriale S.p.A	151	443	(292)
Trevi S.p.A.	1,990	1,330	660
RCT SrL	75	78	(3)
Trevi Filippine	70	104	(34)
Soilmec S.p.A.	2,666	889	1,777
Drillmec S.pA.	2,197	665	1,532
Soilmec France	142	0	142
TOTAL	**7,291**	**3,509**	**3,782**

(6) Long-term derivative instruments

These totaled 135 Thousands of Euro at 31 December 2006.

(7 Held-to-maturity investments

Financial assets

Description	12/31/2006	12/31/2005	Changes
Financial activities owned till due	200	200	0
TOTAL	**200**	**200**	**0**

These are the total amount of the share of the Liquidity Fund of Banca San Paolo di Torino subscribed by the subsidiary, Trevi S.p.A

(8) Other long-term financial credits

Financial receivables were 1,080 Thousands of Euro at 31 December 2006 and were mainly financial receivables from associates, from the Tax Authority for advances on termination benefits, and guarantee deposits.

Description	12/31/06	12/31/05	Changes
Receivables from associates company	649	87	562
Tax authorities for advances on termination indemnities	111	213	(102)
Guarantee deposits	238	1,372	(1,134)
Other	83	85	(2)
TOTAL	**1,080**	**1,757**	**(676)**

The 1,134 Thousands of Euro decrease in guarantees refers to Trevi S.p.A. and to the release of the funds held as guarantee by the Tribunal of Lodi for the bankruptcy of Rodio following payment of the acquisition price in first semester 2006.

(9) Trade receivables and other long-term assets

Trade receivables and other long-term assets were 7,822 Thousands of Euro at 31 December 2006.

Description	12/31/2006	12/31/2005	Changes
Trade receivable	6,537	5,662	875
Other receivable	54	77	(23)
Accrued income and prepaid expenses	1,231	1,905	(674)
TOTAL	**7,822**	**7,644**	**178**

Receivables from clients refer for 2,861 Thousands of Euro of trade receivables not due within one year belonging to the subsidiary, Swissboring Overseas Piling Corporation, and for 3,676 Thousands of Euro to the subsidiary Soilmec S.p.A.

Trade receivables outstanding at the transition date and in

subsequent periods have been discounted to give the net present value of the future cash-in and payments. The discount rate used was 3.5% (equivalent to an A+ bond issue).

Of the 54 Thousands of Euro of Other Receivables, 29 thousands of Euro refer to receivables the Parent Company is due from the Central Bank of Nigeria, reimbursed by the latter through a recovery plan including interest accrued, and the remainder to the subsidiary Petreven Ute Argentina.
96 Thousands of Euro of the 674 Thousands of Euro decrease in Accruals and Deferrals refer to Trevi Foundations Nigeria and the remaining 578 Thousands of Euro to decreases relating to exchange rate effects of the ex-Sabatini Law in the accounts of Soilmec S.p.A.

CURRENT ASSETS

(10) Inventories

Inventories were 169,189 Thousands of Euro at 31 December 2006, broken down as follows:

Description	12/31/2006	12/31/2005	Changes
Raw, ancillary and consumable materials	68,583	51,424	17,159
Work in process and semi-finished products	10,125	5,090	5,035
Contract work in progress	50,850	38,495	12,355
Finished products and goods for resale	37,462	22,319	15,143
Advances	2,168	2,954	(786)
TOTAL	**169,189**	**120,282**	**48,907**

The 48,907 Thousands of Euro increase in inventories with respect to 31 December 2005 reflects the increase in production of equipment to be delivered by the Mechanical Engineering Division in 2007 following the strong growth in business volumes at Soilmec S.p.A. and in the Drilling Sector.

The inventory rotation rate is shown in the following table:

	2006	2005	2004
Stock turnover Ratio (expressed in days)	94.9	86.23	91.25

(11) Trade receivables and other short-term creditors

At 31 December 2006 these totaled 237,466 thounsands of Euro broken down as follows:

Description	12/31/2006	12/31/2005	Changes
Due from customers	177,233	146,647	30,586
Due from associated companies	10,228	11,145	(917)
Due from the tax authorities	11,224	9,509	1,715
V.A.T receivable	20,603	12,246	8,357
Due from third parties	13,755	9,561	4,194
Accrued income and prepaid expenses	4,423	3,853	570
TOTAL	**237,466**	**192,961**	**44,505**

As described in the section on Accounting Criteria, the figure for trade receivables is net of the receivables ceded through factoring transactions. At 31 December 2006 the Gruppo had sold, without

recourse, receivables for a total of 13,071 thousands of Euro to factoring companies. Of these, 10,728 thousands of Euro belonged to the subsidiary Trevi S.p.A. and 2,343 Thousands of Euro to Soilmec S.p.A.; trade payables and receivables outstanding on the transition date and in subsequent periods have been discounted back to reflect the net present value of future cash-in and payments; the discount rate used was 3.5% (equivalent to an A+ bond issue). The negative impact on the income statement, gross of the tax effect, was 124 Thousands of Euro
5,320 thousands of Euro of the 8,357 Thousands of Euro increase in VAT receivables is attributable to the subsidiary, Drillmec S.p.A., as most of its business is not subject to VAT; 1,622 thousands of Euro to Trevi S.p.A as public works contracts are subject to VAT concessions; 775 thousands of Euro to Petreven Ute Argentina for the import of plant and machinery; and 590 thousands of Euro to the subsidiary, Soilmec S.p.A.

Trade receivables are net of 9,384 thousands of Euro of trade receivable provisions. Changes in the trade receivable provision fund are as follows:

Description	Balance as of 12/31/05	Provisions	Utilizations	Other changes	Balance as of 12/31/06
Allowance for doubtful accounts due from customers	9,088	2,170	(1,938)	(18)	9,302
Allowance for interest on arrears	82				82
TOTAL	**9,170**	**2,170**	**(1,938)**	**(18)**	**9,384**

Provisions of 2,170 thousands of Euro (2,088 thousands of Euro in 2005) are attributable to the subsidiary Treviicos Corporation for 973 thousands of Euro, to Trevi S.p.A. for 517 thousands of Euro, to Trevi Foundations Nigeria for 404 thousands of Euro and to Soilmec S.p.A. for 240 thousands.

Accruals and deferrals
This is mainly accruals and is broken down as follows:

Description	12/31/2006	12/31/2005	Changes
Insurance	577	333	244
Lease installments on buildings and equipment	748	321	427
Discounts (Sabatini Law)	286	237	49
Other	2,812	2,962	(152)
TOTAL	**4,423**	**3,853**	**568**

(11.a.) Current tax assets

Tax receivables from the Tax Authority are mainly indirect tax credits and tax credits; the most significant sums are shown in the following table:

Description	12/31/2006	12/31/2005	Changes
Receivables from tax authorities	10,906	9,187	1,719
Other	318	322	(4)
TOTAL	**11,224**	**9,509**	**1,715**

The geographical breakdown of receivables at 31 December 2006is shown in the following table:

Descriptions	Italy	Europe (exluding Italy)	U.S.A. e Canada	South American countries	Africa	Middle East	Far East	Total
Due from customers	85,283	7,207	18,595	16,602	14,846	29,858	4,842	177,233
Due from associated companies	9,345		316	551			16	10,228
Due from the tax authorities	20,771	358	421	5,116	4,761		400	31,827
Due from third parties	10,029	653	307	1,567	443	522	234	13,755
Accrued and deferred income	2,473	16	25	1,031	153	680	45	4,423
TOTAL	**127,901**	**8,234**	**19,664**	**24,867**	**20,203**	**31,060**	**5,537**	**237,466**

Receivables from associate companies are primarily commercial transactions between the subsidiary Trevi S.p.A. and its own consortia done at market conditions. The most significant sums at 31 December 2006 are shown in the following table:

Description	12/31/06	12/31/05	Changes
Porto di Messina S.c.a.r.l.	1,002	578	424
Consorzio Principe Amedeo	387	387	0
Consorzio Trevi Adanti	615	339	276
Filippella S.c.a.r.l	800	1,863	(1,063)
Consorzio Saitre	0	0	0
Trevi S.G.F. Inc. S.c.a.r.l.	3,622	3,410	212
Bormida S.c.a.r.l.	106	358	(252)
Soilmec Far East	182		182
Edra Srl	1,343		1,343
Profuro Lda	302	264	38
Consorzio Massingir Dam	0	1,069	(1,069)
Arge Baugrube Q110	339	339	0
Trevi Park PLC	330	330	0
Altri	1,200	2,208	(1,008)
TOTAL	**10,228**	**11,145**	**(917)**

The increase in this figure is mainly due to receivables of the subsidiary Drillmec S.p.A. from the associate company, Edra S.r.L., for the payment of invoices for plant provided for the ENTP-Algeria contract. These receivables will be settled when the performance guarantees are issued by ENTP. The decrease in receivables due from Filippella S.ca.r.l. is due to payments received in the financial year whilst the decrease in those from the Massingir Dam consortium reflect the completion of that contract.

Details of Other Receivables are shown in the following table:

Description	12/31/2006	12/31/2005	Changes
Due from employees	500	480	20
Advances to suppliers	6,710	2,922	3,788
Other	6,545	6,159	386
TOTAL	**13,755**	**9,561**	**4,194**

The increase in advances to suppliers is attributable for 3,470 thousands of Euro to the subsidiary, Drillmec S.p.A; other creditors include Euro 3,035 million to factoring companies from the subsidiary, Trevi S.p.A.

(12) Short-term derivative instruments

The amount of 164 thousands of Euro is the fair value of an IRS classified as effective under IAS 39

(13) Cash and cash equivalents

The breakdown of this balance sheet item is shown in the following table:

Description	12/31/2006	12/31/2005	Changes
Bank and postal deposits	85,938	50,368	35,570
Cheques	3,096		3,096
Cash and cash equivalents	871	1,008	(137)
TOTAL	**89,906**	**51,376**	**38,529**

For an analysis of the Group's net financial position and of the main companies within the area of consolidation, please see the Operating Review and the Cash Flow Statement.

There are no obstacles to the repatriation of cash and cash equivalents in the foreign companies except as follows: in Argentina and Venezuela, where cash and cash equivalents total 3,703 thousands of Euro, exchange rate controls have been introduced in 2002 and 2003 respectively. In Argentina the controls have progressively softened and it is expected that they will be removed shortly; in Venezuela it could be that, in conjunction with the pick-up in the economy, the restrictive measures will gradually be removed over the coming months.

SHAREHOLDERS FUNDS AND LIABILITIES

(14) SHAREHOLDERS FUNDS

Changes in consolidated shareholders net equity is as follows:

Description	Capital Stock	Share premium reserve	Legal reserve	Other reserves	IAS	Cumulative translation adjustment	Profit (Loss) brought forward	Net income for the year	Total
Balance as of 12/31/2004	**31,304**	**34,708**	**3,658**	**4,989**	**13,261**	**(17,853)**	**4,576**	**2,555**	**77,198**
Net income allocation			53	51			1,491	(1,595)	-
Dividends distribuited								(960)	(960)
Translation differences						6,946			6,946
Change in the scope of consolidation and other changes		(353)		471	528		(126)		520
Own share reserve	696								696
Net income for the year								12,824	12,824
Balance as of 12/31/2004	**32,000**	**34,355**	**3,711**	**5,511**	**13,789**	**(10,907)**	**5,941**	**12,824**	**97,224**
Net income allocation			101	323			10,800	(11,224)	-
Dividends distribuited								(1,600)	(1,600)
Translation differences						(7,694)			(7,694)
Bond conversion reserve				7,146					7,146
Cash-Flow Hedge reserve				136					136
Net income for the year								26,760	26,760
Balance as of 12/31/2006	**32,000**	**34,355**	**3,812**	**13,116**	**13,789**	**(18,601)**	**16,741**	**26,760**	**121,973**

- *Share capital*
  At 31 December 2006, Share Capital was Euro 32,000,000, composed of 64,000,000 fully issued and paid-up ordinary shares of nominal value Euro 0.50 each.
  On 23 November 2006 the Board of Directors approved a share capital increase of Euro 3,097,345 made up of 6,194,690 ordinary shares with a nominal value of Euro 0.50 per share to meet the conversion rights of the convertible bond, the Indirect Convertible Bond Loan.
  At 31 December 2006 the authorized share capital was, therefore, Euro 35,097,345 made up of 70,194,690 shares of nominal value Euro 0.50 each.

- *Share premium reserve*
  This was Euro 34,355 million at 31 December 2006, the same as at 31 December 2005.

- *Legal reserve*
  The Legal Reserve represents the part of profits which, pursuant to Article 2430 of the Italian Civil Code, cannot be distributed as dividends. In 2006 the Legal Reserve increased Euro 0.101 million following the movement to this reserve of 5% of the Parent Company profits for 2005.

- *Other reserves*
  In financial year 2006, Other Reserves moved from 5.511 thousands of Euro to 13.116 thousands of Euro, an increase of 7.605 thousands of Euro. 7.147 thousands of Euro was due to the reserve for the conversion of bonds which at 31 December 2006 totaled 7.146 thousands of Euro, having been almost zero in the preceding financial year. This is entirely due to the option component of the Indirect Convertible Bond Loan issued by the company on 30 November 2006. The value was determined by discounting the future cash flows deriving from the Indirect Convertible Bond Loan using the market rate at which the company could have found financing on the financial markets with alternative debt instruments of the same duration.
  Of the remaining 458 thousands of Euro, 322 thousands of Euro is from the profits of the 2005 financial year and the remaining 136 thousands of Euro is from the Fair Value Reserve.

- *IAS reserve*
  This comprises all the adjustments made for the transition to I.A.S./I.F.R.S. accounting, which was adopted from 1 January 2005.

- *Cumulative translation reserve*
  This comprises the exchange rate differences deriving from the translation of financial statements prepared in currencies other than the Euro; there was a negative impact of 7.694 thousands of Euro on this reserve coming from the devaluation of the US Dollar against the Euro.

- *Dividends paid in 2006*
  The Shareholders Meeting of 28 April 2006 voted to distribute

Euro 1.600 million as dividends, a dividend per share of Euro 0.025, with ex-dividend date on 10 July 2006 and payment from 13 July 2006.

Reconciliation of TREVI – Finanziaria Industriale S.p.A. Net profit and Shareholders' Funds with the Group Consolidated Net Profit and Shareholders' Funds

The reconciliation between the consolidated net profit and shareholders' funds and the net profit and shareholders funds of TREVI – Finanziaria Industriale is shown in the following table:

Description	Capital and reserves	Net income for the year	Stockholders' equity af of 12/31/2005
TREVI-Finanziaria Industriale S.p.A	85,003	4,811	89,814
Adjustments for consistency with accounting policies	40,661	(2,462)	38,199
Elimination of intraGroup net income and losses	5,661	493	6,154
Elimination of intraGroup dividends and writedowns	499	(4,947)	(4,448)
Elimination of consolidated investments	(1,370)	0	(1,370)
Share of results of group companies	0	28,126	28,126
Amortization of the consolidation difference	0	0	0
Effect of valuation using the equity method	0	8	8
Deferred taxes	(12,390)	1,901	(10,489)
Translation differences	(18,601)	0	(18,601)
Stockholders' equity and net income for the year	**99,464**	**27,929**	**127,393**
Minority interests	**4,252**	**1,169**	**5,420**
Group stockholders' equity and net income for year	**95,212**	**26,760**	**121,973**

NON-CURRENT LIABILITIES

(15) Bank loans, other financing and derivative instruments

Description	12/31/06	12/31/05	Changes
Due to banks	172,635	76,848	95,787
Due to leasing companies	23,592	17,736	5,856
Due to other providers of finance	784	761	23
Derivative financial instruments	121	188	(67)
TOTAL	**197,132**	**95,533**	**101,599**

The breakdown of bank loans by expiry date is as follows:

Description	1- 5 years	> 5 years	Total
Due to banks	163,907	8,728	172,635
TOTAL	**163,907**	**8,728**	**172,635**

In the 2006 financial year, the Parent Company arranged three financing operations with a part as long-term loans:

- Financing agreed with Interbanca S.p.A. for Euro 15,000,000 at variable rates for a duration of five years with repayments in eight six-monthly installments. At 31 December 2006, the long-term part of this financing was 13.125 thousands of Euro;
- Financing agreed with SanPaolo IMI S.p.A for Euro 10,000,000 at variable rates for a duration of eight years with repayment in twelve six-monthly installments.
  At 31 December 2006, the long-term part of this debt was equal to the total amount of the financing.
  Financing agreed with SanPaolo IMI S.p.A. for nominal 70,000,000 at a fixed rate with duration of five years and repayment on expiry. At 31 December the application of IAS 39 (in particular the criteria for split accounting and amortised cost) determined a debt element of Euro 61,053,068. Euro 7,145,927 of the residual amount of Euro 8,946,932 is the option component to convert to equity implicit in the Indirect Convertible Loan and the remaining part is the cost for structuring and placing the loan.
  This financing was issued by the aforementioned bank on 30 November 2006 following the finalization of the Indirect Convertible Bond Loan, information on the equity element of which was given in the notes to the Shareholders' Funds.

Some financing agreements contain covenants which require the

maintenance of certain financial ratios calculated on the Consolidated Financial Statements as follows:

- EBITDA/ Net Financial Charges: an indicator of the weight of interest charges calculated as the ratio of EBITDA to interest charges;
- Net Financial Position/ EBITDA: an indicator of indebtedness, calculated as the ratio of net financial debt to EBITDA;
- Net Financial Position/ Net Equity: an indicator of indebtedness, calculated as the ratio of net debt to net equity;
- EBITDA/ Revenues: an indicator of profitability, calculated as the ratio of EBITDA to total revenues;
- CAPEX: the value of investments

The failure to respect these covenants would allow the banks that have granted the financing to call in the financing or to renegotiate the conditions attached to the financing.
At 31 December 2006 all the financial covenants listed above were respected.

The agreement for the Convertible Bond Loan stipulates two financial covenants to be calculated quarterly on the Consolidated Financial Statements.

"Interest Cover" indicates the ratio between Consolidated EBITDA and the Net Financial Costs in the twelve months prior to each Assessment Date of the Financial Covenants.

"Leverage Ratio" indicates the ratio Consolidated Financial Net Debt and Consolidated EBITDA in the twelve months prior to each Assessment Date of the Financial Covenants.

The financing agreement for the Indirect Convertible Loan also contains other covenants, which are routine international procedure, namely:

a. a so-called negative pledge clause whereby any eventual pledge present or future on assets connected to financing operations, bonds and other credit issues must be granted in an equal manner on the aforementioned financing
b. a pari passu clause under which no payment obligations can be taken on which are considered senior to the two transactions described above
c. obligations to provide information periodically

d. a cross default clause which implies the immediate recoverability of the two aforementioned loans should there be any default on other financial instruments issued by the Group
e. limitations on relevant sales of assets
f. other clauses general present in issues of this type

In the 2006 financial year SIMEST S.p.A. subscribed to an increase in the share capital of the subsidiary Petreven C.A. guaranteed from 30 June 2010 by a repurchase option of the Parent Company for 25,557 shares having a total value of VEB 24,700,073,790 and equal to 15.93% of the share capital.
This contract was underwritten by the subsidiary Petreven C.A. as well as by the Parent Company; under this contract the costs of the services provided by SIMEST S.p.A are incurred by the foreign subsidiary and that the Italian Parent Company, under IAS/IFRS accounting, will figure as the guarantor of a financing agreement, including the related costs, granted to the foreign subsidiary.

Debts to other financers are in line with those of the previous year at 784 thousands of Euro and are mainly in the subsidiary Soilmec S.p.A.

Financial derivative instruments were 121 thousands of Euro, 67 thousands of Euro less than the preceding year, and can be attributed to the Parent Company for 2 thousands of Euro to the subsidiary RCT S.r.L. for 116 thousands of Euro and to Drillmec S.p.A. for 3 3 thousands of Euro.

(16) Deferred tax liabilities and long-term provisions
Reserves for risks and costs were 32,297 thousands of Euro, an increase of 3,501 thousands of Euro compared to 31 December 2005. The composition and movements in these funds is shown in the following table:

Description	Balance as of 12/31/05	Reserves	Utilizations	Other changes	Balance as of 12/31/06
Fiscal payable for deferred taxes	19,716	6,176	(2,137)	(187)	23,568
Other reserves	9,080	1,469	(1,636)	(184)	8,729
TOTAL	**28,796**	**7,645**	**(3,773)**	**(371)**	**32,297**

The deferred tax fund is entirely for deferred taxes provided for as a result of temporary differences between the taxable results and the results in the financial statements of companies included in the area of consolidation and, where applicable, from consolidation operations.
The amounts provided are considered a fair estimate of the taxes which can reasonably be assumed to be paid in future financial years applying the tax regulations enacted in the individual countries in which the consolidated companies operate.

Other Reserves of 8,729 thousands of Euro include the items shown in the following table:

Description	12/31/2006	12/31/2005	Changes
Contractual risks	5,060	4,899	161
Warranty reserve	1,388	1,438	(50)
Coverage of losses on investments	744	1,006	(262)
Investment writedowns fund	1,037	1,037	0
Legal disputes	500	699	(199)
TOTAL	**8,729**	**9,079**	**(350)**

The 5,060 thousands of Euro of the contractual risk reserve mainly refers to 4,600 thousands of Euro of provisions made by Trevi S.p.A for contractual risks for contracts in progress and for 299 thousands of Euro to Swissboring Overseas Piling Corporation.

The guarantee reserve of 1,388 thousands of Euro is comprised of provisions to cover technical assistance on products under guarantee by Group companies in the Mechanical Engineering Division. Soilmec S.p.A accounts for 711 thousands of Euro of this figure, Drillmec for 200 thousands of Euro and Soilmec Ltd (UK) for 477 thousands of Euro.

The 742 thousands of Euro reserve to cover losses of associates refers entirely to the Joint Venture, Rodio-Trevi-Arab Contractor.

The reserve for the write-down of investments was 1,037 thousands of Euro and relates to the valuation at equity of the joint ventures in Argentina and to Trevi Insaat Ve Muhedinslik A.S. (Turkey).

The reserve for legal disputes totaled 500 thousands of Euro, with 413 thousands of Euro from the subsidiary Swissboring in the

United Arab Emirates and 87 thousands of Euro from Pilotes Trevi Sacims in Argentina.

(17) Post-employment benefits

At 31 December 2006, the Employee Termination Indemnity Fund (TFR) and pension funds were 16,067 thousands comprising the indemnities accrued by Italian companies for employees, as required under the law, and provisions made by foreign companies to cover the accrued liabilities towards employees.
These are calculated as the present value of the defined benefit obligation adjusted for the actuarial gains and losses. These were determined by an independent external actuary using the projected unit credit actuarial costs method.

The movements in this item during the year are shown in the following table

Balance as of	Balance as of 12/31/05	Reserves	Indemnities and advances paid during the year	Other movements	Balance as of 12/31/06
Reserve for employee termination indemnities	11,706	2,669	(1,242)		13,133
Pensions and similar commitments	2,471	2,088	(1,445)	(180)	2,934
TOTAL	**14,177**	**4,757**	**(2,687)**	**(180)**	**16,067**

Other changes in the pension funds are due to exchange rate translation effects deriving from foreign subsidiaries. The application of IAS 19 resulted in a 21 thousands of Euro reduction in the TFR Fund and a 14 thousands of Euro reduction in employee costs, net of the relative tax effect.

The main actuarial assumptions used are shown in the following table:

	12/31/2006	12/31/2005
Actualisation technical yearly rate	4.6%	4.0%
Inflation yearly rate	2.0%	2.0%
Total salary increase yearly rate	3.5%	3.5%
Severance pay increase yearly rate	**3.0%**	**3.0%**

Effective from 1 January 2007, the Budget Law and related decrees introduced material changes to the TFR regulations. These changes include the possibility for employees to choose the allocation of their own TFR fund. In particular, the new inflows can be allocated by the employee to a pension or be maintained in the company (in which case the company will transfer future TFR payments to a special account held by INPS, the Italian State Social Security entity). At present the uncertainties in the interpretation of the recent changes to the regulations, the possible different interpretations deriving from the application of IAS 19 to already accrued TFR provisions, and the consequent changes to the actuarial calculations of these provisions, as well as the impossibility of predicting the decision employees will make regarding the allocation of the TFR entitlement (a decision each employee must make by 30 June 2007), make it premature for the implementation of any change to the actuarial calculation of the TFR provision accrued to 31 December 2006.

(18) Other long-term liabilities

These were 2,966 thousands of Euro and increased 1,096 thousands of Euro over the preceding financial year. They include the part of advances from clients due beyond twelve months of Petreven UTE Argentina for 2,302 thousands of Euro and deferred liabilities for 666 thousands of Euro from Soilmec S.p.A., of which 406 thousands of Euro for interest payments due under the Sabbatini and Ossola Laws.

CURRENT LIABILITIES

These totaled 335,693 thousands of Euro, an increase of 26,990 thousands of Euro compared to the previous year. Changes in the various items are shown in the following table:

Description	12/31/06	12/31/05	Variazioni
Short-term loans (due to banks)	40,268	45,148	(4,880)
Bank overdraft	1,594	2,800	(1,206)
Trade Advance	19,534	21,865	(2,331)
Sub-total Short-term loans	**61,396**	**69,813**	**(8,417)**
Due to other providers of finance (due to leasing companies)	7,088	12,001	(4,913)
Due to other providers of finance (due to other providers of finance)	252	244	8
Sub-total due to other short-term providers of finance	**7,340**	**12,245**	**(4,905)**
Short-term derivative financial instruments	76		76
Sub-total derivative financial instrument	**76**	**0**	**76**
Due to suppliers	178,684	154,630	24,054
Advances	41,146	28,315	12,831
Due to associated companies	3,792	8,172	(4,380)
Due to social security institutions	3,064	2,553	511
Accrued expenses and Deferred income	7,746	5,024	2,722
Other payables	17,095	14,929	2,166
Debiti verso Erario per I.V.A	3,275	1,623	1,652
Sub-total other short-term liabilities	**254,802**	**215,246**	**39,556**
Current income tax liabilities	12,079	11,399	680
Sub-total Current income tax liabilities	**12,079**	**11,399**	**680**
TOTAL	**335,693**	**308,703**	**26,990**

(19) Other Long-term liabilities

The geographical breakdown of Trade Payables and other Short-term Liabilities is as follows:

Description	Italy	Europe (exluding Italy)	U.S.A. and Canada	South American countries	Africa	Middle East	Far East	Total
Due to suppliers	141.901	2.604	3.317	6.867	2.548	19.326	2.121	178.684
Advances	14.340	2.944	3.358	7.306	11.823	1.365	10	41.146

For a comment on the net financial position, please see the Operating Review and the Financial Review.

(19) Trade payables and other short-term liabilities

Payables due to associates:
Payables due to associates were 3,792 thousands of Euro, almost entirely trade payables to consortia in the subsidiary Trevi S.p.A. The most significant amounts are shown in the following table:

Descriptions	12/31/06	12/31/05	Variazioni
Principe Amedeo	118	118	0
Filippella S.c.a.r.l.	1,199	1,640	(441)
Trevi Adanti	32	50	(18)
Bormida 2005 S.c.ar.l.	149	1.128	(979)
Porto di Messina S.c.a.rl.	193	1,917	(1,724)
Trevi S.G.F. Inc. S.c.a.r.l	416	1,096	(680)
Dach-Arghe Markt Leipzig	490	419	71
Trevi Park PLC	100	100	0
Consorzio Massingir Dam	0	839	(839)
Other	1,095	865	230
TOTAL	**3,792**	**8,172**	**(4,380)**

The decrease in this figure was mainly due to Trevi S.p.A.'s completion of the Massingir Dam Consortium, Bormida S.c.a.r.l. and Porto di Messina S.c.a.r.l. projects.

VAT payable to the Tax Authorities
356 thousands of Euro of the increase in VAT payable to the Tax Authorities is due to Trevi Cimentaciones, 432 thousands of Euro to the Bordo Seco Consortium, and 655 thousands of Euro to the

subsidiaries Soilmec UK Ltd and Soilmec France S.a.S. for the increase in supplies for contracts in progress.

Other payables:
The entry Other Payables consists mainly of the following:

Description	12/31/06	12/31/05	Changes
Due to employees	7,972	6,780	1,192
Other	9,123	8,149	974
TOTAL	**17,095**	**14,929**	**2,166**

The increase in Payables due to Employees refers for 319 thousands of Euro to Drillmec S.p.A., 269 thousands of Euro to Soilmec S.p.A., 293 thousands of Euro to Trevi S.p.A., and 90 thousands of Euro to PSM S.r.L.. The increase on Other Payables refers to goods invoiced but not yet shipped within Soilmec S.p.A.

Accruals and deferrals:
Accruals and deferrals payable were 7.746 thousands of Euro at 31 December 2006 and can be broken down as follows:

Description	12/31/2006	12/31/2005	Changes
Insurance	217	363	(146)
Accrued interest expense	17	8	9
Other accrued expenses	3,737	2,449	1,288
TOTAL	**3,971**	**2,820**	**1,151**

The increase in other Other Accruals is attributable to Drillmec S.p.A. for 624 thousands of Euro, Swissboring for 388 thousands of Euro and Trevi S.p.A. for 205 thousands of Euro

Deferred income

Description	12/31/2006	12/31/2005	Changes
Interest as per “Sabatini” and “Ossola” Laws	318	268	50
Hiring charges	0	0	0
Other	3,457	1,936	1,521
TOTAL	**3,775**	**2,204**	**1,571**

Deferred Income includes production for contracts in progress invoiced by the foreign subsidiaries in this financial year but relating

to the next financial year.
The increase in other deferred income is almost entirely due to the new Joint Venture, Kiewit/Treviicos Corporation, equity accounted for 50%.

(20) Current tax liabilities
At 31 December 2006 these were 12,079 thousands of Euro and were made up as follows:

Descripion	12/31/06	12/31/05	Changes
Direct taxation	10,201	9,826	375
Other	1,878	1,573	305
TOTAL	**12,079**	**11,399**	**680**

Payables to the Tax Authorities for direct taxes increased by 375 thousands of Euro due in large part to increased taxes to be paid by Soilmec S.p.A., Drillmec S.p.A. and Trevi S.p.A. in 2007.

(21) Short-term debt
Short-term debt is made up of bank debt, some secured mortgage loans and financing. They are as follows:

Description	12/31/06	12/31/05	Changes
Bank overdraft	1,594	2,800	(1,206)
Trade advance	19,534	21,865	(2,331)
Due to bank	14,838	24,701	(9,863)
Loan, Financing with expity within the year	25,430	20,447	4,983
TOTAL	**61,396**	**69,813**	**(8,417)**

- A mortgage loan originally for 15,000 thousands of Euro, of eight-year duration, to the Parent Company from Interbanca S.p.A.; at 31 December 2006 the outstanding amount was 9,375 thousands of Euro. The secondary mortgage guarantee was given by the subsidiary Soilmec S.p.A. on its production plant in Cesena;
- Financing, which at 31 December 2006 stood at Dirhams 4,857,648 (Dirhams 2,016,418 short-term and Dirhams 2,841,230 not payable with one year), granted by Emirates Bank International to Swissboring (Dubai) and with a primary mortgage on the equipment of the latter.

(22) Payables to leasing companies

Description	12/31/06	12/31/05	Changes
Due to leasing companies	7,097	12,001	(4,904)
Due to other providers of Finance	243	243	0
TOTAL	**7,340**	**12,244**	**(4,904)**

Payables to Leasing Companies are the capital element of installments payable in the future. As mentioned in the Valuation Criteria, leasing contracts are recognized in the consolidated balance sheet in compliance with IAS 17.

(23) Short-term derivative financial instruments

At 31 December 2006 these totaled 76 thousands of Euro

Capital Management

The Group's main aim in the management of its financial resources is to maintain a high credit standing and a correct equity structure capable of supporting the core business and maximizing shareholder value.

The management uses the resources at its disposal taking into consideration prevailing economic trends. The main tool for the management and monitoring of financial strength is the Debt/Equity ratio. To calculate Net Debt the group takes into account its entire exposure to financial institutions, net of liquid assets and short-term financial receivables.

All the components of equity and reserves have been included in the calculation of Net Equity.

	TREVI GROUP NET FINANCIAL POSITION (Thousands of Euro)				
		Note	**12/31/06**	**12/31/05**	**Changes**
A	Cash and cash equivalents	(13)	871	1,008	(137)
B	Other liquid fund	(13)	89,035	50,368	38,667
C	Financial activities owned till due	(7)	200	200	0
D	Liquid fund (A+B+C)		90,106	51,576	38,530
E	Current financial liabilities	(12) (23)	88	0	88
F	Current bank debt	(21)	35,967	49,366	(13,399)
G	Current portion of non-current debt	(21)	25,430	20,447	4,983
H	Other current financial liabilities	(22)	7,340	12,249	(4,909)
I	Current financial debt (F+G+H)		68,737	82,062	(13,325)
J	Net current financial position (I-E-D)		(21,457)	30,486	(51,943)
K	Medium and long term deposits	(15)	172,636	76,848	95,788
L	Bonds issued		0	0	0
M	Other non-current debt	(15)	24,361	18,674	5,687
N	Non-current financial debt (K+L+M)		196,997	95,522	101,475
O	Net financial position (J+N)		175,540	126,008	49,532

MEMORANDUM ACCOUNTS:

Description	12/31/2006	12/31/2005	Changes
Guarantees given	264,824	239,124	25,700
Guarantees received	13,735	19,151	(5,416)
Commitments	10,966	14,533	(3,567)
Leases and rentals on deposits	11,291	10,556	735
Companies' goods leased or rended	125	307	(182)
Total	**300,941**	**283,671**	**17,270**

Guarantees to third parties

These include the guarantees given by Group companies to third parties as guarantees for work completed and for the correct and punctual supply of equipment and were 264,824 thousands of Euro (239,124 thousands of Euro at 31 December 2005).

Guarantees received

13,735 thousands of Euro at 31 December 2006, these included 6,368 thousands of Euro of promissory notes discounted pursuant to the Sabatini Law not yet expired at the balance sheet date, 3,960 thousands of Euro for Bid Bonds (guarantees required for

participation in international tenders) and 3,277 thousands of Euro for Trevi S.p.A.

Obligations to third parties

These guarantees were 10,966 thousands of Euro. 5,577 thousands of Euro came from the Parent Company for the sum of future payments under the leasing contract with Caterpillar Financial Corporation S.A. and the remaining 5,389 thousands of Euro for future payments for other leasing contracts in Group companies.

Details of the timing of these payments are shown in the following table:

DESCRIPTION	12 months	From 1 to 5 years	Over 5 years
Value of hire contracts to expiry	3,191	7,775	-

Payments under leasing contracts are indexed to the relevant EURIBOR.

Third-party goods held on deposit

The amount of third-party goods held by the Trevi Group is equal to 11,291 thousands of Euro.

Company goods held by third parties

These amount to 125 thousands of Euro.

Further details and information on the Consolidated Income Statement for the 2006 financial year are given below. For a more detailed account of the Group performance, please see the Operational Review.

VALUE OF PRODUCTION

(24) Revenues from sales and services, changes in contract work in progress and other revenues

This totaled 642,377 thousands of Euro compared to 497,761 thousands of Euro in 2005, an increase of 144,616 thousands of Euro. The group operates in various business sectors and geographical regions.
The breakdown of Revenues from sales and services, changes in contract work in progress and other revenues is as follows:

AREA	12/31/2006	%	12/31/2005	%	Changes
U.S.A. and Canada	89,015	13.9%	55,941	11.2%	33,074
South American countries	61,871	9.6%	48,577	9.8%	13,294
Africa	99,199	15.4%	89,147	17.9%	10,052
Middle East	165,313	25.7%	114,638	23.0%	50,675
Far East	29,162	4.5%	31,692	6.4%	(2,530)
Medio Oriente	165,313	25.7%	114,638	23.0%	50,675
Estremo Oriente	29,162	4.5%	31,692	6.4%	(2,530)
Rest of the world	3,471	0.5%	3,175	0.6%	296
TOTAL	**642,377**	**100%**	**497,761**	**100%**	**144,616**

The geographical breakdown of sales shows a general recovery in all geographical areas. It was particularly strong in the Middle East, due to the numerous and significant contracts won by the subsidiary, Swissboring Overseas Piling Corporation Ltd, in the Arabian Gulf; and in North America due to the repair of the Tuttle Creek Dam in Kansas and the contract for the consolidation of the ground surrounding an important opencast diamond mine in the Northwest Territories near the Arctic circle (acting as a subcontractor for Peter Kiewit Sons Co., Canada) for Diavik Diamond Mine Inc., which was successfully carried out by our Canadian subsidiary.
The subsidiary, Trevi Foundations Nigeria, completed the construction of the harbour dock in the Lagos area for the Italian group, Grimaldi, much earlier than expected; in Algeria the work related to the contract for the foundations of certain parts of the

Algiers Metro has been concluded; in these months work is starting on the foundations of a bridge over the Zambezi in Mozambique.
In Iran the group has successfully completed the extensions to the docks at the port of Bandar Abbas.
In Europe there was a strong performance in the Mechanical Engineering Division from the subsidiaries, Soilmec UK Ltd. and Soilmec France S.a.S., while the Special Foundations and Services Division won an important contract for the Stans tunnel near Innsbruck (Austria).
The recent important contracts won by the Group resulted in further growth in the order portfolio, which went from 516 thousands of Euro at 31 December 2005 to 637 thousands of Euro.

The breakdown of revenues by business sector is shown in the following table:

MANUFACTURING SECTOR	12/31/2006	%	12/31/2005	%	Changes
Manufacture of machines for special foundation work	173,132	27.0%	127,626	25.6%	45,507
Manufacture of machinery for oil, gas and water drilling	119,460	18.6%	78,725	15.8%	40,735
Oil drilling	27,353	4.3%	18,302	3.7%	9,051
Special foundation works	322,432	50.2%	273,109	54.9%	49,323
TOTAL	**642,377**	**100%**	**497,761**	**100%**	**144,616**

The three main operational features that characterized the 2006 financial year were:
- The expansion of the core business linked to the strong increase in revenues from sales of special foundation equipment produced by Soilmec S.p.A.
- The strong recovery in the drilling sector under Drillmec S.p.A., and the consequent increase in revenues in the sector producing drilling rigs for water, oil and geothermal power and from oil drilling services.
- The continued growth of the special foundations sector and, in particular, of the subsidiaries Swissboring Overseas Piling Corporation in the Arabian Gulf, Trevi Foundations Nigeria and Trevi Algeria E.u.r.l. in Africa and of the United States subsidiaries.

Other operating revenues

Other Revenues and Income was 21,075 thousands of Euro, an increase of 7,101 thousands of Euro over the preceding financial year. The breakdown is shown in the following table:

Description	12/31/2006	12/31/2005	Changes
Operating contributions	0	114	(114)
Expense recoveries and recharges to consortiums	5,338	3,546	1,792
Sales of spare-parts	7,460	2,637	4,823
Gains on disposal of fixed assets	1,236	1,113	123
Reimbursement of damages	17	254	(237)
Rents received	362	263	99
Out-of-period income	900	1,047	(147)
Other	5,761	5,000	761
TOTAL	**21,075**	**13,974**	**7,101**

In the 2006 financial year, these were primarily expenses recovered and reallocation of costs to consortia of 5,338 thousands of Euro due to the activities of Trevi S.p.A.; rents received of 362 thousands of Euro; sales of spare parts for 7,460 thousands of Euro; and gains on the disposal of operating assets for 1,237 thousands of Euro (1,113 thousands of Euro in 2005). Contingent assets were 900 thousands of Euro (1,047 thousands of Euro in 2005), 700 thousands of Euro of which was due to an insurance payment to the subsidiary, Pilotes Trevi Sacims, and the remaining 200 thousands of Euro from Petreven UTE Argentina. These are non-recurring revenues.

PRODUCTION COSTS

Production costs were 617,328 million compared to 478,055 thousands of Euro in the 2005 financial year. The main components are given below:

(25) Personnel costs

These were 104,662 thousands of Euro, an increase of 10,625 thousands of Euro over 2005.

Description	12/31/2006	12/31/2005	Changes
Wages and salaries	78,061	68,968	9,093
Social security charges	19,932	18,933	999
Employee termination indemnities	2,669	2,638	31
Pension and similar commitments	2,088	2,038	50
Other	1,913	1,461	452
TOTAL	**104,662**	**94,038**	**10,624**

The increase is mainly from Trevi S.p.A., which had an increase of 1,405 thousands of Euro for the costs of the contract in Stans (Austria), for personnel employed in Petreven Ute Argentina and Trevi Algeria E.u.r.l.; from Swissboring Overseas Piling Corporation for 2,524 thousands of Euro due to the numerous work contracts in progress; from Soilmec S.p.A. for 2,509 thousands of Euro; from Drillmec S.p.A. for 2,496 thousands of Euro; and from Trevi Foundations Nigeria for circa 1,608 thousands of Euro.

The number of employees and changes in employee structure in the course of the 2006 financial year are shown in the following table:

Description	12/31/2006	12/31/2005	Changes	Media
Managers	48	47	1	47
Clerical staff	959	799	160	879
Blue-collar workers	3,211	2,731	480	3,022
TOTAL	**4,218**	**3,577**	**641**	**3,948**

The increase in the number of employees compared to the 2005 financial year reflects the need for human resources as a result of the numerous projects acquired by the subsidiary Swissboring in the United Arab Emirates, the contracts of the subsidiaries operating in Africa and the contracts acquired in South America.

(26) Other operating costs

Description	12/31/2006	12/31/2005	Changes
Services received	143,652	110,558	33,094
Leases and rental	21,256	21,002	254
Other operating expenses	5,564	5,770	(206)
TOTAL	**170,472**	**137,330**	**33,142**

These were 170,472 thousands of Euro, an increase of 33,142

thousands of Euro over the previous financial year; further details are given below.

Costs for services:
These were 143,652 thousands of Euro compared to 110,558 thousands at 31 December 2005. They are as follows:

Description	12/31/2006	12/31/2005	Changes
Third party processing	9,035	5,032	4,003
Subcontract work	51,456	39,620	11,836
Consulting	14,023	13,063	960
Maintenance and repairs	10,672	7,279	3,393
Insurance	5,358	4,764	594
Shipping and customs duties	18,011	12,939	5,072
Utilities	3,454	2,878	576
Commissions and bonuses	10,049	7,615	2,434
Travel and subsistence expenses	10,692	9,365	1,327
Promotion and advertising fees	2,192	1,630	562
Bank charges	2,692	1,264	1,428
Other	6,018	5,109	909
TOTAL	**143,652**	**110,558**	**33,094**

The general increase in Costs for Services mainly reflects the increased value of production, which went from 506,752 thousands of Euro in the 2005 financial year to 675,343 thousands of Euro in the 2006 financial year, an increase of 33.3%.
The companies that had the strongest increases were: Swissboring Overseas Piling Corporation, from 19,250 thousands of Euro in 2005 to 29,210 thousands of Euro in 2006, an increase of 9,960 thousands of Euro, due to its numerous contracts; Drillmec S.p.A., from 8,906 thousands of Euro in 2005 to 14,360 thousands of Euro in 2006, an increase of 5,454 thousands of Euro; Soilmec S.p.A., from 16,171 million in 2005 to 22,763 thousands of Euro in 2006, an increase of 6,592 thousands of Euro; the American and Canadian companies, which had a combined increase of 9,428 thousands of Euro, from 11,431 thousands of Euro in 2005 to 20,859 thousands of Euro in 2006.

Costs for use of third-party assets
These were 21,256 thousands of Euro, an increase of 254 thousands of Euro over the previous financial year and are shown in the following table:

Description	12/31/2006	12/31/2005	Changes
Hiring charges	18,511	17,767	744
Rental expense	2,745	3,235	(490)
TOTAL	**21,256**	**21,002**	**254**

In 2006, the policy of reducing investments in machinery and equipment in favour of operating leases for short-term contracts continued.
Machinery Hire includes the hiring contracts with Swissboring Overseas Piling Corporation for work on contracts in progress; those for Trevi S.p.A.; and the lease of the two HH 102 oil drilling rigs to the Parent Company for use in Venezuela and Argentina by the subsidiary Petreven.

Other operating costs
These were 5,564 thousands of Euro, a decrease of 206 thousands of Euro on the preceding year and are shown in the following table:

Description	12/31/2006	12/31/2005	Changes
Taxes other than income taxes	1,780	1,674	106
Losses on the disposal of assets	1,671	1,795	(124)
Prior year taxes	91	312	(221)
Non-ordinary expenses	0	0	0
Out of period expenses	308	1,091	(783)
Other	1,714	898	816
TOTAL	**5,564**	**5,770**	**(206)**

The 2006 figure includes ordinary losses on disposal of assets of 823 thousands of Euro due to Trevi S.p.A., 574 thousands of Euro due to Soilmec S.p.A. and 171 thousands of Euro due to Trevi Co. Hong Kong.

(27) Provisions and writedowns

Description	12/31/2006	12/31/2004	Changes
Provision for risk	1,468	4,017	(2,549)
Commercial receivables devaluation	2,170	2,088	82
TOTAL	**3,638**	**6,105**	**(2,467)**

Risk provisions:
These were 1,468 thousands of Euro mainly attributable to: Swissboring in the United Arab Emirates for 172 thousands of Euro

for contractual risks; Pilotes Trevi Sacims for 138 thousands of Euro for legal proceedings pending; Drillmec S.p.A. for product guarantee provisions of 100 thousands of Euro and inventory writedowns of 180 thousands of Euro and Soilmec S.p.A. for provisions for work resulting from guarantees given totaling 187 thousands of Euro.
Writedown of receivables included in current assets:
The amount of 2,170 thousands of Euro is for provisions for doubtful trade receivables made by individual subsidiaries: Soilmec S.p.A. for 240 thousands of Euro; Trevi Foundations Nigeria for 304 thousands of Euro; Swissboring Overseas Piling Corporation for 105 thousands of Euro; Trevi Icos Corporation for 973 thousands of Euro; and Trevi S.p.A. for 516 thousands of Euro.

(28) Financial income
Financial income is shown in the following table:

Description	12/31/2006	12/31/2005	Changes
Bank interest income	836	450	386
Interest charged to customers	997	934	63
Other	321	192	129
TOTAL	**2,154**	**1,576**	**578**

Under IAS 39, the fair value of the derivative instruments at 31 December 2006 had a positive impact of 167 thousands of Euro: 141 thousands of Euro in the Parent Company; 7 thousand of Euro in Trevi S.p.A. and 19 thousands of Euro in the subsidiary RCT S.r.l.

(29) Financial costs
Financial costs are shown in the following table:

Description	12/31/2006	12/31/2005	Changes
Bank interest expense	7,899	5,698	2,201
Bank commission and expense	547	585	(38)
Loan-related interest expense	1,182	726	456
Leasing companies interest	1,158	1,240	(82)
Bank discounting charges	992	738	254
Other interest expense	794	1,458	(664)
TOTAL	**12,573**	**10,445**	**2,128**

The increase of 2,127 thousands of Euro reflects both the increase in interest rates in 2006 and the deterioration of the Group's net financial position. The movement to Interest on Bank Loans of

2,201 thousands of Euro is attributable to Drillmec S.p.A. for 919 thousands of Euro; to the Parent Company for 836 thousands of Euro and to Trevi S.p.A. for 947 thousands of Euro. Soilmec S.p.A. had a decrease of circa 501 thousands of Euro in this item because of the improvement in its net financial position. The 254 thousands of Euro increase in discounted bank credits is due entirely to Soilmec S.p.A. while 318 thousands of Euro of the decrease in payables to other credit institutions refers to the closure of the position with Ifitalia Factoring by the subsidiary Trevi Icos Corporation.

(30) Exchange rate Gains / (Losses) from transactions in foreign currencies

At 31 December 2006 net exchange rate differences were negative for 5,062 thousands of Euro and resulted from the payment and receipt of payables and receivables in foreign currency and from the devaluation of the US dollar against the Euro. The breakdown is as follows:

Descriptions	12/31/2006	12/31/2005	Changes
Realized exchange gains	3,132	3,829	(697)
Realized exchange losses	(4,500)	(2,016)	(2,484)
Subtotal gain (losses) realized	(1,368)	1,813	(3,181)
Unrealized exchange gains	1,995	7,433	(5,438)
Unrealized exchange losses	(5,689)	(3,688)	(2,001)
Subtotal gain (losses) unrealized	(3,694)	3,745	(7,439)
TOTAL	**(5,062)**	**5,558**	**(10,620)**

(31) Income and costs from associate companies

At 31 December 2006 these were 8 thousands of Euro.

(32) Incomes taxes for the year

Net income taxes for the 2006 financial year had a negative impact of 14,674 thousands of Euro and are shown in the following table:

Description	12/31/2006	12/31/2005	Changes
Current taxes:			
- I.R.A.P.	3,657	2,950	707
- Other	12,231	7,112	5,119
Deferred taxes	6,177	4,281	1,896
Pre-paid taxes	(7,391)	(2,766)	(4,625)
TOTAL	**14,674**	**11,577**	**3,097**

Current income taxes are an estimate of the direct taxes payable for the financial year derived from the taxable income of each company of the consolidated Group, net of tax credits on dividends.
Deferred taxes reflect the difference between taxable income and accounting income and the timing differences between the results of consolidated companies and those determined by the consolidation adjustments.
Pre-paid taxes are paid on accounting income.
The theoretical tax rate used to calculate the income tax due from Italian companies is 33% of the taxable income of the year. Income tax due from foreign companies is calculated using the tax rates in force in the respective countries.

Income tax reconciliation

Paese	**Loca Tax Rate**	**Profit/ (Loss) before taxation**	**Taxes amount calculated by applying the local fiscal rate**	**Taxes amount calculated by applying the actual fiscal rate**	**Difference**
	(A)	(B)	(C)= (A) x (B)	(D)	(D)-(C)
Algeria	30.0%	2,792	838	698	(140)
Argentina	35.0%	109	38	0	(38)
Canada	35.6%	1,236	440	540	100
Emirates	0.0%	7,248	0	141	141
Phillippine	35.0%	(196)	(69)	24	93
Japan	30.0%	(103)	(31)	0	31
Hong Kong	17.5%	7,383	1,292	309	(983)
Great Britain	30.0%	1,218	365	365	(0)
Italy	33.0%	18,075	5,965	7,564	1,599
France	34.8%	257	90	96	7
Nigeria	30.0%	1,667	500	146	(354)
Holland		(1,641)	0	0	0
Perù	30.0%	189	57	56	(1)
Portugal	0.0%	466	0	0	0
Rep. San Marino		(37)	0	0	0
Singapore	27.0%	82	22	22	(0)
USA	39.0%	6,935	2,704	797	(1,907)
Colombia	38.5%	612	236	257	21
Venezuela		(3,690)	0	0	0
TOTAL		**42,602**	**12,447**	**11,017**	**(1,430)**

Reconciliation of the theoretical tax liability and that charged to the income statement

	Consolidated results before taxation	Theoretical tax liability	Tax effects on permanent differences	Yearly net effect regarding deferred income taxes not calculated on temporary differences	Carico effettivo d'imposta sui redditi	IRAP actual tax burden (for Italian Companies)	Actual tax burden entered on the profit/ (loss) as at 31 december 2005
Algeria	2,792	838	(140)		698		698
Argentina	109	38	(38)		0		0
Canada	1,236	440	100		540		540
Emirates	7,248	0	141		141		141
Phillippine	(196)	(69)	93		24		24
Japan	(103)	(31)	31		0		0
Hong Kong	7,383	1,292	(983)		309		309
Great Britain	1,218	365	(0)		365		365
Italy	18,075	5,965	8,990	(7,391)	7,564	3,657	11,221
France	257	90	7		96		96
Nigeria	1,667	500	(354)		146		146
Holland	(1,641)	0	0		0		0
Perù	189	57	(1)		56		56
Portugal	466	0	0		0		0
Rep. San Marino	(37)	0	0		0		0
Singapore	82	22	(0)		22		22
USA	6,935	2,704	(1,907)		797		797
Colombia	612	236	21		257		257
Venezuela	(3,690)	0	0		0		0
TOTAL	**42,602**	**12,447**	**5,961**	**(7,391)**	**11,017**	**3,657**	**14,674**

(33) Utile del Gruppo per azione:
le assunzioni base per la determinazione degli utili base e diluiti sono le seguenti:

	Description	12/31/2006	12/31/2005
A	Net profit for the financial year	26,760	12,824
B	Weighted average number of ordinary shares used to calculate basic earnings per share	64,000,000	64,000,000
C	Basic earnings per share: (A*1000)/B	0,418	0.200
D	Net profit for the financial year	26,590	12,824
E	Dilution effect of convertible bond loan	6,194,690	-
F	Weighted average number of ordinary shares used to calculate diluted earnings per share (B+F)	70,194,690	64,000,000
G	Diluted earnings per share (D*1000)/F	0,379	0.200

On 23 November 2006 the Board of Directors deliberated a share capital increase of Euro 3,097,345 made up of 6,194,690 ordinary shares with a nominal value of Euro 0.50 per share to meet the conversion rights of the convertible bond, the Indirect Convertible Bond Loan. At 31 December 2006 the authorized share capital is, therefore, Euro 35,097,345 made up of 70,194,690 shares of nominal value Euro 0.50 each.
Other Information
The Trevi Group has eight interest rate hedging contracts which are exclusively to cover existing transactions and which are not held for trading. They are as follows:

- (*) Euro 3,500,000 Interest Rate Swap of five year duration with maturity at 08/25/08
- (**) Euro 10,000,000 Interest Rate Swap of three year duration with maturity at 07/19/2007
- (**) Euro 10,000,000 Interest Rate Swap of three year duration with maturity at 07/19/2007
- (**) Euro 10,000,000 Interest Rate Swap of three year duration with maturity 07/20/2007
- (**) Euro 6,507,048 (originally Euro 9,775,196) Interest Rate Swap on the depreciation plan of a leasing contract of five year

duration with maturity at 12/22/2009

- (**) Euro 1,139,320 (originally Euro 1,380,801) Interest Rate Swap on the depreciation plan of a leasing contract of three year duration with maturity at 03/22/2008
- (*) Euro 2,000,000 Interest Rate Swap of five year duration and maturity at 07/27/2008
- (**) Euro 3,000,000 Interest Rate Swap of six year duration with maturity at 12/31/2012

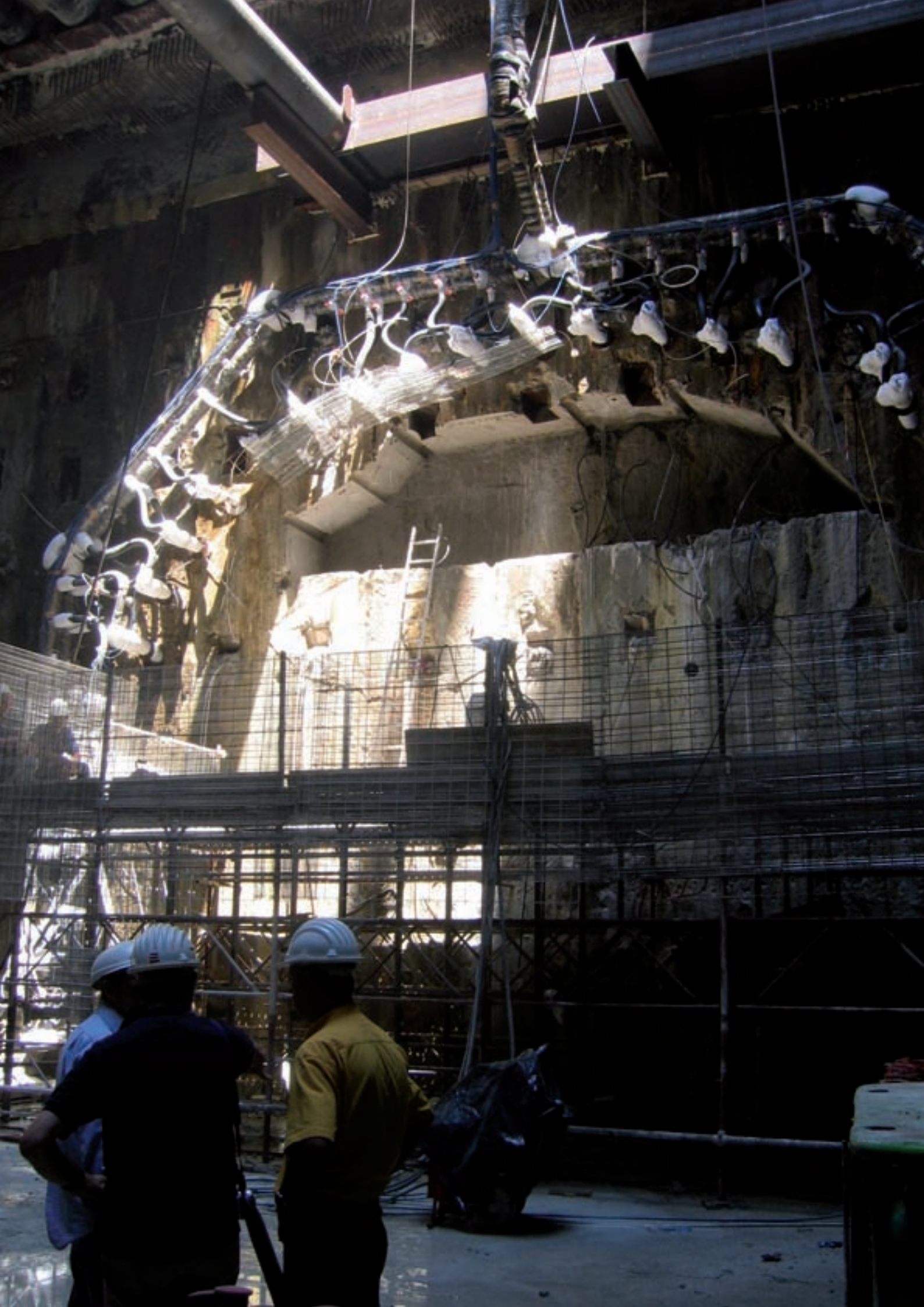
(*) valued at fair value as under IAS 39 it is not an effective hedge
(**) accounted as a cash flow hedge as under IAS 39 it is an effective hedge

To cover the interest rate risk on debt (relating to the financing of the Group's operations) some hedging contracts have been agreed which are not linked to specific financing operations.

At the balance sheet date, the Group had fixed term sales contracts for US$12.5 million maturing in the 2007 financial year taken out to protect against fluctuations in the Euro/US$ exchange rate.
At the same date, the group had two Euro/US$ option contracts for a notional value of US $1.5 million maturing in the 2007 financial year and taken out to protect against fluctuations in the Euro/US$ exchange rate.

Remuneration of Directors and Statutory Auditors
Details of the remuneration of directors and statutory auditors of the Parent Company for performing their duties, also in other companies within the area of consolidation, are shown in the following table:

Name	Company	Position	Length of appointment (months)	Company Remuner.	Remuneration from subsidiaries
Trevisani Davide	TREVI- Fin. Ind. S.p.A.	Chairman of board and Managing Director	12	95	
	Trevi S.p.A.	Vice President of the board and Managing Director	12	100	
	Soilmec S.p.A.	Chairman of board and Managing Director	12	114	
Trevisani Gianluigi	TREVI- Fin. Ind. S.p.A.	Vice President of the board and Managing Director	12	80	
	Trevi S.p.A.	Chairman of board and Managing Director	12	120	
	Soilmec S.p.A.	Vice President of the board and Managing Director	12	102	
Trevisani Cesare	TREVI- Fin. Ind. S.p.A.	Managing Director	12	55	
	Trevi S.p.A.	Managing Director	12	70	65
	Soilmec S.p.A.	Vice President of the board and Managing Director	12	25	
	Drillmec S.p.A.	Managing Director	12	15	
	RCT S.r.L.	Managing Director	12	8	
Trevisani Stefano	TREVI- Fin. Ind. S.p.A.	Director	12	20	
	Trevi S.p.A.	Managing Director	12	70	79
Amoroso Mario	TREVI- Fin. Ind. S.p.A.	Director	12	20	
Moscato Guglielmo Antonio Claudio	TREVI- Fin. Ind. S.p.A.	Director	12	20	
Teodorani Fabbri Pio	TREVI- Fin. Ind. S.p.A.	Director	12	20	
Pinza Roberto	TREVI- Fin. Ind. S.p.A.	Director	7	12	
Bocchini Enrico	TREVI- Fin. Ind. S.p.A.	Director	12	20	
Mosconi Franco	TREVI- Fin. Ind. S.p.A.	Director	5	9	
Leonardi Adolfo	TREVI- Fin. Ind. S.p.A.	Chairman of the board of statutory auditors	12	16	
	Trevi S.p.A.	Statutory Auditor	12	7	
	Soilmec S.p.A.	Statutory Auditor	12	4	
	RCT S.r.L.	Chairman of the board of statutory auditors	12	6	
Alessandri Giacinto	TREVI- Fin. Ind. SpA	Statutory Auditor	12	11	
	Trevi S.p.A.	Chairman of the board of statutory auditors	12	11	
	Soilmec S.p.A.	Chairman of the board of statutory auditors	12	6	
Poletti Giancarlo	TREVI- Fin. Ind. S.p.A.	Statutory Auditor	12	11	
	Drillmec S.p.A.	Statutory Auditor	12	3	
TOTAL				**1,047**	**144**



The following attachments supplement the information contained in the Notes to the Accounts, of which they form an integral part.

1 Companies consolidated line-by-line in the 2006 Consolidated Financial Statements

1a Companies equity accounted in the 2006 Consolidated Financial Statements

1b Companies proportionally consolidated in the 2006 Consolidated Financial Statements

1c Companies and consortia included at cost in the 2006 Consolidated Financial Statements

1d Related party transactions at 31 December 2006

2 Group organizational chart

Attachment 1

COMPANIES INCLUDED IN THE FINANCIAL STATEMENT AS OF DECEMBER 31, 2006 CONSOLIDATED ON A LINE-BY-LINE BASIS

	COMPANY NAME	HEAD QUARTERS	CURRENCY	CAPITAL STOCK	TOTAL % GROUP SHARE
1	TREVI- Finanziaria Industriale S.p.A.	Italy	Euro	32,000,000	100%
2	Soilmec S.p.A.	Italy	Euro	5,160,000	97%
3	Soilmec U.K. Ltd	United Kingdom	Sterlina inglese	150,000	78%
4	Soilmec Japan Co. Ltd	Japan	Yen	45,000,000	90.2%
5	Soilmec France S.a.S.	France	Euro	1,100,000	95.2%
6	Soilmec International B.V.	Holland	Euro	18,151,29	97%
7	Drillmec S.p.A.	Italy	Euro	5,000,000	99.9%
8	Soilmec H.K. Ltd	Hong Kong	Dollari di H.K.	500,000	97%
9	Drillmec Inc. (già Soilmec Branham Inc.)	U.S.A.	Dollaro U.S.A.	5,000,000	95%
10	I.D.T. SA R.S.M.	San Marino Republ.	Euro	258,000	97%
11	Pilotes Trevi S.a.c.i.m.s.	Argentina	Peso	1,650,000	99.3%
12	Cifuven C.A.	Venezuela	Bolivares	300,000,000	99.8%
13	Petreven C.A.	Venezuela	Bolivares	16,044,700,000	99.9%
14	Trevi S.p.A.	Italy	Euro	26,300,000	99.8%
15	R.C.T. S.r.L.	Italy	Euro	565,951	99.8%
16	Treviicos Corporation	U.S.A.	Dollaro U.S.A.	20,000,000	99.8%
17	Trevi Foundations Canada Inc.	Canada	Dollaro Canadese		99.8%
18	Trevi Cimentaciones C.A.	Venezuela	Bolivares	14,676,000,000	99.8%
19	Trevi Construction Co. Ltd	Hong Kong	Dollaro U.S.A.	2,051,667,87	99.8%
20	Trevi Foundations Nigeria Ltd	Nigeria	Naira	167,731,200	59.9%
21	Trevi Contractors B.V.	Holland	Euro	907,560	99.8%
22	Trevi Foundations Philippines Inc.	Philippines	Pesos Filippino	27,300,000	99.8%
23	Swissboring Overseas Piling Corporation	Swizzerland	Franco Svizzero	100,000	99.8%
24	Swissboring & Co. LLC.	Oman	Rials Oman	150,000	99.8%
25	IDT FZCO	Emirates	Dirhams	1,000,000	99.8%
26	Treviicos South Inc.	U.S.A.	Dollaro U.S.A.	500,000	99.8%
27	Wagner Constructions Joint Venture	U.S.A.	Dollaro U.S.A.	-	98.8%
28	Wagner Constructions L.L.C.	U.S.A.	Dollaro U.S.A.	200,000	99.8%
29	Trevi Algerie E.U.R.L.	Algeria	Dinaro	53,000,000	99.8%
30	Borde Seco	Venezuela	Bolivares	-	94.9%
31	Trevi Insaat Ve Muhendislik A.S.	Turchia	Lira Turca	777,600,000,000	99.8%
32	Petreven - UTE -Argentina	Argentina	Peso		99.8%
33	Penboro S.A.	Uruguay	Pesos	155,720	99.8%

Attachment 1a

COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENT AS OF DECEMBER 31, 2005 USING THE EQUITY METHOD

COMPANY NAME	HEAD QUARTERS	CURRENCY	CAPITAL STOCK (*)	TOTAL % GROUP SHARE	BOOK VALUE (thousands of euro)
J.V. Rodio-Trevi-Arab Contractor	Svizzera	Dollaro U.S.A.	100,000	17.3 %	-
Trevi Contractors Singapore Ltd	Singapore	Dollaro di Singapore	4,800,000	29.70%	-
Cons. El Palito	Venezuela	Bolivares	26,075	14.85%	-
CYT UTE	Argentina	Pesos	10,327	49.5%	-
TROFEA UTE	Argentina	Pesos	36,707	49.2 %	-
Cartel-Trevi UTE – (Chocon I)	Argentina	Pesos	6,056	39.6 %	-
Cartel.-Trevi-Solet. UTE-(Chocon II)	Argentina	Pesos	438,019	36.1%	-
Cartellone-Pilotes Trevi Sacims –Trevi S.p.A.- Soletanche U.T.E.	Argentina	Pesos		33%	-
Pilotes Trevi Sacims –C.C.M. U.T.E.	Argentina	Pesos		49.7%	-
Pilotes Trevi Sacims-ECAS U.T.E	Argentina	Pesos		49.7%	-
Pilotes Trevi Sacims-CIMARG U.T.E	Argentina	Pesos		49.7%	-
Trevi San Diego Gea U.T.E	Argentina	Pesos		49.7%	-
Soilmec Far East Pte Ltd	Singapore	Dollaro di singapore	4,500,000	10%	252
Lian Yun Gang Soilmec Machinery Ltd (***)	Cina	Dollaro U.S.A.	2,100,000	58.2%	-
SMFE SDN BHD (***)	Malesia	Ringit	500,000	68%	-
STRYA UTE	Argentina	Pesos	19,435	17.3%	2
Econ-Trevi (M) Sdn Bhd (**)	Singapore	Dollaro Singapore	-	29.70%	-
TOTAL					**254**

(*) For consortia located in Argentina the values shown are net equity values
(**) The carrying value and the valuation of Econ-Trevi Sdn Bhd is included in Trevi Contractors Singapore Ltd, since it is 100% owned by the latter
(***) in the process of liquidation

Attachment 1b

COMPANIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENT AS OF DECEMBER 31, 2005 USING THE PROPORTIONAL METHOD

COMPANY NAME	HEAD QUARTERS	CURRENCY	CAPITAL STOCK	TOTAL % GROUP SHARE
North West Labs J.V.	U.S.A.	Dollaro U.S.A.	737,144	50%
Kiewit/Treviicos Corp. J.V.	U.S.A.	Dollaro U.S.A.	2,382,120	50%

(thousands of Euro)	North West Labs J.V.	Kiewit/Treviicos Corp. J.V.
Current assets	806	7,724
Current liabilities	246	5,450
Income	284	3,780
Costs	50	2,988

Attachment 1c

COMPANIES AND CONSORTIUMS INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENT AS OF DECEMBER 31, 2005 AND CARRIED AT COST

COMPANY NAME	HEAD QUARTERS	CURRENCY	CAPITAL STOCK	QUOTA % TOTALE DEL GRUPPO	TOTAL % GROUP SHARE
- SOCIETA' CONSORTILI E CONSORZI					
Consorzio SAITRE	Italy	Euro	51,646	48,51%	0
Consorzio Intesa Lecco	Italy	Euro	25,823	42,57%	0
Bormida 2005 s.c.a.r.l.	Italy	Euro	10,000	54,4%	5
Consorzio Progetto Torre di Pisa	Italy	Euro	30,987	24,7%	8
Consorzio Canale Candiano	Italy	Euro	30,987	0,5%	0
Consorzio Massingir Dam	Italy	Euro	30,000	33%	10
Consorzio Romagna Iniziative	Italy	Euro	41,317	12%	5
Consorzio Trevi Adanti	Italy	Euro	10,329	48,6%	5
Nuovo scalo s.c.a.r..l	Italy	Euro	10,329	49,5%	5
Trevi S.G.F s.c.a.r.l.	Italy	Euro	51,646	54,4%	28
Seli Trevi s.c.a.r.l.	Italy	Euro	1,710	49,5%	1
Trevi S.G.F Inc. s.c.a.r.l.	Italy	Euro		54,4%	5
Pescara Park s.r.l.	Italy	Euro		24,7%	11
Consorzio Fondav	Italy	Euro	25,823	25,7%	10
Consorzio Fondav II	Italy	Euro	25,000	36,92%	10
Principe Amedeo s.c.a.r.l.	Italy	Euro	10,329	49,50%	0
Filippella s.c.a.r.l.	Italy	Euro	10,000	59,9%	8
Porto di Messina s.c.a.r.l.	Italy	Euro	10,329	79,2%	8
Trevi Spezial. Gmbh	Germany	Euro	50,000	99%	50
Cermet	Italy	Euro	420,396	0,46%	2
Centuria S.c.a.rl.	Italy	Euro	308,000	1,58%	5
Smartec S.r.L.	Italy	Euro	50,000	19,4%	18
Idroenergia s.c.a.rl.	Italy	Euro			1
- ALTRE SOCIETA'					
Comex S.p.A.	Italy	Euro	2,606,427	0,82%	23
Banca di Cesena S.p.A.	Italy	Euro			1
Bologna Park S.r.L.	Italy	Euro			23
Profuro Intern. L.d.a.	Mozambico	Metical	4,496,415,000	47,5%	0
Trevi Park P.l.c.	Great Britain	Sterlina U.K.	4,236,98	29,7%	0
Italthai Trevi	Thailandia	Bath	35,000,000	4,9%	135
Edra S.r.L.	Rep. di San Marino	Euro	26,100	34%	40
Hercules Trevi Foundation A.B.	Sweden	Corona	100,000	49,5%	103
Japan Foundations	Japan	Yen	5,907,978,000	0,001%	73
I.F.C	Hong Kong	Dollaro U.S.A.	18,933	0,10%	0
TOTALE					**588**

Attachment 1d

Group relationships with related parties

Description	Sofitre S.r.L.	I.F.C. Ltd	Parcheggi S.p.A.	Roma Park	Cogea Park S.r.L.	**Totale Società correlate**	% sul Gruppo	**Totale Gruppo Trevi**
Trade receivables	-	16	774	221	737	**1,748**	0.90%	**193,993**
Trade Payables		-	113	18		**131**	0.07%	**182,477**
Revenues from sales of goods and services		51	654	825	13	**1,543**	0.25%	**606,850**
Purchases of goods and services			79	-		**79**	0.02%	**479,468**
Guarantees		250	1.460	600		**2.310**		

All related party transactions are conducted on an arm's length basis; there related party transactions between the Parent Company and its controlling shareholder, TREVI Holding Aps.

TREVI DIVISION

Profit and Loss *(IN THOUSANDS OF EURO)*

	2006, December	2005, December	Changes	
Total revenues to third parties	358,943	295,888	63,055	
Total revenues to Soilmec Division	2,558	1,799	759	
TOTAL REVENUES	**361,501**	**297,687**	**63,814**	**21.4%**
Changes in inventories of work in progress, semifinished and finished products	1,219	80	1,139	
Additions to fixed assets by internal production	5,094	2,434	2,660	
Other operating revenues	873	770	103	
VALUE OF PRODUCTION	**368,687**	**300,971**	**67,716**	
Use of raw materials and outside services	240,249	198,410	41,839	
Other operating expenses	4,331	4,506	(175)	
VALUE ADDED	**124,108**	**98,055**	**26,053**	**26.6%**
Payroll and related contributions	72,914	68,579	4,335	
E.B.I.T.D.A.	**51,194**	**29,476**	**21,718**	**73.7%**
Amortization, depreciation	15,302	13,050	2,252	
Writedowns and provisions	2,558	5,163	(2,605)	
E.B.I.T.	**33,333**	**11,263**	**22,070**	**196.0%**

SOILMEC DIVISION

Profit and Loss *(IN THOUSANDS OF EURO)*

	2006, December	2005, December	Changes	
Total revenues to third parties	298,413	200,772	97,641	
Total revenues to Soilmec divisione	11,612	7,117	4,495	
TOTAL REVENUES	**310,025**	**207,889**	**102,136**	**49.1%**
Changes in inventories of work in progress, semifinished and finished products	17,145	5,503	11,642	
Additions to fixed assets by internal production	428	976	(548)	
Other operating revenues		283	(283)	
VALUE OF PRODUCTION	**327,597**	**214,651**	**112,946**	
Use of raw materials and outside services	257,000	167,042	89,958	
Other operating expenses	1,003	1,240	(237)	
VALUE ADDED	**69,595**	**46,369**	**23,226**	**50.1%**
Payroll and related contributions	29,539	23,512	6,027	
E.B.I.T.D.A.	**40,055**	**22,857**	**17,198**	**75.2%**
Amortization, depreciation	7,246	6,033	1,213	
Writedowns and provisions	1,080	942	138	
E.B.I.T.	**31,729**	**15,882**	**15,847**	**99.8%**

TREVI DIVISION

Balance Sheet (IN THOUSANDS OF EURO)

		2006, December	2005, December	Changes
A)	**Fixed assets**	**143,812**	**114,494**	**29,318**
B)	**Net working capital**			
	- Inventories	52,111	44,623	7,488
	- Trade receivables	126,977	113,231	13,746
	- Trade payables (-)	(92,752)	(93,635)	883
	- Advances (-)	(28,900)	(18,585)	(10,315)
	- Others assets (liabilities)	(12,565)	(13,534)	969
		44,870	32,100	12,770
C)	**Invested capital minus current liabilities (A+B)**	**188,682**	**146,594**	**42,088**
D)	**Employee termination indemnities (-)**	**(9,004)**	**(7,995)**	**(1,009)**
E)	**NET INVESTED CAPITAL (C+D)**	**179,680**	**138,599**	**41,081**
	Financed by:			
F)	**Group stockholders' equity**	**52,591**	**33,826**	**18,765**
G)	**Minority interests in capital and reserves**	**3,185**	**2,985**	**200**
H)	**Net financial position**	**123,904**	**101,788**	**22,116**
I)	**TOTAL SOURCES OF FUNDS (F+G+H)**	**179,680**	**138,599**	**41,081**

SOILMEC DIVISION

Balance Sheet (IN THOUSANDS OF EURO)

		2006, December	2005, December	Changes
A)	**Fixed assets**	**42,841**	**40,363**	**2,478**
B)	**Net working capital**			
	- Inventories	117,077	75,929	41,148
	- Crediti commerciali	77,315	62,643	14,672
	- Trade receivables	(117,670)	(94,122)	(23,548)
	- Advances (-)	(14,548)	(10,485)	(4,063)
	- Others assets (liabilities)	(3,278)	(8,086)	4,808
		58,897	25,879	33,018
C)	**Invested capital minus current liabilities (A+B)**	**101,739**	**66,242**	**35,497**
D)	**Employee termination indemnities (-)**	**(6,371)**	**(5,518)**	**(853)**
E)	**NET INVESTED CAPITAL (C+D)**	**95,367**	**60,724**	**34,643**
	Financed by:			
F)	**Group stockholders' equity**	**39,316**	**27,543**	**11,773**
G)	**Net financial position**	**1,503**	**1,328**	**175**
H)	**TOTAL SOURCES OF FUNDS (F+G+H)**	**54,548**	**31,853**	**22,695**
I)	**TOTALE FONTI DI FINANZIAMENTO (F+G+H)**	**95,367**	**60,724**	**34,643**

It has been decided that the primary segment to identify group activities is the subdivision by category of activity. The secondary subdivision is the geographical breakdown. Refer to the Review of Operations for a summary of the performance by division.

Reconciliation statement as at 12/31/06

Profit and Loss (IN THOUSANDS OF EURO)

	Trevi Division	Soilmec Division	TREVI-Fin. Ind.S.p.A.	Adjustemt	TREVI GROUP
Total revenues to third parties	358,943	298,413	10,051	(25,030)	642,377
Total revenues (Intercompany)	2,558	11,612		(14,170)	
TOTAL REVENUES [21]	**361,501**	**310,025**	**10,051**	**(39,200)**	**642,377**
Changes in inventories of work in progress, semifinished and finished products	1,219	17,145	0	1	18,365
Additions to fixed assets by internal production	5,094	428	0	8,205	13,726
Other operating revenues	873	0	0	1	874
VALUE OF PRODUCTION [22]	**368,687**	**327,597**	**10,051**	**(30,993)**	**675,343**
Use of raw materials and outside services [23]	240,249	257,000	6,014	(23,794)	479,468
Other operating expenses [24]	4,331	1,003	2,012	(1,782)	5,564
VALUE ADDED [25]	**124,108**	**69,595**	**2,025**	**(5,417)**	**190,311**
Payroll and related contributions	72,914	29,539	2,209	(1)	104,662
E.B.I.T.D.A. [26]	**51,194**	**40,055**	**(184)**	**(5,416)**	**85,649**
Amortization, depreciation	15,302	7,246	1,641	(255)	23,933
Writedowns and provisions	2,558	1,080	0	0	3,639
E.B.I.T. [27]	**33,333**	**31,729**	**(1,825)**	**(5,161)**	**58,077**

The "adjustments" column in the income statement includes principally the elimination of intercompany revenues/costs and intercompany margins.

21Total revenues including the following items: revenues from sales and services, other operating revenues excluding those of a non-ordinary nature, changes in work in progress.
22 Value of Production includes the following items: revenues from sales and services, increases in capitalized work for own use, other operating revenues, change in inventories of finished products and work in progress, changes in work to order in progress.
23 The item "Consumption of raw materials and external services" including the following items: raw materials, changes in inventory of raw materials, other material input costs, and miscellaneous other operating costs not included in other operating costs (Note 26)
24 For further detail on the item "Other operating costs" see Note 26 of the consolidated income statement
25 Value added is the sum of the value of production, raw material costs and external services and other operating costs.
26 EBITDA (Gross operating profit) is an economic indicator not defined be IFRS, adopted by TREVI Group beginning with the consolidated financial statements at 31 December 2005. EBITDA is a measure used by TREVI's management to monitor and evaluate the operating performance of the group. The management believes that EBITDA is an important parameter for the measurement of group performance insofar as it is not influenced by the volatility generated by various factors used in determining taxable income, by the amount and nature of capital employed and by depreciation policies. At the current date (upon notice of more detail regarding the evolution of alternative corporate performance measurement criteria) EBITDA (Earnings before interest, taxes, depreciation and amortization) is defined by Trevi as Profit/Loss for the period gross of depreciation and amortization of tangible and intangible fixed assets, provisions and devaluations, financial income and expenses, and taxes.
27 EBIT (Operating profit) is an economic indicator not defined by IFRS, adopted by the TREVI Group, beginning with the consolidated financial statements at 31 December 2005. EBIT is one of the measures used by Trevi's management to monitor and evaluate the operating performance of the Group. The management believes that EBIT is an important parameter for the measurement of group performance insofar as it is not influenced by the volatility generated by the impact of various factors used in determining taxable income, the amount and nature of capital employed and by depreciation policies. EBIT (Earnings before interest and taxes) is defined by Trevi as Profit/Losses for the period gross of financial income and expenses and taxes. EBIT (Operating profit) is an economic indicator not defined by IFRS, adopted by the TREVI Group, beginning with the consolidated financial statements at 31 December 2005. EBIT is one of the measures used by Trevi's management to monitor and evaluate the operating performance of the Group. The management believes that EBIT is an important parameter for the measurement of group performance insofar as it is not influenced by the volatility generated by the impact of various factors used in determining taxable income, the amount and nature of capital employed and by depreciation policies. EBIT (Earnings before interest and taxes) is defined by Trevi as Profit/Losses for the period gross of financial income and expenses and taxes.
Fixed assets include : tangible, intangible and financial fixed assets.

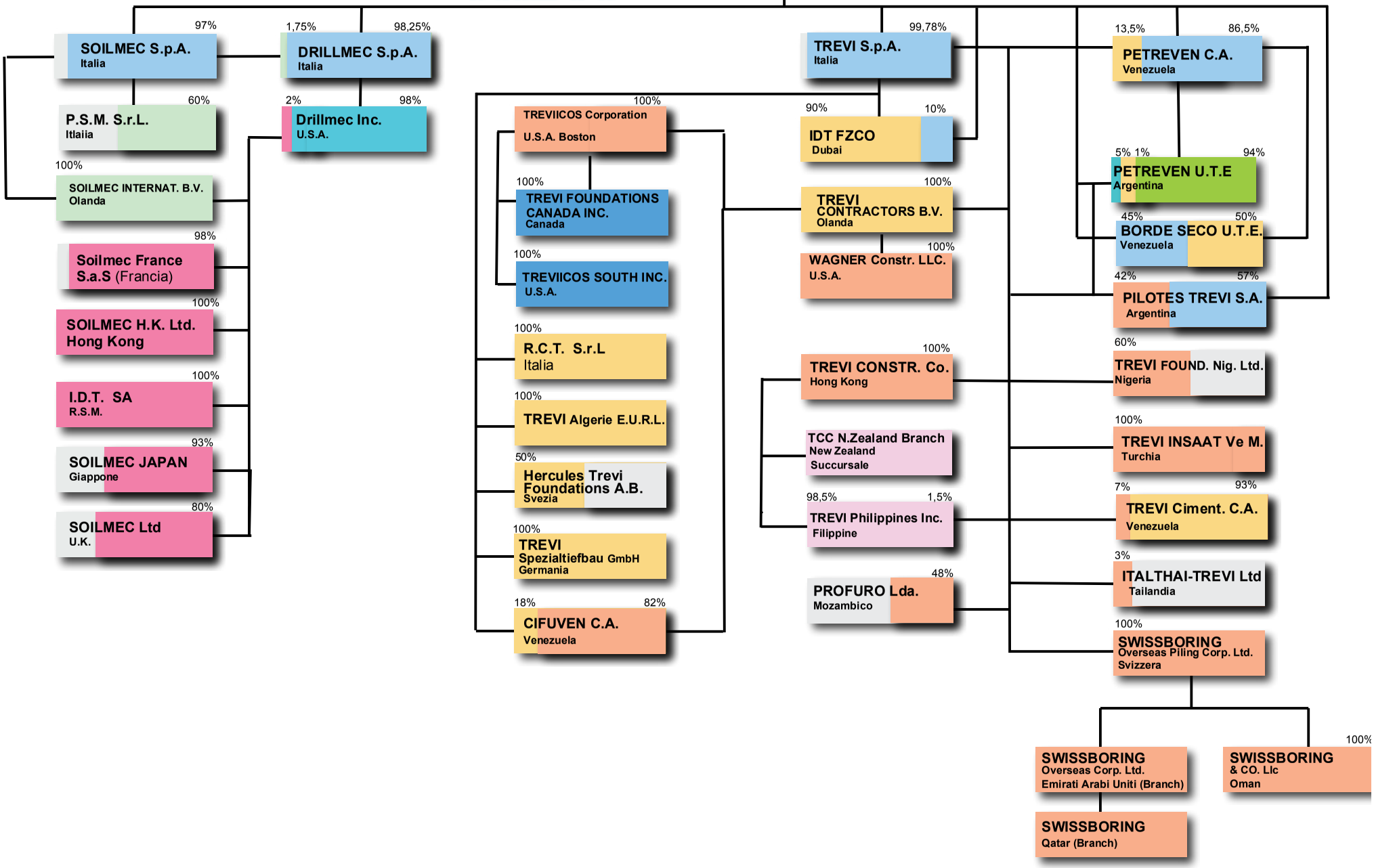
Balance Sheet (IN THOUSANDS OF EURO)

		TREVI DIVISION	SOILMEC DIVISION	TREVI FIN. IND.SPA	ADJUST.	TREVI GROUP
A)	**Fixed assets** [28]	**143,812**	**42,841**	**76,686**	**(63,962)**	**199,377**
B)	**Net working capital**					
	- Inventories	52,111	117,077	0	1	169,189
	- Trade receivables [29]	126,977	77,315	20,710	(31,009)	193,993
	- rade payables (-) [30]	(92,752)	(117,670)	(6,066)	34,011	(182,477)
	- Advances (-) [31]	(28,900)	(14,548)	0	(1)	(43,448)
	- Others assets (liabilities) [32]	(12,565)	(3,278)	(4,550)	2,759	(17,634)
		44,870	58,897	10,094	5,761	119,622
C)	**Invested capital minus current liabilities (A+B)**	**188,682**	**101,739**	**86,780**	**(58,201)**	**318,999**
D)	**Employee termination indemnities (-)**	(9,004)	(6,371)	(691)	(1)	(16,067)
E)	**NET INVESTED CAPITAL (C+D)** [33]	**179,680**	**95,367**	**86,087**	**(58,201)**	**302,933**
	Financed by:					
F)	**Group stockholders' equity**	**52,591**	**39,316**	**89,814**	**(59,748)**	**121,973**
G)	**Minority interests in capital and reserves**	**3,185**	**1,503**	**0**	**732**	**5,420**
H)	**Net financial position** [33]	**123,904**	**54,548**	**(3,727)**	**815**	**175,540**
I)	**TOTAL SOURCES OF FUNDS (F+G+H)**	**179,680**	**95,367**	**86,087**	**(58,201)**	**302,933**

28 Fixed assets include : tangible, intangible and financial fixed assets.
29 Trade receivables includes: long term trade receivables (Note 9) and short term trade receivables (Note 11), short term receivables from subsidiaries (Note 11).
30 Trade payables includes: short term payables to suppliers (Note 19), short term payables to subsidiaries (Note 19)
31 Advances includes both long term deposits (Note 18) and short term deposits (Note19)
32 Other assets/liabilities includes: other payables/receivables, accruals and prepayments, tax credits/payable, both long and short term risk provisions (Notes 9-11-11.a-16-18-19-20).
33 The net financial position used as an indicator of financial indebtedness, is the sum of the following positive and negative balance sheet items:
Short and long term positive items: cash and cash equivalents (cash, bank drafts and bank assets); readily realizable investments in working capital, financial credits.
Short and long term negative items: bank debts, payables to other financial organizations, leasing and factoring companies; payables to associates for financing. For more detail on this item refer to the relevant table in the explanatory notes.

TREVI Finanziaria Industriale S.p.A.

12/31/2006



PricewaterhouseCoopers

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LAW DECREE no. 58 DATED 24 FEBRUARY 1998

To the shareholders of
TREVI – Finanziaria Industriale SpA

1) We have audited the financial statements of TREVI – Finanziaria Industriale SpA and its subsidiaries (the TREVI Group) which comprise the balance sheet, profit and loss account, statement of cash flow, statement of changes in shareholders' equity and the related notes as of 31 December 2006. These consolidated financial statements are the responsibility of TREVI – Finanziaria Industriale SpA's directors. Our responsibility is to express an opinion on these financial statements based on our audit.
2) We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB, (the Italian Commission for listed Companies and the Stock Exchange). In accordance with those standards and criteria, the audit has been planned and performed to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are reliable. An audit includes examining, on a sample basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles used and the reasonableness of the estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion. The consolidated financial statements present the prior year corresponding figures, for which we refer to the auditors' report issued by us on 13 April 2006.
3) In our opinion, the consolidated financial statements of TREVI – Finanziaria Industriale SpA at 31 December 2006 comply with the International Financial Reporting Standards as adopted by the European Union and with the measures introduced by article 9 of law decree no. 38/2005; accordingly, they give a true and fair view of the financial position, the results of operations, the changes in shareholders' equity and cash flows of the TREVI Group for the year then ended.

Bologna, 13 April 2007
PricewaterhouseCoopers SpA

Roberto Adami
(Partner)

This report has been translated from the original

REPORT OF THE STATUTORY AUDITORS BOARD TO THE SHAREHOLDERS' MEETING
In accordance with article 153 of decree law. n. 58/1998 and of article 2429 chapter 3 C.C.

Dear Shareholders,
As provided by article 153 of the Finance Law (Decree Law 24/2/1998 no. 58), The Board of Auditors is required to report to the meeting called to approve the financial statements, on its supervisory duties and on any censurable acts or omissions noted and has the authority to make proposals to the meeting regarding the financial statements, the approval thereof and regarding any other items within its authority.
This report is presented in adherence with the previously cited requirement and we can report, in accordance with article 149 of the Finance Law, with regard to the 2006 financial year, as follows.
We have attended board meetings, at which the directors punctually reported on the activities carried out and the main economic, financial and asset transactions of the company and its subsidiaries.
We have verified that the operations implemented comply with the law and with the corporate by-laws and were not in potential conflict of interest or in contrast with the resolutions of the meeting.
We have also verified that the operations implemented were not imprudent or risky or such as to compromise the integrity of corporate assets.
The organizational structure of the company is adequate for its size, and is capable of providing a timely response to operational requirements.
We have verified this through direct observation and meetings with departmental management and with representatives of the independent auditors in order to gather data and information which affirms diligent and correct management.
Internal audit systems are in constant operation, taking into account also the continuing growth of the group, and our opinion of its adequacy is positive; the internal auditing system is which verifies compliance with internal operational and administrative procedures which have been adopted to identify, prevent or manage risks of a financial and operational nature and to detect potential fraud.
The Chairman of the Board of Statutory Auditors attended all meetings of the Internal Audit Committee.
The administrative accounting system, verified through an analysis of company documentation, by the results of work carried out by the independent auditors and by information obtained from divisional managers, as already referred to in previous periods, is adequate for the provision of a correct representation of administrative and accounting matters.
Equally adequate are the arrangements made at subsidiaries as

prescribed by article 114 of the Finance Law (Decree Law 58/98), necessary to meet the communication requirements laid down by this law.
The verification of the organizational structure, the internal audit system, the administrative and accounting system, the arrangements made at subsidiaries, and on the general state of company affairs, has also been carried out by the exchange of information with corresponding managers in subsidiary companies. These enquires produced no information that would have to be disclosed in this report.
We have exchanged information with the independent auditors in compliance with chapter 3 of article 150 of the Finance Law (Decree Law 58/98); no details or information emerged that would have to be disclosed in this report.
The Board of Directors, in compliance with article 150 of the Finance Law (Decree Law 58/98), has reported at least quarterly on activities and on operations of major economic, capital and financial significance carried out by the company and its subsidiaries.
They have reported, in particular, on related party transactions.
The information provided by the directors in their review of Operations is considered exhaustive and complete.
No unusual or atypical operations have been implemented.
Inter group and related party transactions of a financial and commercial nature, have all been carried out under market conditions on the basis of contractual agreement.
The group adhered to the Consolidated National Treasurer together with some subsidiaries, stipulating the conditions of participation with the apposite contract.
The explanatory notes disclose the remuneration of directors and members of the statutory board of auditors and their shareholdings in TREVI - Finanziaria Industriale S.p.A. and its subsidiaries.
The financial statements for 2006 have been prepared according to international accounting standards IAS/IFRS, with at transition date of 1 January 2005. The effects of transition from national accounting principles drawn up and approved by the National Council of Dottori Commercialisti e dei Ragionieri, to IAS/IFRS, were identified and explained in the interim six monthly accounts to 30 June 2006; the schedule of reconciliation and explanatory notes to the transition are attached to the Notes to the Financial Statements for2006. Equally, the comparative data for the previous period have been prepared according to the IAS/IFRS accounting principles.
The accounts have been subjected to audit by the auditing company,

"PriceWaterhouseCoopers S.p.A." whose mandate will come to an end with the approval of the financial statements for 2007. No important information relating to audits carried out emerged from meetings with the company.
The Board of Statutory Auditors has received no charges filed under article 2408 C.C., and has made no similar charges.
The company has its own Self-Regulatory Code, adopting the version prepared by the Corporate Governance Committee of Borsa Italiana S.p.a. in 2002, in order to apply its own "Corporate Governance" regulations. These regulations and the "Report on Corporate Governance" are available on the website of the company. The company expects to adopt the revised version of the code published in March 2006.
The Code of conduct regarding "Internal Dealing" adopted in compliance with the adoption in Italy of the directive on market abuse, resulted in 18 communications deposited with Borsa Italiana S.pa. and available on its website.
On 13 November 2006 the company adopted its own "Ethics Code" which supersedes the adhesion to the Ethics Code, prepared by SACE S.p.A.. The code is published on the company's website.
The Security Programme Document has been prepared and adopted in accordance with the law on privacy.
In 2006 no other assignments were given to the auditors beyond that of auditing the accounting system and financial statements.
On 23 November 2006 the company approved a capital increase, with no pre-emption rights, of 6.194.690 ordinary shares of €0,50 each, to meet the indirect conversion rights of subscribers to the bond issued by Sanpaolo IMI Ireland Plc and convertible into shares of the company.
The Board of Statutory auditors released no opinions during the year.
Following our examination of the financial statements for the period to 31 December 2006, the consolidated financial statements and the review of operations, we report that:

1. Not having been requested to provide an analysis of the contents of the financial statements, we have examined the general formulation of data in the parent company and consolidated financial statements and their general compliance with the laws governing their preparation and structure.
2. We have verified compliance with the regulations governing the preparation of the review of operations that adequately describes the economic, capital and financial situation, the management

trends and its evolution after the close of the financial period both of the parent company and controlled entity, and in this regard we have no specific comment to make.

3. As far as we are aware, the directors, in preparing the financial statements, have adhered to the regulations set down in article 2423, chapter 4, of the Civil Code.
4. We have verified that the financial statements correspond to the facts and to the information which came to our knowledge in the execution of our duties and we have no observations in that regard.
5. Taking into account the results of the operations carried out by the auditors, as reported to us, we propose that the financial statements for the year to 31 December 2006, as presented by the directors, be approved.

The supervisory activities described above were conducted in the course of 13 meetings of the Board of Statutory Auditors, in the eight meetings of the Board of Directors at which the Chairman of the Board of Statutory Auditors was also present, and at the three meetings of the internal audit committee.

In the course of these supervisory activities and on the basis of information obtained from the auditors, there have been no censurable acts or omissions or irregularities or in any case facts of such significance such as to require their reporting to supervisory bodies.

Registered office 13 april 2007

THE BOARD OF STATUTORY AUDITORS
DR. ADOLFO LEONARDI
PROF. GIACINTO ALESSANDRI
DR. GIANCARLO POLETTI

FINANCIAL STATEMENTS

TO 31 DECEMBER 2006

FINANCIAL
BALANCE

ASSETS	*Notes*	12/31/06	12/31/05
Non-Current Assets			
Tangible fixed assets			
Lands and Buildings		13,598,514	13,885,712
Plant and Machinery		7,517,957	6,614,231
Industrial and commercial equipment		186,621	280,347
Other Assets		3,386	3,251
Total Tangible Fixed Assets	**(1)**	**21,306,478**	**20,783,541**
Intangible Fixed Assets			
Industrial patents and intellectual		74,879	148,032
Concessions, licenses and trademarks		75,624	47,585
Total Intangible Fixed Assets	**(2)**	**150,503**	**195,617**
Investments	(3)	23,632	23,632
Investements in subsidiaries companies	(3)	55,205,156	44,835,938
Deferred income tax assets	(4)	117,783	487,663
Derivative financial instruments	(5)	135,315	134,872
Other financial Asset - Loans to subsidiaries	(6)	105,531,611	69,085,446
Other intangible fixed assets	(7)	28,980	49,593
Total Financial Assets		**161,042,477**	**114,617,144**
Total Non-Current Assets		**182,499,458**	**135,596,302**
Current Assets			
Trade and other receivables	(8)	1,283,997	1,060,268
- Of which vs. related parties		33,000	25,000
Trade and other receivables from subsidiaries	(9)	20,779,471	14,032,102
Current income tax receivables	(10)	165	1,950,483
Derivative financial instruments	(11)	6,155	-
Liquid funds	(12)	12,540,410	1,396,731
Total Current Assets		**34,610,198**	**18,439,584**
TOTAL ASSETS		**217,109,656**	**154,035,886**

STATEMENTS

SHEET *(Amounts in Euro)*

STOCKHOLDERS' EQUITY	Notes	12/31/06	12/31/05
Capital Stock and Reserves			
Capitale Stock	(13.a)	32,000,000	32,000,000
Other reserves	(13.b)	51,506,262	43,841,144
Profit (Loss) brought forward	(13.c)	1,497,050	1,998,835
Net income (loss) for the year	(13.d)	4,811,230	1,409,255
Total Stockholders' Equity	**(13)**	**89,814,542**	**79,249,234**

LIABILITIES			
Non-Current liabilities			
Long term borrowings	(14)	97,124,925	30,634,012
Due to other providers of finance	(15)	8,035,987	9,229,856
Derivative financial instruments	(16)	1,389	286,615
Deferred income tax liabilities	(17)	2,626,413	2,182,512
Post-employment benefit	(18)	691,161	663,631
Total Non-Current Liabilities		**108,479,875**	**42,996,626**
Current Liabilities			
Trade and other payables	(19)	3,131,505	2,091,001
Trade and other payables to subsidiaries	(20)	3,485,255	3,717,592
Current income tax liabilities	(21)	2,873,805	3,723,731
Short term borrowings	(22)	8,057,885	19,364,608
Due to other providers of finance	(23)	1,190,885	2,893,093
Derivative financial instruments	(24)	75,903	-
Total Current Liabilities		**18,815,238**	**31,790,025**
TOTAL LIABILITIES		**127,295,114**	**74,786,651**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**217,109,656**	**154,035,886**

INCOME STATEMENT

(Amounts in Euro)

	Notes	12/31/06	12/31/05
Revenues from sales and services	**(25)**	**8,667,902**	**9,615,360**
- Of which vs. related parties		30,000	13,000
Other operating income	(26)	1,408,243	1,372,017
Costs of goods	(27)	(19,183)	(9,660)
Salaries and employee benefits	(28)	(2,209,380)	(1,947,337)
Other operating expenses	(29)	(8,032,417)	(7,052,187)
Depreciation	(30)	(1,640,587)	(1,604,581)
E.B.I.T.		**(1,825,422)**	**373,612**
Financial Income	(31)	9,818,359	4,254,650
Financial expenses	(32)	(3,466,549)	(2,697,777)
Net difference from exchange	(33)	276,824	99,588
Financial income/(expenses)		**6,628,634**	**1,656,461**
Results before taxation		**4,803,212**	**2,030,073**
Income taxes for the year	(34)	8,018	(620,818)
Net income for the year	**(35)**	**4,811,230**	**1,409,255**
Earning per Share	**(35)**	**0,075**	**0,022**
Earning diluted per Share	**(35)**	**0,069**	**0,022**

Consolidated Statement of Changes to Net Equity

(Amounts in Euro)

DESCRIPTION	Share Capital	Other Reserves	Profit (Loss) brought forward	Net income (loss) for the year	Total Net Equiti
Balance at 12/31/2004	**32,000,000**	**43,002,415**	**-**	**1,061,747**	**76,064,162**
Net Income allocation	-	103,846	-	(103,846)	-
Dividend distribution	-	-	-	(957,901)	(957,901)
IAS Reserve	-	693,901	-	-	693,901
Other Reserves	-	40,982	-	-	40,982
Profit (Loss) brought forward	-	-	1,998,835	-	1,998,835
Net income (Loss) for the year	-	-	-	1,409,255	1,409,255
Balance at 12/31/2005	**32,000,000**	**43,841,144**	**1,998,835**	**1,409,255**	**79,249,234**
Net Income allocation	-	423,644	-	(423,644)	-
Dividend distribution	-	-	-	(1,600,000)	(1,600,000)
Rettifiche IFRS per dividendi	-	-	-	614,388	614,388
Fair Value Reserve	-	95,547	-	-	95,547
IAS Reserve	-	-	-	-	-
Bond conversion reserve	-	7,145,927	-	-	7,145,927
Profit (Loss) brought forward	-	-	(501,785)	-	(501,785)
Net income (Loss) for the year	-	-	-	4,811,230	4,811,230
Balance at 12/31/2006	**32,000,000**	**51,506,262**	**1,497,050**	**4,811,230**	**89,814,542**

GAIN / (LOSSES) DIRECTLY TO STOKHOLDERS' EQUITY

(Amounts in Euro)

	31/12/06	31/12/05
Gain / (Losses) directly to Fair Value Reserve	95,547	40,982
Gain / (Losses) directly to Stokholders' Equity	95,547	40,982
Net Income for the year	4,811,230	1,409,255
Net income observed for the year	**4,906,777**	**1,450,237**

STATEMENT OF CASH FLOW

(Amounts in Euro)

		Notes	12/31/2006	12/31/2005
	Net income for the year	(35)	4,811,230	1,409,255
	Income taxes for the year	(34)	(8,018)	620,818
	Result before taxation		**4,803,212**	**2,030,073**
	Depreciation	(30)	1,640,587	1,604,581
	Financial (Income) / Expenses	(31)-(32)-(33)	(6,628,634)	(906,973)
	Increase in the reserve for post employment benefit	(18)	68,364	198,126
	Decrease in the reserve for post employment benefit	(18)	(40,834)	(72,614)
(A)	**Cash Flow from operations without Working Capital**		**(157,305)**	**2,853,193**
	(Increase)/Decrease Trade receivables	(8)	(223,730)	(3,130,797)
	(Increase)/Decrease Other activities	(9)-(10)	(4,797,051)	(718,640)
	Increase/(Decrease) Trade payables	(19)	1,040,504	1,808,957
	Increase/(Decrease) Other liabilities	(17)-(20)-(21)-(34)	4,484,624	4,092,426
(B)	**Cash Flow from Working Capital**		**504,348**	**2,051,946**
(C)	**Financial income/(expenses)**	**(31)-(32)-(33)**	**6,628,634**	**906,973**
(D)	**Cash out for Taxes**	**(12)**	**(5,114,968)**	**(134,605)**
(E)	**Cash Flow from operating activities (A+B+C+D)**		**1,860,709**	**5,677,507**
	Net (Investments) in tangible fixed assets	(1)-(30)	(2,076,525)	(57,333)
	Net (Investments) in intangible fixed assets	(2)-(30)	(41,885)	(91,688)
	Net chages in financial fixed assets	(3)-(4)-(5)-(6)-(7)	(9,979,169)	(21,877)
(F)	**Cash Flow from investment activities**		**(12,097,579)**	**(170,898)**
	Cash in for Capital Stock's increases	(13)	0	599,363
	Other changes	(13)	1,534,049	1,238,908
	Increase/(Decrease) of other bank liabilities	(11)-(14)-(16)-(22)-(24)	54,968,712	3,764,838
	Reimbursement of liabilities for financial leasing	(15)-(23)	(2,896,077)	(2,733,227)
	Received Dividends	(12)	5,820,029	649,900
	Distributed Dividends	(12)	(1,600,000)	(960,000)
	Net chages in loans to subsidiaries		(36,446,164)	(6,731,581)
(G)	**Cash Flow from financing activities**		**21,380,549**	**(4,171,798)**
(H)	**Net change in Cash Flows (E+F+G)**		**11,143,679**	**1,334,811**
	Net liquid fund (Opening amount)		1,396,731	61,920
	Net change in Cash Flows		11,143,679	1,334,811
	Net liquid fund (End of half year)		12,540,410	1,396,731

Net liquid funds is made by: net liquid funds (note 12), other financial assets equivalent to liquid funds (note 12) net to overdraff (note 22)

Explanatory notes are an integral part of this Financial Statement

Group profile and businesses

The company is the holding company for the industrial shareholdings of a Group which operates mainly through: the Trevi Division (coordinated by the subsidiary TREVI S.p.A.), which operates in the sector of foundation engineering contracts and services for civil works and infrastructure projects; the Soilmec Division (coordinated by the subsidiary SOILMEC S.p.A.) which manufactures plant and machinery for special foundations and tunneling; the Drillmec division (coordinated by the subsidiary DRILLMEC S.pA.) which develops and manufactures drilling equipment for the extraction of hydrocarbons and water exploration; and the Petreven division (coordinated by the subsidiary PETREVEN C.A.) active in the drilling sector providing oil drilling services.

TREVI – Finaziaria Industriale S.p.A. is listed on the Milan Stock Exchange; these financial statements have been approved and authorized for publication by the Board of Directors on 29 March 2007. The Shareholders' Meeting can rectify the financial statements on the suggestion of the Board of Directors.

Presentation of the Financial Statements

The financial statements of the Parent Company are prepared in accordance with IAS/IFRS International Accounting Principles issued by the I.A.S.B. (International Accounting Standards Board) to date and according to the related SIC/ IFRIC interpretive standards issued by the Standing Interpretations Committee; the comparative data given in the financial statements have been restated according to the IAS/IFRS international accounting standards and to the current interpretation thereof.

For uniformity with the Consolidated Financial Statements the transition effects of the Parent Company Financial Statements of TREVI – Finanziaria Industriale S.p.A. have been back-dated to 1 January 2004 save for the application of IAS 32 and IAS 39, the effects of which are shown from 1 January 2005 as permitted under IFRS 1.

The company calculated and illustrated the effects of the transition to IAS / IFRS at the time of the First Semester Results to 30 June 2006 and also on that occasion provided the reconciliation required under paragraphs no.39 and no.40 of IFRS 1 (First-Time Adoption of International Financial Reporting Standards) and ratified by the European Commission, with explanatory notes on the criteria used and on the items in the reconciliation tables. These tables are included at the end of the present Notes.

The balance sheet and income data to 31 December 2005 have been reclassified to conform to IFRS.
Preparation of financial statements that are IFRS compliant requires the use of estimates and assumptions that have an impact on the value of assets and liabilities in the balance sheet, of costs and revenues and on the calculation of potential assets and liabilities. Although these are based on Management's best knowledge of events and circumstances, the real results could differ from those in this section.

Accounting criteria
As required by IFRS 1, the accounting principles and criteria described in this section have been uniformly applied to the balance sheet situation at 31 December 2005, to that at 31 December 2006 and to the 2006 income statement.
Historical cost accounting has been used for all the assets and liabilities except for part of the fixed assets (plant, land), derivative instruments and some financial assets where fair value principles have been applied.

Valuation criteria
The valuation criteria used for the income and balance sheet items of the Parent Company Financial Statements; for a more detailed list of the valuation principles and criteria of TREVI Group, please see the Consolidated Financial Statements.

Tangible fixed assets
Tangible fixed assets are stated at their acquisition or production cost. The cost of acquisition or production reflects the fair value of the price paid to purchase or produce the asset and all other direct costs sustained to bring the asset to working condition. The cost to purchase or produce the asset is the cash price equivalent at the recognition date, except where the payment is deferred beyond the normal credit terms when the difference between the cash price equivalent and the total payment is recognized as interest over the period of the credit. The financial costs relating to the purchase or production of the asset are never capitalized. The capitalization of costs contingent on adding to, updating or improving assets for the Group's own use or in use from third parties is only effected when these costs meet the requirement for them to be classified as a separate asset or part of an asset.
The fair value valuation, as permitted under IFRS1 for the transition

to IFRS, has been used for those assets where the difference between the residual value and the estimated market value is manifestly different and where the residual useful life of the asset is significant. These assets have been the object of an assessment of both their value and residual useful life and different methods of depreciation have been applied from the transition date of the Consolidated Balance Sheet (1 January 2004); at the transition date, land and buildings were valued at current values drawn up by independent experts, also to separate the value of land which was previously included in the entry “land and buildings” and subject to depreciation.

Following the initial recognition, the tangible fixed assets are reported at cost, net of accumulated depreciation and any impairment losses. The depreciable value of each significant component of a fixed asset with a different useful life is divided on a straight line basis over the expected useful life. Taking into account the similarity of the fixed assets included in the various balance sheet entries, except for important specific cases, the useful life by category of fixed asset is shown in the following table:

CATEGORY OF FIXED ASSET	RATE
Land	Indefinite useful life
Industrial buildings	5%
Fixtures and Fittings	12%
Electronic machinery	20%
Drilling and foundation equipment	7.50%
Generic equipment	10%
Various and smaller plant	20%

The criteria for the depreciation rate used, the useful life and residual value are calculated as least as often as the end of each financial year in order to take account of any significant changes.

The capitalized costs for improvements to third-party assets are recognised in the relevant fixed asset category and depreciated for the shorter of either the residual length of the leasing contract or the residual useful life.
The carrying value of tangible fixed assets remains in the balance sheet as long as that value can be recouped from their use. At any indication that the net carrying value may not be recoverable, an impairment test is carried out. Reversal of the impairment loss is only done if the reason for the original recognition of the impairment no longer exists.

Intangible fixed assets

Intangible fixed assets are recognized at the cost of acquisition or production. The cost of acquisition is the fair value of the cost paid for the asset and all other direct costs sustained to bring the asset to working condition. The cost of purchase is the cash price equivalent at the recognition date, except where the payment is deferred beyond the normal credit terms when the difference between the cash price equivalent and the total payment is recognized as interest over the period of the credit. The financial costs for the purchase are never capitalized.

- *Other intangible fixed assets*
  Other intangible fixed assets, represented by industrial patents, intellectual property rights, concessions, licenses, similar rights, and software are valued at cost net of accumulated depreciation, calculated on a straight line basis, for the estimated length of their useful life, barring any significant impairment. The criteria for depreciation, useful life and residual value are examined and measured at least as often as each balance sheet date in order to take account of any significant changes, as required by IAS 38.

Impairment of assets

An asset is impaired whenever its carrying value is greater than its recoverable amount. At each balance sheet date the presence of any indications that assets may be impaired is assessed. If there is any such indication, the recoverable amounts are calculated and any eventual impairment losses recognized in the accounts. For assets not yet available for use and assets recognized during the current financial year, the impairment test is carried out at least annually independent of the presence of any indications of impairment.

Financial assets and liabilities

Financial assets are designated under the following categories:

- Financial assets at fair value through profit and loss: financial assets acquired primarily with the intention of generating a profit from short-term (not more than three months) price fluctuations or assets designated as such on initial recognition
- Held-to-maturity investments: investments in financial assets with fixed maturities and determinable or fixed payments which the Group has the intention and capacity to hold to maturity;
- Loans receivable and other financial receivables: financial assets with fixed maturities and determinable or fixed payments and

different from those designated from initial recognition as financial assets at fair value through profit and loss or as available for sale financial assets;
- Available for sale financial assets: financial assets other than those in the preceding paragraphs or those designated as such on initial recognition

The company decides the designation of the financial assets at the moment of purchase; the initial recognition is the fair value at the purchase date, including transaction costs; for purchase or sale date, the settlement date of the transaction is intended.

After the initial recognition, the financial assets at fair value through profit and loss and the available for sale financial assets are measured at fair value, the held-to-maturity investments as well as loans receivable and other financial receivables are measured at amortized cost using the effective interest method as required by IAS 39.

The gains and losses deriving from changes in fair value of the financial assets at fair value through profit and loss are charged to the income statement in the year they occur. The unrealized gains and losses deriving from changes in the fair value of available for sale financial assets are recognized in equity.

The fair value of financial assets is measured on the basis of listed offer prices or financial models. The fair value of unlisted financial assets is estimated using valuation techniques appropriate to the characteristics of the issuer. Financial assets for which the current value cannot be reliably determined are accounted for at cost less impairment.

At each balance sheet date the presence of any indications that assets may be impaired is assessed and any losses are charged to the income statement. Previously recognized impairment losses are reversed if the reason for the original recognition of the impairment no longer exists, except for assets valued at cost.

Financial liabilities are initially recognized at the fair value of the sums raised, net of transaction costs, and subsequently valued at amortized cost.

Cash and cash equivalent

Cash and cash equivalents are represented by highly liquid short-term investments (with an original maturity of no more than three months), easily convertible into known sums of cash and subject to no significant variation from fair value.

For the Cash Flow Statement, cash and cash equivalents comprise cash, bank current accounts, other highly liquid short-term financial assets with an original maturity of no more than three months, and bank overdrafts. The latter are included as financial payables in current payables in the balance sheet.

Equity

- Issued share capital
  This item is the subscribed and fully paid-up share capital; it is shown at nominal value. The acquisition of treasury shares, valued at the consideration paid, including any related costs, is recognized as a change in shareholders' funds and the nominal value of the treasury stock is deducted from shareholders' funds whilst the difference between the purchase cost and the nominal value of the treasury stock is deducted from reserves.
- Treasury shares
  Treasury shares are recognized in a specific reserve. No gain (loss) is recognized in the income statement for the purchase, sale, issue or cancellation of treasury shares.
- Fair value reserve
  This groups the variations in fair value, net of any tax effect, of any items that are recognized at fair value through equity.
- Other reserves
  These comprise capital reserves with a specific destination, the legal reserve and the extraordinary reserve
- Retained profits (losses)
  This includes the part of the financial results of the current year and prior years that has not been distributed or taken to reserves (in the case of profits) or covered (in the case of losses), and movements from other equity reserves when the restrictions on these no longer exist.

Employee benefits

- *Short-term benefits*
  Short-term employee benefits are charged to the income statement in the period of service rendered by the employee.

- *Defined benefit plans*

  The company pays indemnities on termination of employment to its employees (TFR, employee termination indemnities). These benefits fall into the category of defined benefits, verifiable as to their existence and quantifiable as regards the amount payable but uncertain as to when payment will be required. The liability is determined as the current value of the defined benefit payable at the balance sheet date, as prescribed by the existing legislation, adjusted to take into account actuarial gains and losses. The defined benefit obligation payable is calculated at each balance sheet date by an independent actuary on the "projected unit credit" method. Actuarial gains and losses are fully accounted in the period without applying the "corridor method".

- *Defined contribution plans*

  The company participates in state defined contribution plans. The contributions paid fulfill the obligations of the group towards its employees. The contributions are costs recognized in the period in which the benefit is earned.

Provisions for potential risks and costs, assets and liabilities

Risk and costs provisions are probable liabilities where the amount and/or timing of the obligation derive from a past event and where the fulfillment of that obligation will result in an outflow of financial resources. Provisions are made exclusively for existing obligations, either legal or implicit, deriving from a past event where at the balance sheet date a reliable estimate of the amount of the obligation can be made. The amount provided represents the best estimate of the amount necessary to fulfill that obligation made at the balance sheet date. Provisions made are re-assessed at the end of each interim accounting period in the year and adjusted to reflect the best current estimate.

Where settlement of the obligation is likely to be beyond the normal credit terms and where the effect is likely to be material, the amount of the provision is represented by the current value of future payments expected to settle the obligation.

Potential assets and liabilities are not entered in the balance sheet; however information is provided.

Derivative instruments
The company has adopted a Risk Policy for the whole Group. The recognition of changes in fair value differs according to the designation of the derivative instrument (held for trading or cover) and the nature of the risk covered (Fair Value Hedge or Cash Flow Hedge).
For those contracts designated as held for trading, the changes in fair value are recognized directly in the income statement.
For those contracts, like a Fair Value Hedge, designated as held for cover, the changes in fair value of the hedging instrument and of the hedged item are recognized in the income statement, independent of the valuation criteria adopted for the latter.

For hedges like a Cash Flow Hedge designated as a covering instrument, the change in fair value is recognized directly in equity if the hedging instrument is determined to be an effective hedge whilst the portion determined as ineffective is recognized in the income statement. The changes recognized in equity are charged to the income statement in the financial year or financial years in which the financial asset or liability affects profit or loss.

Revenues and costs
Revenues deriving from the sale of an asset are recognized upon transfer of the risks of ownership, normally at the time of shipping, at the fair value of the amount received or expected, taking into account any eventual discounts.

Revenues from services are determined according to the stage of completion of a contract, defined as the ratio between of the amount completed at the balance sheet date and the expected total value of the contract.

Costs are recognized on a similar basis to revenues and always recognized on a time-proportion basis.

Financial income and costs are recognized on a time-proportion basis and using the effective interest method.

Dividends are recognized in the financial year in which the shareholders have the right to payment of the dividend.

Taxes
Taxes on profit for the year are calculated on the cost expected to be paid according to the enacted tax laws.
Deferred and pre-paid taxes are calculated for the temporary differences between the carrying amounts in the balance sheet and the corresponding tax base values and for the amount carried forward of unused tax losses or tax credits, as long as it is probable that repayment (payment) reduces (increases) the future tax payments compared to the amount which would have been attested if that repayment (payment) had had no fiscal implications. The fiscal effects of operations or transactions are recognized either in the income statement or directly to equity in the same way as the operations or transactions that gave rise to the tax charge is recognized.

Currency
The financial statements are prepared in Euro, which is the functional currency of the Parent Company.
Transactions in foreign currency are translated into the functional currency at the exchange rate of the day of the transaction. Exchange rate gains or losses, deriving from the settlement of these transactions and from the conversion at the balance sheet date of financial receivables and payables expressed in foreign currencies, are recognized in the income statement.

Consolidated Financial Statements
The company is obliged to prepare Consolidated Financial Statements under Decree Law 127/91. Copies of the Consolidated Financial Statements, the Operating Review, and the independent Auditor's Report will be deposited at the registered offices of the company, with Borsa Italiana S.p.A. and with the Register of Companies, as required by law.

Reform of the taxation of companies and of the tax regime for Groups
Trevi - Finanziaria Industriale S.p.A. has opted for the Group Taxation System, which requires the calculation of a single taxable income for the Group for IRES purposes (the "Group Taxable Income"), and the adoption of the role of consolidating company with the following companies in the role of those consolidated:
- TREVI S.p.A. with a direct shareholding of 99.78% directly held

- SOILMEC S.p.A. with a direct shareholding of 97.00%
- DRILLMEC S.p.A. with a direct shareholding of 98.25%
- R.C.T. S.r.L. with a direct shareholding of 99.78% (owned 100% by TREVI S.p.A.).

Related part transactions with subsidiaries resulting from the use of the Group Taxable Income regime are included in the financial statements for the year.

MANAGEMENT AND COORDINATION OF COMPANIES

Under article 2497 of the C.C., the company exercises management and coordination of the following companies:

- TREVI S.p.A. with a direct shareholding of 99.78% directly held
- SOILMEC S.p.A. with a direct shareholding of 97.00%
- DRILLMEC S.p.A. with a direct shareholding of 98.25%
- R.C.T. S.r.L. with a direct shareholding of 99.78% (owned 100% by TREVI S.p.A.).

NON-CURRENT ASSETS

(1) Tangible fixed assets

Tangible fixed assets were 21,306 thousands of Euro At 31 December 2006, an increase of 523 thousands of Euro over the previous financial year.
The changes relative to the 2006 financial year are summarized in the table below:

CATEGORY	HISTORICAL COST				DEPRECIATION				NET ASSETS AT 12/31/05	NET ASSETS AT 12/31/06
	Value at 12/31/05	Increase	Decrease	Value at 12/31/06	Value at 12/31/05	Increase	Decrease	Value at 12/31/06		
Land and buildings	15,525,000	276,634	-	15,801,634	1,639,288	563,832	-	2,203,120	13,885,712	13,598,514
Plant and machinery	11,786,247	1,786,148	-	13,572,395	5,172,015	882,423	-	6,054,438	6,614,231	7,517,957
Industrial and commercial equipment	564,009		190,766	373,243	283,662	95,290	192,329	186,623	280,347	186,621
Other assets	10,879	1,221	-	12,099	7,629	1,084	-	8,713	3,251	3,386
TOTAL	**27,886,135**	**2,064,003**	**190,766**	**29,759,371**	**7,102,594**	**1,542,629**	**192,329**	**8,452,894**	**20,783,541**	**21,306,478**

The category Land and Buildings refers exclusively to the industrial site of Gariga di Podezano, home to the industrial activities of the subsidiary Drillmec S.p.A.
The gross increase in Land and Buildings are entirely due to improvements to the buildings at Gariga di Podenzano (PC). The increase of Euro 1,786 thousands in Plant and Machinery is primarily due to the acquisition of an HH 300 oil drilling rig from Soilmec.
The decrease in Industrial and Commercial Equipment reflects the sale of two R825 drilling equipment kits.

(2) Intangible fixed assets

At 31 December 2006, intangible fixed assets were Euro 151 thousands, a decrease of Euro 45 thousands compared to 31 December 2005.
The changes relative to the 2006 financial year are summarized in the table below:

CATEGORY	HISTORICAL COST				DEPRECIATION				NET ASSETS AT 12/31/05	NET ASSETS AT 12/31/06
	Balance at 12/31/05	Incr.	Decr.	Balance at 12/31/06	Balance at 12/31/05	Depr. for the year	Charge to Reserve	Balance at 12/31/06		
Industrial patents	765,446	3,300	-	768,746	617,414	76,452	-	693,867	148,031	74,879
Licenses and brands	75,007	49,544	-	124,550	27,421	21,505	-	48,926	47,586	75,624
Other	235,354	-	204,295	31,059	235,354	-	204,295	31,059	-	-
TOTAL	**1,075,806**	**52,844**	**204,295**	**924,355**	**880,189**	**97,958**	**204,295**	**773,852**	**195,617**	**150,503**

The increase in Licenses and Brands is mainly due to the purchase of IT licenses made during the year. The depreciation rate used for the intangible fixed assets in the 2006 financial year was 20%.

(3) Investments

Investments increased 10,369 thousands of Euro to 55,229 thousands of Euro over the preceding year. The breakdown of investments between subsidiaries and other companies is given in the following table:

CATEGORY	Balance at 12/31/05	Increase	Decrease	Revaluation	Write-down	Other Movements	Balance at 12/31/06
Subsidiaries	44,835,938	10,369,218	-	-	-	-	55,205,156
Other Companies	23,632	-	-	-	-	-	23,632
TOTAL	**44,859,570**	**10,369,218**	**-**	**-**	**-**	**-**	**55,228,788**

Further details on shareholdings in subsidiaries are given in the following table:

SUBSIDIARY	Balance at 12/31/05	Increase	Decrease	Revaluation	Writedown	Other movements	Balance at 12/31/06
TREVI S.p.A.	26,732,503	-	-	-	-	-	26,732,503
SOILMEC S.p.A.	9,324,671	-	-	-	-	-	9,324,671
DRILLMEC S.p.A.	4,915,985	-	-	-	-	-	4,915,985
PILOTES TREVI S.a.c.i.m.s.	283,845	-	-	-	-	-	283,845
PETREVEN C.A.	3,557,057	10,369,218	-	-	-	-	13,926,275
INTERNATIONAL DRILLING TECHNOLOGIES FZCO	21,877	-	-	-	-	-	21,877
TOTAL OF SUBSIDIARIES	**44,835,938**	**10,369,218**	**-**	**-**	**-**	**-**	**55,205,156**

The 10,369 thousands of Euro increase in the holding in Petreven C.A. (a company active in drilling services) is due to the purchase from the subsidiary, Trevi Contractors BV, of 250 shares for a value

of 39 thousands of Euro and the subscription to a share capital increase for 10,330 thousands of Euro; these operations resulted in the holding in the subsidiary increasing to 70.53%.
In the course of 2006, SIMEST S.p.A. (Società Ialiana per le Imprese all'Estero), controlled by the Ministry of International Commerce, subscribed to a share capital increase in Petreven C.A. in order to support the company's industrial growth. SIMEST S.p.A. subscribed to 25,557 shares for a total value of VEB 24,700,073,790 and equivalent to 15.93% of the share capital. Further details of this operation are given in "Guarantees, Risks and other contingencies".

Swissboring Gulf FZCO was renamed International Drilling Technologies FZCO in the course of 2006.

There were no changes in Investments in Other Companies in 2006 as is shown in the following table:

OTHER COMPANIES	Balance at 12/31/05	Increase	Decrease	Revaluation	Writedown	Other movements	Balance at 12/31/06
Comex S.p.A.	22,496	-	-	-	-	-	22,496
Banca di Cesena S.p.A.	1,136	-	-	-	-	-	1,136
TOTAL OF OTHER COMPANIES	**23,632**	**-**	**-**	**-**	**-**	**-**	**23,632**

The associate Comex S.p.A., active in the assembly of own-brand hardware products (personal computers, notebooks and servers) has yet to approve the financial statements for 2006; the 2005 Financial Statements show revenues of Euro 10,536 thousands and a pre-tax profit of 189 thousands of Euro. The company has 40 shares in the Banca di Cesena S.a.a.r.l. of nominal value Euro 25.82 each and holds 0.03% of the company.
Banca di Cesena S.c.a.r.l. has yet to approve the financial statements for 2006; the 2005 Financial Statements show a net profit of 2,783 thousands of Euro.
The investments in subsidiaries are given in the following table:

SUBSIDIARIES	Headquarters	Share capital in local currency (1)	Carrying value of net equity (2)	Profit for the year	Holding %	Carrying value	Share of equity
TREVI S.p.A.	Italy	26,300,000	21,230,869	-3,541,416	99.78	26,732,503	21,184,161
SOILMEC S.p.A. (1)	Italy	5,160,000	20,110,855	8,399,849	97.00	9,324,671	19,507,529
DRILLMEC S.p.A.	Italy	5,000,000	8,323,342	3,097,983	98.25	4,915,985	8,177,684
PILOTES TREVI S.a.c.i.m.s.	Argentina	1,650,000	3,514,236	299,356	57.00	283,845	2,003,115
PETREVEN C.A.	Venezuela	16,044,700,000	5,696,572	1,506,966	70.53	13,926,275	4,017,67
INTERNATIONAL DRILLING TECHNOLOGIES FZCO	UAE	1,000,000	217,611	-12,481	10.00	21,877	21,761
TOTAL OF SUBSIDIARY COMPANIES			**59,093,485**	**9,750,257**		**55,205,156**	**54,911,926**

(1) Data in Euro for Trevi S.p.A., Soilmec S.p.A. e Drillmec S.p.A.; in ARS for Pilotes Trevi S.a.c.i.m.s; in VEB for Petreven C.A; in AED for International Drilling Technologies FZCO

(2) Data to 31 December 2005 for Pilotes Trevi S.a.c.i.m.s., Petreven C.A., International Drilling Technologies FZCO

The value in Euro has been obtained applying the exchange rates of the balance sheet date shown in the following table

CURRENCY		Average rate for the financial year	Rate at balance sheet date
Argentine Peso	ARS	3.86	4.05
Venezuelan Bolivar	VEB	2,696.29	2,827.99
UAE Dirham	AED	4.61	4.84

There are no restrictions (including on the voting rights) on the shares held. For details on the shareholdings in subsidiaries and, please the Notes to the Consolidated Financial Statements.
The investments in other companies (values are from financial statements to 31 December 2005) are given in the following table:

OTHER COMPANIES	Headquarters	Share capital	Carrying value of net equity	Profit for the year	Holding %	Carrying value	Share of net equity
COMEX S.p.A.	Italy	2,647,080	2,915,027	87,078	0.81	22,496	23,612
Banca di Cesena	Italy	3,326,804	49,861,606	2,783,382	0.04	1,136	19,945
TOTAL OF OTHER COMPANIES						**23,632**	**43,556**

(4) Deferred tax assets
This amounted to 118 thousands of Euro at 31 December 2006, a reduction of 370 thousands of Euro compared to the previous year. The reduction was essentially due to the decrease in losses in non-realised foreign exchange which resulted in lower advance tax compared to that recorded at 31 December of the previous year.

(5) Long-term derivative instruments
Long-term financial derivative instruments amounted to Euro 135,315 an increase of Euro 443 compared to the previous year. The value at 31 December 2006 was entirely attributable to the valuation of an Interest Rate Swap to cover variable rate medium to long-term debt.

(6) Other medium and long-term financial credits to subsidiaries
Medium-long term financial credits at 31 December 2006 were 105,532 thousands of Euro, an increase of 36,446 thousands of Euro compared to the previous year. All of these credits were composed of financial loans to subsidiaries aimed at supporting industrial development.
The increase was mainly attributable to new inter-group finance given out following the finalization of the Indirect Convertible Loan, which is described in the notes to Shareholders' Funds and Long-Term Financing

(7) Commercial credits and other long-term financial credits
Commercial Credits and other Long-Term Credits totaled 29 thousands of Euro, a decrease of 21 thousand of Euro compared to the previous year. These credits are entirely lodged with the Central Bank of Nigeria; the reduction in the balance sheet value of these credits during financial year 2006 was due to their partial repayment.

CURRENT ASSETS

(8) Trade receivables and other short-term creditors
At 31 December 2006, Trade and other short-term creditors were 1,284 thousands of Euro, an increase of 224 thousands of Euro compared to the previous year.

These items are detailed in the following table:

DESCRIPTION	Balance at 12/31/2006	Balance at 12/31/2005	Change
Trade receivables	35,050	28,273	6,777
Accruals	623,165	708,847	(85,682)
VAT payable to Income Tax Authority	137,124	52,380	84,744
Credits lodged with the Central Bank of Nigeria (ST quote)	22,877	24,280	(1,403)
Other Receivables	465,781	246,489	219,292
TOTAL	**1,283,997**	**1,060,268**	**223,729**

The change in other receivables was due principally to the part-payment by leasing companies of an HH300 drilling rig which had not been invoiced at the end of the accounting period.
Details of related party transactions are reported in Attachment 1 to the current notes.

(9) Trade and other short-term receivables from subsidiaries
At 31 December 2006, Commercial and other short term receivables from subsidiaries amounted to 20,779 thousands of Euro, an increase of 6,747 thousands of Euro compared to the previous period.

These items are detailed in the following table:

DESCRIPTION	Balance at 12/31/2006	Balance at 12/31/2005	Change
Commercial	12,591,146	10,530,529	2,060,617
Group tax related credits	8,188,325	3,501,573	4,686,752
TOTAL	**20,779,471**	**14,032,102**	**6,747,369**

(10) Current tax assets
Current tax assets at 31 December 2006 amounted to Euro 165, a reduction of Euro 1,950 compared to the previous period.
The reduction of current tax assets was mainly attributable to the utilisation of credits which arose in the previous year to limit the increase in the tax charge in the current year.

(11) Short-term derivative instruments
Short term derivative instruments were Euro 6 thousands; this item was not attributed a value the 2005 financial year. The value at 31 December 2006 was due to the valuation of the short term quota

of an Interest Rate Swap covering variable rate medium and long-term debt and to the valuation of two forward sales contracts of US Dollars to cover Euro/US dollar exchange rate fluctuations.

(12) Cash and cash equivalents

At 31 December 2006, Cash and cash equivalents were 12,540 thousands of Euro, an increase of 11,144 thousands of Euro compared to the previous year.

These items are detailed in the following table:

DESCRIPTION	Balance at 12/31/2006	Balance at 12/31/2005	Change
Bank and post office accounts	12,537,218	1,393,566	11,143,652
Cash and cash equivalents	3,192	3,165	27
TOTAL	**12,540,410**	**1,396,731**	**11,143,679**

The increase in the value of Bank and Post Office accounts compared to 31 December 2005 was mainly due to the increase in liquidity resulting from the Indirect Convertible Loan issue of November 2006.

(13) SHAREHOLDERS' FUNDS

The following table lists the changes in the Shareholders' Funds of the company:

DESCRIPTION	Share Capital	Share Premium Reserve	Legal reserve	Treasury Share Reserve	Extraord. Reserve	Fair Value Reserve	IFRS Reserve	Convertible Loan Reserve	Accumulat. Profits (losses)	Profit (loss) for period	Total Shareholders' Funds
Balance at 12/31/2004	**32,000,000**	**32,522,662**	**3,657,985**	**1,832,992**	**4,988,776**	**0**	**0**	**0**	**0**	**1,061,747**	**76,064,162**
Application of profit	-	-	53,087	-	50,759	-	-	-	-	(103,846)	-
Dividend distribution	-	-	-	-	-	-	-	-	-	(957,901)	(957,901)
Account transfer for Treasury Share Reserve	-	1,832,992	-	(1,832,992)	-	-	-	-	-	-	-
IAS Reserve	-	-	-	-	-	-	693,901	-	-	-	693,901
Other reserves	-	-	-	-	-	40,982	-	-	-	-	40,982
Profits (Losses) carried forward	-	-	-	-	-	-	-	-	1,998,835	-	1,998,835
Profit (Loss) for the period	-	-	-	-	-	-	-	-	-	1,409,255	1,409,255
Balance at 12/31/2005	**32,000,000**	**34,355,654**	**3,711,072**	**0**	**5,039,535**	**40,982**	**693,901**	**0**	**1,998,835**	**1,409,255**	**79,249,234**
Application of profit	-	-	101,182	-	322,462	-	-	-	-	(423,644)	-
Dividend distribution	-	-	-	-	-	-	-	-	-	(1,600,000)	(1,600,000)
IFRS adjustment for dividends		-	-	-	-	-	-	-	-	614,388	614,388
Fair Value Reserve	-	-	-	-	-	95,547	-	-	-	-	95,547
Convertible Loan Effects	-	-	-	-	-	-	-	7,145,927	-	-	7,145,927
Profits (Losses) carried forward	-	-	-	-	-	-	-	-	(501,785)	-	(501,785)
Profit (Loss) for the period	-	-	-	-	-	-	-	-	-	4,811,230	4,811,230
Balance at 12/31/2006	**32,000,000**	**34,355,654**	**3,812,254**	**0**	**5,361,997**	**136,529**	**693,901**	**7,145,927**	**1,497,050**	**4,811,230**	**89,814,542**

(13.a) Share capital

At 31 December 2006, Share Capital was Euro 32,000,000, composed of 64,000,000 fully issued and paid-up ordinary shares of nominal value Euro 0.50 each.

On 23 November 2006 the Board of Directors approved a share

capital increase of Euro 3,097,345 made up of 6,194,690 ordinary shares with a nominal value of Euro 0.50 per share to meet the conversion rights of the convertible bond, the Indirect Convertible Bond Loan.
At 31 December 2006 the authorized share capital was, therefore, Euro 35,097,345 made up of 70,194,690 shares of nominal value Euro 0.50 each

(13.b) Other Reserves

- *Share Premium Reserve:*
  At 31 December 2006 this was 34,355 thousands of Euro; this value has not changed in 2006.

- *Legal Reserve*
  The Legal Reserve represents the part of profits which, pursuant to Article 2430 of the Italian Civil Code, cannot be distributed as dividends. In 2006 the Legal Reserve increased 101 thousands of Euro following the movement to this reserve of 5% of the Parent Company profits for 2005. At 31 December 2006 this reserve was 3,812 thousands of Euro.

- *Extraordinary Reserve*
  At 31 December 2006, the Extraordinary Reserve was 5,362 thousands of Euro, an increase of 322 thousands of Euro compared to the previous year. This increase is due to the allocation of unallocated profits generated by the company in the 2005 financial year.

- *Fair Value Reserve*
  At 31 December 2006, the Fair Value Reserve was 137 thousands of Euro, an increase of 96 thousands of Euro compared to the previous year. This increase was entirely due to the change in the value of financial derivatives in the 2006 financial year.

- *Convertible Loan Reserve*
  The Convertible Loan Reserve was 7,146 thousands of Euro at 31 December 2006. This item was not included in the previous financial year. The increase was due to the optional component of the Indirect Convertible Bond Loan issued by the company in November 2006. This value was determined by discounting the future cash flows deriving from the Indirect Convertible Bond Loan using the market rate at which the company could have

found financing on the financial markets with alternative debt instruments of the same duration.

- *Dividends paid in 2006*
  The Shareholders' Meeting of 28 April 2006 approved the distribution of profits of 1.600 thousands of Euro, a dividend per share of 25 thousands of Eurowith an ex-dividend date of 10 July 2006 and payment from 13 July 2006.

(13.c) Retained Profits (Losses)

At 31 December 2006, Retained Profits (Losses) were 1,497 thousands of Euro, a reduction of 30 thousands of Euro compared to the previous financial year.

In accordance with article 2427 paragraph 1 no. 7 bis, the components of Shareholders' Funds by origin, possibility of utilisation and distribution are shown in the following table.

DESCRIPTION	Balance at 12/31/2006	Possibility of utilisation	Possibility of Distribution	Summary of utilization over past three years	
				Coverage of losses	Treasury share reserve
Share Capital	32,000,000				
Share Premium Reserve	34,355,654	A B			
Legal Reserve	3,812,254	B			
Extraordinary Reserve	5,361,997	A B C	5,361,997		
Fair Value Reserve	136,529	B			
IFRS Reserve	693,901	B			
Convertible Loan Reserve	7,145,927	B			
Retained Profits (Losses)	1,497,050				
TOTAL	**83,506,262**		**5,361,997**		

A) for capital increase; B) for coverage of losses; C) for shareholders distribution

(13.d) Profit for the year

The profit for the 2006 financial year was 4,811 thousands of Euro, an increase of 3,402 thousands of Euro compared to the previous year.

Liabilities

Non-Current Liabilities

(14) Long-term finance

At 31 December 2006 Long-term Finance was 97,125 thousands of Euro, an increase of 66,491 thousands of Euro compared to the previous year.

The constituents of this item are given in the following table:

DESCRIPTION	Balance at 12/31/2006	Balance at 12/31/2005	Change
Interbanca S.p.A. mortgage loan	7,500,000	9,282,418	(1,782,418)
Cassa di Risparmio di Cesena S.p.A. loan	1,696,857	4,988,452	(3,291,595)
Interbanca S.p.A. loan	3,750,000	4,363,143	(613,143)
Interbanca S.p.A. loan	13,125,000	-	13,125,000
SanPaolo Imi S.p.A. loan	10,000,000	-	10,000,000
SanPaolo Imi S.p.A. Indirect Convertible Bond	61,053,068	-	61,053,068
Commerzbank AG loan	-	5,000,000	(5,000,000)
Loans from subsidiaries	-	7,000,000	(7,000,000)
TOTAL	**97,124,925**	**30,634,012**	**66,490,913**

The long-term portion of the Interbanca mortgage loan, originally Euro 15,000,000 amounts to a residual Euro 7,500,000. This mortgage is repayable in sixteen six-monthly installments beginning on 30 June 2004 (total duration of eight years). The second degree mortgage guarantee was granted by the company's subsidiary, Soilmec, against its production facility at Cesena. The long-term part of the variable rate loan provided by Cassa di Risparmio di Cesena, originally of Euro 5,000,000, has a residual value of Euro 1,696,857; this loan is repayable in three six-monthly installments starting from 31 May 2007 (total duration of three years) expiring with the last payment on 31 May 2008.
The long-term part of the variable rate loan granted by Interbanca S.p.A., originally for Euro 5,000,000 has a residual value of Euro 3,750,000. This loan is repayable in sixteen six-monthly installments starting from 31 January 2006 (total duration of eight years) expiring with the last payment on 31 July 2013.

During the course of 2006 the company raised new long term finance through three operations:

In the 2006 financial year, the Parent Company arranged three financing operations with a part as long-term loans:

- Financing agreed with Interbanca S.p.A. for Euro 15,000,000 at variable rates for a duration of five years with repayments in eight six-monthly installments. At 31 December 2006, the long-term portion of this financing was Euro13,125,000;
- Financing agreed with SanPaolo IMI S.p.A for Euro 10,000,000 at variable rates for a duration of eight years with repayment in twelve six-monthly installments.
  At 31 December 2006, the long-term portion of this debt was equal to the total amount of the financing.
- Financing agreed with SanPaolo IMI S.p.A. for nominal Euro 70,000,000 at a fixed rate with duration of five years and repayment at maturity. At 31 December the application of IAS 39 (in particular the criteria for split accounting and amortised cost) determined a debt element of Euro 61,053,068. Euro 7,145,927 of the residual amount of Euro 8,946,932 is the option to convert to equity implicit in the Indirect Convertible Loan and the remaining part is the cost for structuring and placing the loan.
  This debt was issued by the said bank on 30 November 2006 following the finalization of the Indirect Convertible Bond Loan, information on the equity element of which was given in the notes to the Shareholders' Funds. The principal elements of the operation are as follows:

The placing of an Indirect Convertible Bond, issued by SanPaolo IMI Bank Ireland with expiry 30 November 2011, was completed with total capital raised of Euro 70 million (the Bond). The Bond, issued and repayable at par, was issued by SanPaolo IMI Bank Ireland plc and is guaranteed by SanPaolo IMI S.p.A., which benefits from a Aa3/ AA-/AA- rating. The bond was placed exclusively with institutional investors, excluding those in Australia, Canada, Japan, South Africa, Ireland and the U.S.A., in accordance with Regulation S.
Banca IMI S.p.A. was the global co-ordinator and Banca IMI S.p.A. and Société Générale Corporate and Investment Banking were joint bookrunners of the placing.
The bond is convertible into a maximum of 6,194,690 ordinary shares of nominal Euro 0.50 each (which corresponds to about 9.68% of the current value of the share capital of TREVI - Finanziaria Industriale S.p.A.). The reason for the issue was to provide the company with new financial resources at advantageous terms to support the growth both of its core foundation engineering operations and the

innovative drilling activities.
The conversion price of the underlying shares is Euro 11.30, which includes a premium equal to 30% of the official price at 23 November 2006. The bond, with an annual fixed coupon of 1.5%, will be convertible from the forty-first day following the date of issue.

The financing with Commerzbank AG of Euro 5,000,000 included in the accounts at 31 December 2005 was repaid during the 2006 accounting period.
The financing received from the subsidiary, Soilmec S.p.a., of Euro7,000,000 included in the accounts at 31 December 2005 was repaid during the 2006 accounting period.

Some of the Group's long-term financing agreements require it to respect certain financial covenants (calculated on the Group Consolidated Financial Statements) represented by the economic-financial ratios below:
EBITDA/Net Financial Charges: an indicator of the weight of interest charges calculated as the ratio of EBITDA to net interest charges.
Net Financial Position/EBITDA: an indicator of indebtedness, calculated as the ratio of net financial debt to EBITDA.
Net Financial Position/Net Equity: an indicator of indebtedness, calculated as the ratio of net debt to net equity.
EBITDA/Revenues: an indicator of profitability, calculated as the ratio of EBITDA to total revenues
CAPEX: the value of investments

The failure to respect these covenants would allow the banks that have provided the financing to call in the financing or to re-negotiate the conditions attached to the financing.
At 31st December 2006 all the financial covenants listed above were respected.

(15) Other Long-term debts
At 31 December 2006, Other Long-term Debts were 8,036 thousands of Euro, a reduction of 1,194 thousands of Euro compared to the previous financial year.
Details of Other long-terms Debts are given in the following table:

DESCRIPTION	Balance at 12/31/2006	Balance at 12/31/2005	Change
Debts due to Locat S.p.A.	4,039,907	4,777,667	(737,760)
Debts due to Banca Italease S.p.A.	3,996,081	4,452,190	(456,109)
TOTAL	**8,035,987**	**9,229,856**	**(1,193,869)**

The reduction in the sums due to Locat S.p.A. and Banca Italease S.p.A. in the 2006 financial year is entirely attributable to the repayment of the capital portion of Finance Leases.

(16) Long-term derivative instruments

At 31 December 2006, Long-term derivatives instruments totaled Euro 1,389, a decrease of 285 thousands of Euro compared to the previous year. The value at 31 December 2006 is entirely attributable to the valuation of an Interest Rate Swap which relates to cover of medium-long term variable rate debt.

(17) Deferred Tax Liabilities

Deferred tax liabilities were 2,626 thousands of Euro at 31 December 2006, an increase of 444 thousands of Euro with respect to the previous financial year.

This increase is essentially attributable to adjustments to deferred taxation made in the permitted fiscal treatment of Finance Leases.

(18) Post-employment Benefits

At 31 December 2006, benefits on cessation of employment were 691 thousands of Euro, an increase of 28 thousands of Euro compared to the previous year. The details of changes in this item in the 2006 financial year are shown in the following table:

DESCRIPTION	Balance at 12/31/2005	Portion matured and charged to Income Statement	Portion transferred from other companies	Portion transferred to other companies	Movements to Pension Funds	Adjustment to provision TFR IAS 19	Balance at 12/31/2006
Post Employment Benefits	663,631	58,009	10,355	(3,973)	(17,132)	(19,729)	691,161

The share transferred to other companies refers to movements between group companies as do the transfers from other companies.

The adjustments to the TFR provision ex IAS 19 takes into the account the actuarial valuation of the fund.

CURRENT LIABILITIES

(19) Trade Payables and other short-term liabilities

At 31 December 2006, trade payables and other short-term liabilities were 3,132 thousands of Euro, an increase of 1,041 thousands of Euro compared to the previous year.
The details of this item are given in the following table:

DESCRIPTION	Balance at 12/31/2006	Balance at 12/31/2005	Change
Payables to suppliers	2,686,173	1,513,178	1,172,995
Payables to Insurance and social security organisations	98,203	84,812	13,391
Other payables	199,191	135,908	63,283
Accruals	51,367	270,353	(218,986)
Deferred income	96,571	86,750	9,821
TOTAL	**3,131,505**	**2,091,001**	**1,040,504**

Trade payables to suppliers increased 1.173 thousands of Euro in the 2006 financial year; this increase is largely due to the growth in the company's business.
Details of payables to insurance and social security organisations are given in the following table:

Payables to insurance and social security groups	Balance at 12/31/2006	Balance at 12/31/2005	Change
Payables due to INAIL	2,007	1,333	674
Payables due to INPS	93,946	81,339	12,607
Payables due to Pension funds	2,249	2,140	109
TOTAL	**98,203**	**84,812**	**13,391**

A detailed breakdown of Other Payables is given in the following table:

OTHER PAYABLES	Balance at 12/31/2006	Balance at 12/31/2005	Change
Payables to employees	194,922	133,949	60,973
Others	4,269	1,959	2,310
TOTAL	**199,191**	**135,908**	**63,283**

Payables to Employees refers exclusively to holiday entitlement not yet taken.

Details of Accruals are given in the following table:

Accrued charges	Balance at 12/31/2006	Balance at 12/31/2005	Change
Accrued employee expenses	47,120	40,873	6,247
Other accrued charges	4,247	229,480	(225,233)
TOTAL	**51,367**	**270,353**	**(218,986)**

Details of Deferred Income are given in the following table:

Deferred income	Balance at 12/31/2006	Balance at 12/31/2005	Change
Deferred hire charges	86,750	86,750	-
Deferred income for leasing policy charges	9,821	-	9,821
TOTAL	**96,571**	**86,750**	**9,821**

Deferred Hire Charges refers, as last year, to hire charges invoiced in advance to the subsidiary Petreven UTE, headquartered in Argentina, for two HH 102 oil drilling platforms, operated on behalf of the client Petrobras.

(20) Trade and other short term payables to subsidiaries

Trade and other short term payables to subsidiaries amounted to 3,485 thousands of Euro at 31 December 2006, a reduction of 232 thousands of Euro compared to the previous year.

Details of this item are given in the following table.

DESCRIPTION	Balance at 12/31/2006	Balance at 12/31/2005	Change
Trade payables to subsidiaries	48,864	2,111,797	(2,062,933)
Payables attributable to the share of profits of UTE TREVI S.p.A. TREVI - Finanziaria Industriale S.p.A. Sembenelli S.r.l. for the " Borde Seco" contract	2,989,388	1,269,804	1,719,584
Payables deriving from group tax structure	447,002	335,991	111,011
TOTAL	**3,485,254**	**3,717,592**	**(232,338)**

Trade payables to subsidiaries refer to current payables to Soilmec S.p.A. and Trevi Contractors BV.

(21) Current tax liabilities

At 31 December 2006, Liabilities for current tax were 2,874 thousands of Euro, entirely payable in the following financial year, a decrease of 850 thousands of Euro compared to the previous financial year.
Details of Liabilities for Current Taxes are given in the following table:

DESCRIPTION	Balance at 12/31/2006	Balance at 12/31/2005	Change
Direct tax payable	2,761,264	3,627,990	(866,726)
Payables to Tax authority for withholding tax	112,483	95,599	16,884
Payables to Tax authority for IRES tax on TFR	57	142	(85)
TOTAL	**2,873,804**	**3,723,731**	**(849,927)**

The latest accounting period agreed with the Tax Authorities is that to 31 December 2000 in the case of direct taxes and that to 31 December 2001 in the case of indirect taxes.

(22) Short-term debt

At 31 December 2006, Short-term debt was 8,058 thousands of Euro, a decrease of 11,307 thousands of Euro compared to the previous year.
Details of this item are given in the following table:

DESCRIPTION	Balance at 12/31/2006	Balance at 12/31/2005	Change
Overdrafts	-	-	-
Short-term debt	18,959	12,189,140	(12,170,181)
Current portion of M/L-term debt	8,038,926	7,175,468	863,458
TOTAL	**8,057,885**	**19,364,608**	**(11,306,723)**

The decrease in short-term debt in the 2006 financial year is largely due to the substitution of short-term debt with medium-long term financing. The item Current Portion of M/L-term Debt includes the accrual of interest payable in the period on 494 thousands of Euro of debt with expiry postponed until after 31 December 2006.

(23) Other short-term financial payables

At 31 December 2006, other short-term financial payables were 1,191 thousands of Euro, a reduction of 1,702 thousands of Euro compared to the previous year.
Details of this item are given in the following table:

DESCRIPTION	Balance at 12/31/2006	Balance at 12/31/2005	Change
Payable to Locat S.p.A.	737,760	1,041,451	(303,691)
Payable to Banca Italease S.p.A.	453,125	567,918	(114,794)
Payable to MCC S.p.A.	-	300,282	(300,282)
Payable to Medioleasing S.p.A.	-	781,212	(781,212)
Payable to Fraer Leasing S.p.A.	-	202,230	(202,230)
TOTAL	**1,190,885**	**2,893,093**	**(1,702,209)**

The reduction of debt owed to leasing companies in the 2006 financial year was due to the expiry of seven leasing contracts and to the reduction of capital exposure to the remaining leasing contracts during the year.

(24) Short-term derivative instruments

Short-term derivative instruments totalled 76 thousands of Euro; this item did not appear in the 2005 Financial Statements. The value at 31 December 2006 is attributable to the current portion of three Interest Rate Swap agreements which cover the short term portion of variable rate medium and long-term debt.

Capital Management

The primary objective of the company in the management of its financial resources is to maintain a high credit standing and a correct equity structure capable of supporting the core business and maximizing shareholder value.

The management uses the resources at its disposal taking into consideration the prevailing economic trends. The main tool for the management and monitoring of financial strength is the debt/equity ratio. To calculate net debt, the company takes into account its entire exposure to financial institutions, net of liquid assets and short term financial receivables.

All the components of equity and reserves have been included in the calculation of net equity.

NET FINANCIAL POSITION

(Amounts in Euro)

		Note	12/31/06	12/31/05
A	Cash	(12)	3,192	3,165
B	Other liquid assets	(12)	12,537,218	1,393,566
C	Securities held for trading		-	-
D	**Liquidity (A+B+C)**		**12,540,410**	**1,396,731**
E	Current financial liabilities	(11)	6,155	-
F	Current bank debt	(22)	18,959	12,189,140
G	Current portion of non-current debt	(22)	8,038,926	7,175,468
H	Other current financial liabilities	(23) (24)	1,266,788	2,893,093
I	**Current debt (F+G+H)**		**9,324,673**	**22,257,701**
J	**Net current debt (I-E-D)**		**(3,221,892)**	**20,860,970**
K	Medium and long term deposits		-	-
L	Bonds issued		-	-
M	Other non-current debt	(14) (15)	105,162,301	40,150,483
N	**Non-current debt (K+L+M)**		**105,162,301**	**40,150,483**
O	**Net debt (J+N)**		**101,940,409**	**61,011,453**

This Net Financial Position does not include all the financial loans to subsidiaries (equal to 105,532 thousands of Euro at 31 December 2006 and equal to 69,085 thousands of Euro at 31 December 2005), due to the lack of a determined expiry.

MEMORANDUM ACCOUNTS

Guarantees and other potential assets

The guarantees and other potential liabilities at 31 December 2006 are summarized in the following table:

DESCRIPTION	12/31/2006	12/31/2005	Change
Guarantees given to Credit Institutions	170,404,863	136,434,627	33,970,236
Guarantees given to Insurance Companies	30,015,341	45,017,108	(15,001,767)
Guarantees given to third parties	29,925,485	21,039,450	8,886,035
Commitments to third parties	434,223	434,223	(0)
Leasing contracts to expiry	9,748,667	8,712,627	1,036,040
TOTAL	**240,528,579**	**211,638,035**	**28,890,544**

The increase in Guarantees given to Credit Institutions reflects the strong increase in assets and revenues of subsidiaries and the guarantees given for specific projects.
The increase relative to Trevi S.p.A. and to the sub-holdings of the special foundations division of the group, Swissboring and Drillmec S.p.A., are particularly noteworthy.

The reduction in Guarantees given to Insurance Companies was mainly due to the 17,541 thousands of US Dollars reduction in the guarantee given in 2005 to a leading US insurance company, regarding the subsidiary Trevi Icos Corporation, for the repair contract for the Tuttle Creek dam in Missouri, equal to 100% of the contract portion currently in progress. This guarantee is reduced in proportion to the remaining work still to be carried out at the end of each year.

The item, Guarantees given to third parties, includes the guarantee given by the company to SIMEST S.p.A. (Società Italiana per le Imprese all'Estero) for Euro 12,606,589 (of which Euro 8,999,115 refers to capital guarantees and Euro 3,607,474 to the related costs). During the period SIMEST S.p.A. subscribed to an increase in the share capital of the subsidiary Petreven C.A. guaranteed from 30 June 2010 by a repurchase option of the parent company on 25,557 shares having a total value of VEB 24,700,073,790 and equal to 15.93% of the share capital. Given the adoption of IAS/IFRS principles and the desire of SIMEST S.p.A. to update its contract terms in financing shareholdings of Italian and foreign companies,

the aforementioned contract was underwritten by the subsidiary Petreven C.A as well as the Parent Company.

This contract requires that the costs of the services provided by SIMEST S.p.A. are incurred by the foreign subsidiary and that the Italian Parent Company, under IAS/IFRS accounting principles, will figure as the guarantor of a financing agreement, including the related costs, granted to a foreign subsidiary.

Commitments to Third Parties, as in the previous financial year, refers exclusively to the loan given to the subsidiary Soilmec to acquire the outstanding shareholding of 1.75% in Drillmec.

Hire Contracts to Expiry represents the total value of hire charges to expiry owed to leasing companies net of the portion already paid.
The increase in this item was 1,147 thousands of Euro due mainly to six leasing contracts on drilling equipment agreed during the 2006 financial year.
Details of the time to expiry of existing contracts are given in the following table:

DESCRIPTION	12 months	From 1 to 5 years	Over 5 years
Value of hire contracts to expiry	2,757,185	6,991,482	-

Payments under leasing contracts are indexed to the relevant EURIBOR.
Third parties (principally banks and insurance companies) have granted third-party guarantees on behalf of Trevi - Finanziaria Industriale S.p.A. for a total of 20,422 thousands of Euro (10,407 thousands of Euro in the 2005 financial year), an increase of 10,015 thousands of Euro. The change is attributable to the strong growth in business and revenues experienced by the group.

With regard to the mortgage loan agreed with Interbanca S.p.A., the residual amount of which is Euro 9,375,000 (original value Euro 15,000,000), the subsidiary Soilmec has arranged a secondary mortgage of Euro 30,000,000 on its production facility at Cesena.

NOTES TO THE INCOME STATEMENT

Further details and information on the Income Statement for the 2006 financial year are given below.

(25) Revenues from sales and services

Revenues from sales and services were 8,668 thousands of Euro compared to 9,615 thousands of Euro in 2005, a decrease of 947 thousands of Euro.
The breakdown of revenues by category is as follows:

DESCRIPTION	12/31/2006	12/31/2005	Change
Revenues from equipment hire	5,838,808	6,109,915	(271,107)
Revenues from commissions on guarantees	421,520	262,692	158,828
Revenues from services and consultancy	2,407,574	3,242,753	(835,179)
TOTAL	**8,667,902**	**9,615,360**	**(947,458)**

The breakdown of revenues by geographical area is as follows:

Geographical breakdown	12/31/2006	%	12/31/2005	%
Italy	2,602,378	30.02%	2,526,473	26.28%
Europe (excluding Italy)	116,542	1.34%	94,849	0.99%
U.S.A. and Canada	76,206	0.88%	85,066	0.88%
Latin America	3,918,168	45.20%	5,072,085	52.75%
Africa		0.00%	15,341	0.16%
Asia	1,954,608	22.55%	1,821,546	18.94%
TOTAL	**8,667,902**	**100%**	**9,615,360**	**100%**

Revenues were almost entirely generated with group companies.
The reduction of revenues from equipment hire was principally due to the termination of several hire contracts with group companies.
The increase in revenues from commissions on guarantees was largely due to the strong growth in group activities.
The reduction in revenues for services and consultancy was largely attributable to the cessation of technical, administrative and financial services for the management and execution of the maintenance contract for the “Borde Seco” dam on behalf of the energy entity CADAFE following termination of the contract carried out by the Venezuelan U.T.E. Trevi S.p.A. – Trevi-Finanziaria Industriale S.p.A. – SC Sembenelli S.r.l.

(26) Other operating income

Other operating income was 1,408 thousands of Euro compared to 1,372 thousands of Euro in the 2005 financial year, an increase of 36 thousands of Euro.

Details of this item are given in the following table:

DESCRIPTION	12/31/2006	12/31/2005	Change
Recovery of costs	502,277	273,805	228,472
Others	905,966	1,098,212	(192,246)
TOTAL	**1,408,243**	**1,372,017**	**36,226**

Recovery of costs refers principally to re-allocation of transport and insurance expenses for equipment leased to group companies.

Other is primarily rental costs debited to the subsidiary Drillmec S.p.A. for the factory at Gariga di Podenzano (PC).

(27) Raw materials and consumables

Costs of raw materials and consumables were Euro 19,183 compared to Euro 9,660 in 2005, an increase of Euro 9,523.

(28) Personnel costs

Personnel costs were 2,209 thousands of Euro compared to 1,947 thousands of Euro in 2005, an increase of 262 thousands of Euro.

Changes in this item in the 2006 financial year are summarised in the following table:

DESCRIPTION	12/31/2006	12/31/2005	Change
Salaries	1,587,415	1,345,416	241,999
Social costs	518,947	460,025	58,922
Employee termination indemnity fund	103,018	141,896	(38,878)
TOTAL	**2,209,380**	**1,947,337**	**262,043**

The Company had 31 employees at 31 December 2006, three managers and twenty-eight employees. The changes in employee numbers and the structure of employees in the 2006 financial are given in the following table:

DESCRIPTION	12/31/2006	Increase	Decrease	12/31/2005
Managers	3	-	-	3
Employees	28	3	2	27
TOTAL	**31**	**3**	**2**	**30**

(29) Other operating costs

Other operating costs were 8,032 thosuands of Euro compared to 7,052 thousands of Euro in 2005, an increase of 980 thousands of Euro.

A breakdown of this item is given in the following table:

DESCRIPTION	12/31/2006	12/31/2005	Change
Cost of third party services	2,266,994	1,867,495	399,499
Rental and hire costs	3,738,737	3,708,600	30,137
Other management costs	2,026,686	1,476,092	550,594
TOTAL	**8,032,417**	**7,052,187**	**980,230**

Details of Cost of Third-party Services incurred in the 2006 financial year are given in the following table:

Cost of Third-party Services	12/31/2006	12/31/2005	Change
Directors' fees	350,354	350,322	32
Remuneration to statutory auditors	37,974	38,081	(107)
Post and telecommunications	34,691	25,810	8,881
Legal, administrative and technical consultancy	956,057	826,801	129,256
Maintenance, CED	275,313	198,423	76,890
Travel and lodging	116,898	90,487	26,411
Insurance	174,462	173,674	788
Transport	110,037	4,275	105,762
Advertising and Communication	51,106	30,636	20,470
Social security contributions for autonomous workers	22,944	21,270	1,674
Bank expenses and commission	107,187	81,486	25,701
Other	29,971	26,230	3,741
TOTAL	**2,266,994**	**1,867,495**	**399,499**

Costs for CED and maintenance refer to work carried out by suppliers for the maintenance and development of the Group's information systems, which is centralised within TREVI - Finanziaria Industriale S.p.A.

The breakdown of Rental and Hire Costs is given in the following table:

Rental costs	12/31/2006	12/31/2005	Change
Equipment hire	3,714,583	3,682,318	32,265
Rent	16,600	16,700	(100)
Other	7,554	9,582	(2,028)
TOTAL	**3,738,737**	**3,708,600**	**30,137**

Details of Other Management Costs are given in the following table:

Other management costs	12/31/2006	12/31/2005	Change
Taxes other than income tax	162,981	124,586	38,395
Other costs	16,884	9,171	7,713
2006 result of U.T.E. TREVI S.p.A.- TREVI - Fin.-Sembenelli-Venezuela	1,846,822	1,232,675	614,147
Compensation from third parties	-	109,660	(109,660)
TOTAL	**2,026,686**	**1,476,092**	**550,594**

(30) Depreciation

Depreciation was 1,641 thousands of Euro compared to 1,605 thousands of Euro in 2005 with an increase of 36 thousands of Euro.

Details of depreciation and amortisation of tangible and intangible fixed assets are given in the following table:

DESCRIPTION	12/31/2006	12/31/2005	Change
Amortisation of intangible assets	97,958	197,311	(99,353)
Depreciation of tangible assets	1,542,629	1,407,270	135,359
TOTAL	**1,640,587**	**1,604,581**	**36,006**

Further details are given in the Notes referring to Tangible and Intangible Fixed Assets.

(31) Financial income

Financial income was 9,818 thousands of Euro compared to 4,255 thousands of Euro in 2005, an increase of 5,564 thousands of Euro.

Details of this item are given in the following table:

DESCRIPTION	12/31/2006	12/31/2005	Change
Income from shareholdings	5,820,029	649,900	5,170,129
Income from long-term financial assets	3,850,199	3,471,926	378,273
Other income	148,131	132,824	15,307
TOTAL	**9,818,359**	**4,254,650**	**5,563,709**

Income from shareholdings is entirely composed of dividends distributed in 2006 by the subsidiary Soilmec S.p.A. The increase in this item compared to 2005 derives from the significant improvement in the economic performance of this subsidiary and from the distribution on account of the 2006 dividend approved by the Annual General Shareholders' Meeting of Soilmec S.p.A. on 5 December 2006.
Income from long-term financial assets is entirely composed of interests on loans to subsidiaries; interest rates are market fair.
Other income refers to interests from banks and from the results of interest rate hedging instruments.

(32) Financial costs
Financial costs amount to 3,467 thousands of Euro compared to the 2,698 thousands of Euro of 2005, an increase of 769 thousands of Euro.
Details of this item are given in the following table:

DESCRIPTION	12/31/2006	12/31/2005	Change
Bank interest	2,832,699	2,053,450	779,249
Commission and bank charges	92,095	63,059	29,036
Interest paid to leasing companies	497,553	561,813	(64,260)
Interest on loans from subsidiaries	44,202	19,455	24,747
TOTAL	**3,466,549**	**2,697,777**	**768,772**

The increase in bank interest and bank commission compared to the 2005 financial year is mainly due to the increase in medium–long term debt at the Parent Company in support of the industrial development plan of the entire Group. This change is reflected in the increase in financing provided to subsidiaries. This item also includes the company's share of transcations to cover interest charges. Interest on Loans from Subsidiaries relates to interest on financing provided by the subsidiary Soilmec.

(33) Profit (losses) on foreign exchange transactions
Profit deriving from foreign exchange transactions was 277

thousands of Euro compared to 100 thousands of Euro in the 2005 financial year, an increase of 177 thousands of Euro. This result was principally due to the translation of assets and liabilities of the company expressed in US dollars.

(34) Income taxes

Income taxes were negative for 8 thousands of Euro compared to a positive value of 621 thousands of Euro in the previous year, a decrease of 629 thousands of Euro.
Details of this item are given in the following table:

DESCRIPTION	12/31/2006	12/31/2005	Change
IRES tax due on income declaration	(731,302)	-	(731,302)
IRAP tax for the period	-	104,164	(104,164)
Utilisation of deferred tax provision	(282,728)	(15)	(282,713)
Other deferred taxes in the period	99,502	283,882	(184,380)
Prepaid taxes in the period	37,996	(358,330)	396,326
Utilisation of prepaid tax provision	200,436	451	199,985
Deferred taxes arising from adoption of IAS	668,077	590,666	77,411
TOTAL	**(8,018)**	**620,818**	**(628,836)**

The decrease in income taxes is mainly attributable to the tax losses of the company registered in the course of the year and arising mainly from the fiscal treatment of financial leasing costs and of dividends received from subsidiaries.
Deferred and Pre-paid taxes are calculated on the basis of a tax rate of 33% for IRES for 2006 and beyond and on a rate of 5.25% for IRAP.

(35) Earning per share

Following the details related to the earning per share:

	Description	12/31/2006	12/31/2005
A	Net profit for the financial year (Euro)	4,811,230	1,409,255
B	Weighted average number of ordinary shares used to calculate basic earnings per share	64,000,000	64,000,000
C	Basic earnings per share: (A*1000)/B (Euro)	0,075	0,022
D	Net profit for the financial year (Euro)	4,811,230	1,409,255
E	Dilution effect of convertible bond loan	6,194,690	-
F	Weighted average number of ordinary shares used to calculate diluted earnings per share (B+F)	70,194,690	64,000,000
G	Diluted earnings per share (D*1000)/F (Euro)	0,069	0,022

Other Information

Unlike last year, there are no adjustments or provisions relating exclusively to the application of fiscal regulations.

No financial charges were capitalised in the period just ended or in the preceding period.

At 31 December 2006 the company has five interest rate hedging contracts, including cover for loans to subsidiaries, which are exclusively to cover existing transactions and which are not held for trading.

- Euro 3,500,000 Interest Rate Swap of five year duration with maturity at 25/08/2008
- Euro 10,000,000 Interest Rate Swap of three year duration with maturity at 19/07/2007
- Euro 10,000,000 Interest Rate Swap of three year duration with maturity at 19/07/2007
- Euro 10,000,000 Interest Rate Swap of three year duration with maturity at 20/07/2007
- Euro 6,507,048 (originally Euro 9,775,196) Interest Rate Swap on the depreciation plan of a leasing contract of three year duration with maturity at 22/12/2009

At the balance sheet date, the company had fixed term sales

contracts for US Dollar 5,500,000 maturing in 2007 taken out to protect against fluctuations in the Euro/US Dollar exchange rate.
At the same date, the company had two Euro/US Dollar option contracts for a notional value of US Dollar1,500,000 million maturing in 2007 and taken out to protect against fluctuations in the Euro/US Dollar exchange rate. These latter two operations were taken out in the Company's own name on behalf of its subsidiary Soilmec S.p.A. to which the group has devolved all of the economic impact of the contracts.

At 31 December 2006 the Board of Directors was composed of nine members.

The Directors received compensation and remuneration totaling Euro 350,354. The cost of Statutory Auditors has been fixed at a total of Euro 37,974.
In accordance with Consob regulation 11.520 of 2 July 1998, directors and statutory auditors' emoluments for the company and subsidiaries are detailed as follows:

Board of Directors

Name	Position	Length of appointment (months)	Company Remuneration	Remuneration from subsidiaries	Total
Trevisani Davide	Chairman of board and Managing Director	12	95,000	214,000	309,000
Trevisani Gianluigi	Vice President of the board and Managing Director	12	80,000	222,000	302,000
Trevisani Cesare	Managing Director	12	55,000	182,813	237,813
Trevisani Stefano	Director	12	20,000	148,910	168,910
Amoroso Mario	Director	12	20,400	-	20,400
Moscato Guglielmo	Director	12	20,000	-	20,000
Teodorani Fabbri Pio	Director	12	20,000	-	20,000
Pinza Roberto	Director	7	11,621	-	11,621
Bocchini Enrico	Director	12	20,000	-	20,000
Mosconi Franco	Director	5	8,333	-	8,333
TOTAL			**350,354**	**767,723**	**1,118,077**

Directors have received no non-monetary benefits, stock options bonuses or other incentives. The item "Remuneration from subsidiaries" for the directors Cesare Trevisani and Stefano Trevisani refers to the remuneration from the subsidiary Trevi S.p.A.

The articles of the company gives the board of directors the autority to nominate an Executive Committee. This authority was not exercised by the current board.
The current mandate of the board of directors, nominated by the Shareholders' meeting of 30 April 2004, expires on approval of the report and accounts to 31 December 2006.

Board of Statutory Auditors

Name	Position	Length of appointment (months)	Company remuneration	Remuneration from subsidiaries	Total
Leonardi Adolfo	Chairman of the board of statutory auditors	12	16,060	16,881	32,941
Alessandri Giacinto	Statutory Auditor	12	10,957	16,500	27,457
Poletti Giancarlo	Statutory Auditor	12	10,957	3,435	14,392
TOTAL			**37,974**	**36,816**	**74,790**

The current mandate of the board of statutory auditors, nominated by the Shareholders' meeting of 30 April 2004, expires on approval of the report and accounts to 31 December 2006.
The Shareholders' meeting of 28 April 2006, authorized the board of directors to buy back up to 2,000,000 ordinary shares, this authority has not been exercised to date.
During the year the parent company completed a research project for the development of a specialized system for the artificial freezing of the ground in special foundations engineering works. This project was judged by the Emilia Romagna regional authorities to be entitled to a grant under the PRRIITT measures 3.1. At 31 December 2006 the costs incurred in developing this project were 613 thousands of Euro.
To date the company is still waiting for the distribution of the above mentioned grant.
The Net Financial Position of the company is composed of the following components of short medium and long term debt.

Chairman of the Board of Directors

Davide Trevisani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Attachments to the Notes to the accounts

The attachments contain additional information to that given in the notes to the accounts, of which they form an integral part:

1- Related party transactions at 31 December 2006
2- Transition to International accounting principles 1 January and 31 December 2005

Attachment 1

Related party transactions at 31 December 2006

DESCRIPTION	I.F.C. Ltd.	Parcheggi S.p.A.	Roma Park S.r.l.	% of total
Guarantees	250,000	1,460,000	600,000	1.00%
Trade receivables		16,000	17,000	0.26%
Revenues from sales and services		26,000	4,000	0.35%

All transactions with related parties are conducted on standard commercial terms; there are no such transactions between the company and the subsidiary TREVI Holding Aps.

Attachment 2

Transition to international accounting principles 1 January and 31 December 2005

Introduction

The TREVI Group has adopted international accounting principles IAS/IFRS for the preparation of its consolidated reports and accounts beginning from the 2005 fiscal year, with the date of transition to IAS/IFRS from 1 January 2004. The last reports and accounts prepared under Italian accounting principles are those for the year ended December 2004; furthermore, the TREVI Group has presented its Parent Company Financial Statements to 31 December 2005, using the possibility available under Decree Law no. 38/2005, which regulates the transition to IAS/IFRS as required by EU regulation no. 1606/2002 of 19 July 2002, to use the agreed national accounting principles recommended by the National Council of Dottori Commercialisti e dei Ragionieri. From the 2006 financial year, the six-monthly and full-year statements have been prepared according to IAS/IFRS accounting standards, with a transition date of 1 January 2005. For uniformity with the Consolidated Statements the transition effects of the Parent Company Financial Statements of TREVI – Finanziaria Industriale S.p.A. 2004 have been backdated to 1 January 2004 save for the application of IAS 32 and IAS 39, the effects of which are shown from 1 January 2005 as permitted under IFRS 1.

The company has calculated and illustrated the effects of transition to IAS/IFRS and has provided a reconciliation as required under paragraphs no.39 and no.40 of IFRS 1 "First-Time adoption of International Financial Reporting Standards", and ratified by the Euro pean Commission, accompanied by explanatory notes on the criteria used and on the items in the reconciliation tables.

The data in the financial statements to 31 December 2005, presented in this section, reclassified to conform to IFRS, ratified at the six-monthly reporting date, represent the values shown as comparative data to that presented in the Parent Company Accounts for the period ended 31 December 2006. Consequently, it is possible that this data might be subject to amendments in the future.

The preparation of financial statements that are IFRS compliant requires the use of estimates and assumptions that have an impact on the value of assets and liabilities in the balance sheet, of costs and revenues and on the calculation of potential assets and liabilities. Although these are based on management's best knowledge of events and circumstances, the actual results could differ from those presented in this section.

The following information, prepared in the process of first time transition to IFRS and pursuant to Art. 81 bis of the Issuer Regulations (Regolamento Emittenti) N.1171, does not include all the all the prospectuses, comparative information and comprehensive explanatory notes that would be necessary to provide a complete representation conforming to IFRS, of the economic, financial and capital situation of the company at 31 December 2005.

The following information is provided in the following sections:

- a description of the valuation criteria, in the context of IFRS that will in all likelihood be adopted in the preparation of the parent company financial statements to 31 December 2006 and as such which will be used in the following reconciliations;
- The reconciliations between Net Equity according to Italian accounting principles and the aforementioned criteria of valuation at 1 January 2005 (transition date) and at 31 December 2005 (comparative data for the accounts at December 2006) highlighting the effect on each item of the Balance Sheet.
- The reconciliation between the net result according to Italian accounting principles and the aforementioned valuation criteria for the year 2005 (comparative data for the accounts at December 2006) highlighting the effects on each item of the Income Statement.
- A description of the adjustments to the cash flow statement at 31 December 2005 deriving from the adoption of the aforementioned criteria.

Accounting Principles:

As required by IFRS 1, the accounting principles and criteria described in this section have been uniformly applied to the balance sheet situation at 1 January 2005 (transition date for the company), to the balance sheet situation at 31 December 2005 and to the income statement for 2005.

Historical cost accounting has been used has been used for all the assets and liabilities except for part of the fixed assets (plant, land), derivative instruments and some financial assets where fair value principles have been applied.

Valuation Criteria

The valuation criteria used for the income and balance sheet items of the Parent Company Financial Statements; for a more detailed list

of the valuation principles and criteria of the TREVI Group, please see the Consolidated Financial Statements.

Intangible fixed assets

Intangible fixed assets are recognized at the cost of acquisition or production. The cost of acquisition represents the fair value of the price paid to acquire the asset and all other direct costs incurred in bringing the asset to working condition. The acquisition cost is the cash price equivalent paid at the time of purchase, except where the payment is deferred beyond the normal credit terms where the difference between the cash price equivalent and the total payment is recognised as interest over the period of the credit. The financial costs for the purchase are never capitalised.

- *Other intangible fixed assets*
  Other intangible fixed assets, represented by industrial patents, intellectual property rights, concessions, licences, similar rights and software are valued at cost net of accumulated depreciation, calculated on a straight line basis, for the estimated length of their useful life, barring any significant impairment. The criteria for depreciation, useful life and residual value are examined and measured at least as often as each balance sheet date in order to take account any significant changes, as required by IAS 38.

Tangible fixed assets

Tangible fixed assets are stated at the cost of acquisition or production. The cost of acquisition or production reflects the fair value of the price paid to purchase or produce the asset and all other costs incurred in bringing the asset to working condition. The cost to purchase or produce the asset is the cash price equivalent at the recognition date, except where the payment is deferred beyond the normal credit terms when the difference between the cash price equivalent and the total payment is recognized as interest over the period of the credit. The financial costs relating to the purchase or production of the asset are never capitalized. The capitalization of costs contingent on adding to, updating or improving assets for the Group's own use or in use from third parties is only effected when these costs meet the requirement for them to be classified as a separate asset or part of an asset.
The fair valuation, as permitted under IFRS1 for the transition to IFRS, has been used for those assets where the difference between

the residual useful life of the asset is significant. These assets have been the object of an assessment of both their value and residual useful life and different methods of depreciation have been applied from the transition date of the Consolidated Balance Sheet (1 January 2004); at the transition date, land and buildings were valued at current values established by independent experts, also to separate the value of land which was previously included in the item "Land and Buildings" and subject to depreciation.

Following the initial recognition, tangible fixed assets are reported at cost, net of accumulated depreciation and any impairment losses. The depreciable value of each significant component of a fixed asset with a different useful life is divided on a straight line basis over the expected useful life. Taking into account the similarity of the fixed assets included in the various balance sheet entries, except for important specific cases, the useful life by category of fixed assets is as follows:

FIXED ASSET	USEFUL LIFE
Land	Indefinite useful life
Industrial buildings	Twenty years for the structure at Gariga di Podenzano (useful life determined on the basis of expert assessment)
Plant and equipment	Ten years
Industrial and commercial equipment	Fourteen years

The criteria for the depreciation rate used, the useful life and residual value are calculated at least as often as the end of each financial year in order to take account of any significant changes.

The capitalized costs for improvements to third-party assets are recognised in the relevant fixed asset category and depreciated over the shorter of either the residual term of the leasing contract or the residual useful life of the asset.

The carrying value of tangible fixed assets remains in the balance sheet as long as that value can be recouped from their use. At any indication that the net carrying value may not be recoverable an impairment test is carried out. Reversal of the impairment loss is only done if the reason for the original recognition of the impairment no longer exists.

Impairment of assets
An asset is impaired when its carrying value is greater than its recoverable amount. At each balance sheet date the presence of any indications that assets may be impaired is assessed. If there is any such indication, the recoverable amounts are calculated and any eventual impairment losses recognized in the accounts. For assets not yet available for use and assets recognized during the current financial year, the impairment test is carried out at least annually independent of the presence of any indications of impairment.

Financial assets and liabilities
Financial assets are designated under the following categories:
- Financial assets at fair value through profit and loss: financial assets acquired primarily with the intention of generating a profit from short term (not more than three months) price fluctuations or assets designated as such on initial recognition. -Held-to-maturity investments: investments in financial assets with fixed maturities and determinable or fixed payments which the group has the intention and capacity to hold to maturity.
- Loans receivable and other financial receivables: financial assets with fixed maturities and determinable or fixed payments and different from those designated from initial recognition as fixed assets at fair value through profit and loss or as available for sale financial assets.
- Available for sale financial assets: financial assets other than those in the preceding paragraph or those designated as such on initial recognition.

The company decides the designation of the financial assets at the moment of purchase; the initial recognition is the fair value at the purchase date, including transaction costs; for purchase or sale date, the settlement date of the transaction is intended.

After the initial recognition, the financial assets at fair value through the profit and loss and the available for sale financial assets are measured at fair value, the held-to-maturity investments as well as loans receivable and other financial receivables are measured at amortised cost using the effective interest method as required by IAS 39.

The gains and losses deriving from changes in fair value of the financial assets at fair value through the profit and loss are charged

to the income statement in the year they occur. The unrealized gains and losses deriving from changes in the fair value of available for sale financial assets are recognized in equity.

The fair value of financial assets is measured on the basis of listed offer prices or financial models. The fair value of unlisted financial assets is estimated using valuation techniques appropriate to the characteristics of the issuer. Financial assets for which the current value cannot be reliably determined are accounted for at cost less impairment.

At each balance sheet date the presence of any indications that assets may be impaired is assessed and any losses are charged to the income statement. Previously recognized impairment losses are reversed if the reason for the original recognition of the impairment no longer exists, except for assets valued at cost.

Financial liabilities are initially recognized at the fair value of the sums raised, net of transaction costs, and subsequently valued at amortised cost.

Cash and cash equivalent

Cash and cash equivalents are represented by highly liquid short-term investments (with an original maturity of no more than three months), easily convertible into known amounts and subject to no significant variation from fair value.

For the Cash Flow Statement, cash and cash equivalents comprise cash, bank current accounts, other highly liquid short-term financial assets with an original maturity of no more than three months and bank overdrafts. The latter are included as financial payables in current payables in the balance sheet.

Equity

- *Issued share capital*
  This item is the subscribed and fully paid-up share capital; it is shown at nominal value. The acquisition of treasury shares, valued at the consideration paid, including any related costs, is recognized as a change in shareholders' funds and the nominal value of the treasury stock is deducted from shareholders' funds whilst the difference between the purchase cost and the nominal value of the treasury stock is deducted from reserves.

- *Treasury shares*
  Treasury shares are recognized in a specific reserve. No gain (loss) is recognized in the income statement for the purchase, sale, issue or cancellation of treasury shares.
- *Fair value reserve*
  This groups the variations in fair value, net of any tax effect, of any items that are recognized at fair value through equity.
- *Other reserves*
  These comprise capital reserves with a specific destination, the legal reserve and the extraordinary reserve
- *Retained profits (losses)*
  This includes the part of the financial results of the current year and prior years that has not been distributed or taken to reserves (in the case of profits) or covered (in the case of losses), and movements from other equity reserves when the restrictions on these no longer exist.

Employee benefits

- *Short-term benefits*
  Short-term employee benefits are charged to the income statement in the period of service rendered by the employee.
- *Defined benefit plans*
  The company pays indemnities on termination of employment to its employees (TFR, employee termination indemnities). These benefits fall into the category of defined benefits, verifiable as to their existence and quantifiable as regards the amount payable but uncertain as to when payment will be required. The liability is determined as the current value of the necessary cost to meet the obligation at the balance sheet date in accordance with existing regulations, adjusted to take into account actuarial gains and losses. The liability is valued using the Projected Unit Credit Method and calculated by independent actuaries at each balance sheet date. The Group has not used the so-called corridor method for dealing with actuarial gains and losses.
- *Defined contribution plans*
  The Group participates in state defined contribution plans. The contributions paid fulfill the obligations of the Group towards its employees. The contributions are costs recognized in the period in which the benefit is earned.

Provisions for potential risks and costs, assets and liabilities
Provisions for risks and costs are probable liabilities, the value and timing of which are uncertain, deriving from past events and which must be covered by adequate economic resources. Provisions are made exclusively for existing obligations, either legal or implicit, that necessitate the deployment of economic resources so long as a reliable estimate can be made of the obligation. The amount provided represents the best estimate of the amount necessary to fulfill that obligation made at the balance sheet date. Provisions made are re-assessed at the end of each accounting period in the year and adjusted to reflect the best current estimate.
Where settlement of the obligation is likely to be beyond the normal credit terms, the amount of the provision represents the estimated value of the future obligation discounted to its present value.

Potential assets and liabilities are not entered in the balance sheet; however, relevant information is provided.

Derivative instruments
The company has adopted a Risk Policy for the whole Group. The recognition of changes in fair value differs according to the designation of the derivative instrument (held for trading or cover) and the nature of the risk covered (Fair Value Hedge or Cash Flow Hedge).
For those contracts designated as held for trading, the changes in fair value are recognized directly in the income statement.
For those contracts, like a Fair Value Hedge, designated as held for cover, the changes in fair value of the hedging instrument and of the hedged item are recognized in the income statement, independent of the valuation criteria adopted for the latter.

For hedges like a Cash Flow Hedge designated as a covering instrument, the change in fair value is recognized directly in equity if the hedging instrument is determined to be an effective hedge whilst the portion determined as ineffective is recognized in the income statement. The changes recognized in equity are recycled to the income statement in the financial year or financial years in which the financial asset or liability affects profit or loss.

Revenues and costs
Revenues deriving from the sale of an asset are recognized upon transfer of the risks of ownership, normally at the time of shipping,

at the fair value of the amount received or expected, taking into account any eventual discounts.

Revenues from services are determined according to the stage of completion of a contract, defined as the ratio between of the amount completed at the balance sheet date and the expected total value of the contract.

Costs are recognized on a similar basis to revenues and always recognized on a time-proportion basis.

Financial income and costs are recognized on a time-proportion basis and using the effective interest method.

Dividends are recognized in the financial year in which the shareholders have the right to payment of the dividend.

Taxes

Taxes on profit for the year are calculated on the cost expected to be paid according to the enacted tax laws.

Deferred and pre-paid taxes are calculated for the temporary differences between the carrying amounts in the balance sheet and the corresponding tax base values and for the amount carried forward of unused tax losses or tax credits, as long as it is probable that repayment (payment) reduces (increases) the future tax payments compared to the amount which would have been attested if that repayment (payment) had had no fiscal implications. The fiscal effects of operations or transactions are recognized either in the income statement or directly to equity in the same way as the operations or transactions that gave rise to the tax charge is recognized.

Currency

The financial statements are prepared in Euro , which is the functional currency of the Parent Company.

Transactions in foreign currency are translated into the functional currency at the exchange rate of the day of the transaction. Exchange rate gains or losses, deriving from the settlement of these transactions and from the conversion at the balance sheet date of financial receivables and payables expressed in foreign currencies, are recognized in the income statement.

Changes in accounting principles, errors and changes in estimates

In preparation of the reconciliation of Shareholders' Funds at 1 January 2005, the accounting principles illustrated in the preceding section have been applied retroactively except where exemptions to retroactive application allowed by IFRS 1 have been adopted by the company as indicated in the following table, considering that the adoption of IAS/IFRS took place on 1 January 2004, the same data have been used for the Consolidated accounts at 31 December 2005 based, therefore, on the date of transition of the group and modified according to normal operational management.

Exemption allowed	Choice
Carrying value of tangible assets	The company has decided to adopt the application of "fair value as a substitute for cost" for the property at Podenzano (PC), to which has been applied a value determined on the basis of a survey conducted by independent experts conducted specifically for the date of transition for the consolidated accounts.
Benefits for employees	In order to account for defined benefit plans, the company has decided not to use the "corridor method", therefore the actuarial profit or loss independently of the exemption allowed by IFRS1, has been entirely offset against net equity at the transition date.
Structured financial instruments	The company has no structured financial instruments
Adjustment of comparative information relating to financial assets and liabilities.	The company has chosen to apply IAS 32 and 39 beginning from the date of transition.
Designation of financial instruments already reported	The company has chosen to apply IAS 32 and 39 beginning from the date of transition
Stock options	The company has no stock option plans
Insurance contracts	Not applicable to the company
Changes in liabilities for decommissioning, renovation and similar liabilities	The company has no liabilities for decommissioning, renovation or similar liabilities

The accounting principles applied to the parent company at 1 January 2005 have been uniformly applied to the balance sheet and income statement for the period 2005 including those relating to the reporting, classification and valuation of assets and liabilities (IAS32 and IAS39).

The effects of adoption of IFRS have been included at the initial Net Equity in the "IAS Reserve" except for the effects of the application of fair value to financial assets available for disposal, reported in the "Fair Value Reserve".

IFRS and interpretation of the IFRIC not yet ratified
During 2005 the IASB (International Accounting Standards Board) and IFRIC (International Financial Reporting Interpretation Committee) has published new principles and interpretations; although these Principles and Interpretations have not yet been ratified by the Euro pean Community legislature the company has however taken these observations into account and can find no implications for or potential impact on its income statement or balance sheet.

Auditing of reconciliations
PricewaterhouseCoopers S.p.A. was, however, appointed by the company to produce an audit on all of the reconciliations of the Net Equity and financial result for 2005, accompanied by explanatory notes.

Reconciliation between Italian accounting principles and IFRS
As requested by CONSOB reconciliations have been provided between the net equity and economic results calculated according to Italian accounting principles and those calculated under IFRS, ratified by the Euro pean Commission and accompanied by explanatory notes. These reconciliations are presented in line with the procedures indicated in IFRS1.

All the data presented in the following segments, except where indicated otherwise, are presented in millions of Euro .

Impact on the net equity, economic and financial situation
The situations presented below reflect the effects highlighted and annotated in the reconciliations of net equity and of the economic result described in the preceding sections. In particular:
- All assets and liabilities required to be included by IFRS, including those not required by Italian accounting principles, have been reported under IFRS.
- All assets and liabilities required to be reported by Italian accounting principles, but not allowed by IFRS, have been eliminated.
- All assets and liabilities have been valued conforming to IFRS.
- Each accounting item has been reclassified according to IFRS

The explanatory notes to individual adjustments are not repeated if identifiable in the reconciliations of net equity and profits. Reclassifications and details useful in the comprehension of net changes are commented upon.

The format of the Balance Sheet and Income Statement utilized until 31 December 2005 have been modified in conformity with IAS1 (Presentation of Accounts). The first column of the following tables has been adapted, in line with the regulation, to render it comparable with the third column.
The most significant changes to the opening Net Equity at 1 January 2005, for the year 2005 and 31 December, have been summarized thus:

TREVI-Finanziaria Industriale S.p.A.

RECONCILIATION OF CONSOLIDATED NET EQUITY AND NET PROFIT

(Euro)

Euro		Net Profit 01/01/05	Result for period 2005	Other Movements 2005	Net Equity 12/31/05	Notes
Value as per previous principles :		**76,064,160**	**2,023,642**	**(957,899)**	**77,129,903**	
IAS 17	Finance Leases	4,204,589	1,663,786	25,724	5,894,099	(1)
IAS 19	Employee Benefits (T.F.R.,Pension Funds)	(26,518)	(35,647)	0	(62,165)	(2)
IAS 32	Treasury shares	(1,832,991)	(472,000)	2,304,991	0	(3)
IAS 38	Intangible assets (elimination of start-up and expansion costs)	(799)	799	0	0	(4)
IAS 39	Financial instruments (treasury shares and derivatives fair value)	(276,173)	109,441	155,355	(11,377)	(5)
IAS 18	Dividends approved by shareholders' meeting	(649,900)	(1,290,100)	0	(1,940,000)	(6)
Total adjustments:		**1,418,208**	**(23,721)**	**2,486,070**	**3,880,557**	
IAS 12	Fiscal impact of adjustments	(1,170,560)	(590,666)	0	(1,761,226)	(7)
Total adjustments net of fiscal impact:		**247,648**	**(614,387)**	**2,486,070**	**2,119,331**	
Value as per I.F.R.S.:		**76,311,808**	**1,409,255**	**1,528,171**	**79,249,234**	

Note 1: IAS 17- Leasing

The company has opted to apply the "fair value as deemed cost" for the property at Podenzano as allowed by IFRS1. In particular, at the date of transition (1 January 2004) the company has carried out a current valuation on the basis of a survey prepared by independent experts, which also separates the value of land from that of the buildings in order to determine the useful life to be subject to

depreciation. This adjustment is included in the opening net equity at 1 January 2005.
Finance Leases are accounted for in accordance with IAS 17. This entails that:

- The cost of leased assets are included in fixed assets and depreciated on a straight line basis over their useful life; this is matched by the entry of a financial payable to the lessor of a value equivalent to that of the leased asset.
- Leasing charges are accounted for in such a way as to separate the finance portion from the capital portion which is to be treated as a repayment of the debt payable to the lessor.

Leasing contracts in which the lessor retains substantially all of the risks and benefits of the asset are classified as operating leases and the related charges are recognized as an expense in the income statement over the lease term on a straight line basis.

Note 2: Employee benefits

Defined benefit plans, represented by the TFR (employee termination indemnities) have been designated at present value, at the date of transition, of the defined benefit adjusted to take into account actuarial gains and losses. The liability has been valued using the Projected Unit Credit Method and calculated by independent actuaries. Cumulative actuarial gains or losses at the date of transition are reported separately in full.

Note 3: Treasury shares

Treasury shares are designated in the balance sheet as intangible assets and valued at cost in line with Italian accounting principles. In accordance with legal requirements net equity includes a specific reserve with a value equivalent to the value of shares purchased; the costs of such transactions were reflected in the income statement. In line with the principles outlined in IAS 32 during transition, and given that all treasury shares were sold during 2005 the impact on the profit and loss account has been cancelled and net equity increased by an equivalent amount.

Note 4: Intangible assets

The adjustment is composed of the following items:

- start up and expansion costs, capitalized as “intangible assets” in accordance with Italian accounting principles, have been cancelled from the Balance Sheet as this practice is no longer permitted under IFRS.

(There is a positive impact on net equity at 1 January 2005 and 31 December 2005 for a total value of Euro 799 gross of taxes).

Note 5-6: Financial instruments and Dividends

Interest rate risk cover on company debt includes some contracts which are not linked to specific financing. In accordance with Italian accounting principles the costs of hedges (interest rate differentials, commissions) have been reported in the income statement by item. In accordance with adoption of IAS 32 and 39 these items are reported at fair value in the appropriate reserve of net equity. The impact of variations in fair value is recognized in the income statement.

As prescribed by IAS 18 (Revenue recognition), are recognized when the shareholders' right to receive payment is approved by the shareholders' meeting. According to National Accounting Principles and Consob communication dac/rm/95002194 of 16 March 1995, the accounting treatment of dividends distributed by companies in which shareholdings are held is governed by the matching concept where dominant influence is exercised, subject to approval of the draft accounts by the parent company's board of directors and commencement of approval procedures on the part of the controlled company.

The opening balance at 1 January 2005, however, includes the transfer of the dividend of Euro 649,900 million recognized in the 2004 accounts approved by SOILMEC S.p.A. and paid in 2005; the 2005 result is reduced by Euro 1,290,100, the difference between the transfer of the dividend of Euro 1.94 million entered in the 2005 accounts approved by SOILMEC and paid in 2006 and the recognition of the aforementioned dividend of Euro 649,900 paid during the fiscal year.

Note 7: Accounting for deferred tax

This item describes the net impact IFRS treatment of deferred taxes and is detailed in the following table:

IAS 12	Fiscal impact of adjustments on:	Opening balance	2005 Result	Balance 12/31/05
IAS 17	Finance Leases	(1,237,805)	(619,760)	(1,857,565)
IAS 19	Employee benefits (T.F.R., Pension funds)	6,975	11,764	18,739
IAS 32	Treasury shares	0	58,396	58,396
IAS 38	Intangible assets (capitalised development costs and elimination of start-up and expansion costs)	0	(298)	(298)
IAS 39	Financial instruments (treasury shares and fair value derivatives)	60,270	(40,767)	19,503
	TOTAL IAS 12	**(1,170,560)**	**(590,666)**	**(1,761,226)**

Impact on balance sheet and income statement

The following items and data relate to the effects commented upon and highlighted in the reconciliations of net equity and profits described in the previous section.
In particular:

- All of the assets and liabilities whose recognition is required by IFRS, including those not required by Italian accounting principles, are reported according to IFRS.
- All of the assets and liabilities whose recognition is required by Italian accounting principles but not by IFRS, have been eliminated.
- All assets and liabilities are valued according to IFRS
- Each accounting entry has been reclassified in accordance with IFRS

The notes to each single adjustment are not repeated if identifiable in the reconciliations of net equity and profits. Some reclassifications and some details which are considered useful for the full comprehension of the accounts are accompanied by notes.
The formats of the Balance Sheet and Income Statement used until 31 December 2005 have been modified to conform to IAS 1 ("Presentation of Financial Statements"). The first column of the following tables has been amended to render it comparable with the third column.

TREVI - Finanziaria Industriale S.p.A.
Opening Balance Sheet at 01/01/05 *(Euro)*

ASSETS	National Accounting Principles	IAS adjustments	Notes	IAS/IFRS Balance Sheet
Non-current assets				
Tangible Fixed Assets				
Land		4,525,000		4,525,000
Buildings		9,903,363		9,903,363
Plant and machinery	120,150	7,226,902		7,347,052
Industrial and commercial equipment		354,996		354,996
Other assets	3,865	-		3,865
Work in progress and deposits	171,170	(171,170)		-
Total tangible assets	**295,185**	**21,839,091**	**(1)**	**22,134,276**
Intangible assets				
Development costs		-		-
Patents and intellectual property	206,168	-		206,168
Concessions, licenses and brand rights	24,460	-		24,460
Work in progress and deposits	69,814	-		69,814
Other intangible assets	107,856	(107,856)		-
Total intangible assets	**408,298**	**107,856**	**(2)**	**300,442**
Non-core fixed investments		-		-
Investments	44,837,693	-		44,837,693
Financial assets for disposal in long term	1,832,991	(1,832,991)	(3)	-
Prepaid tax assets	451	69,896		70,347
Long term derivative instruments		91,037		91,037
Other long term financial receivables	62,353,866	-		62,353,866
Trade receivables and other long term assets		-		-
Total Non-current assets	**109,728,484**	**20,059,177**		**129,787,661**
Non-current assets for disposal				
Assets for disposal		-		-
Current assets				
Inventory		-		-
Trade receivables and other short term assets	15,441,756	(3,480,183)	(4)	11,961,574
Current tax assets	1,698,752	-		1,698,752
Other short term financial receivables		-		-
Financial assets		-		-
Short term derivative instruments		-		-
Tradeable securities at fair value		-		-
Cash and cash equivalents	61,920	-		61,920
Total	**17,202,428**	**3,480,183**		**13,722,246**
TOTAL ASSETS	**126.930.912**	**16.578.995**		**143.509.907**

TREVI - Finanziaria Industriale S.p.A.
Opening Balance Sheet at 01/01/05 *(Euro)*

Net Equity and Liabilities	National Accounting Principles	IAS adjustments	Notes	IAS/IFRS Balance Sheet
Equity and Reserves				
Equity capital	32,000,000	(599,363)		31,400,637
Share premium reserve	32,522,662	1,832,991		34,355,653
Other reserves	10,479,751	(3,066,619)		7,413,132
I.F.R.S. transition reserve		693,901		693,901
Derivative instruments fair value reserve		(114,373)		(114,373)
Profits/(losses) brought forward		1,501,111		1,501,111
Profit/(loss) for period	1,061,747	-		1,061,747
Total Net Equity	76,064,160	247,648	(5)	76,311,808
Quota di pertinenza di terzi				
Total Net Equity	**76,064,160**	**247,648**		**76,311,808**
Non-current Liabilities				
Long term debt	20,925,467	77,399		21,002,866
Othert long term financial payables		11,746,176		11,746,176
Long term derivative instruments		161,800		161,800
Deferred tax liabilities	15	1,237,805		1,237,820
Employee termination benefits	508,950	29,169		538,119
Long term provisions		-		-
Other non-current liabilities		-		-
Total	**21,434,432**	**13,252,349**	**(6)**	**34,686,781**
Current liabilities				
Trade payables and other non-current liabilities	4,030,639	(31,003)		3,999,636
Current tax liabilities	89,785	-		89,785
Short term debt	25,311,896	-		25,311,896
Other short term financial payables		3,110,000		3,110,000
Short term derivative instruments		-		-
Short term provisions		-		-
Total	**29,432,320**	**3,078,997**	**(7)**	**32,511,317**
TOTAL LIABILITIES	**126,930,912**	**16,578,995**		**143,509,907**

The data in the first column are drawn from the accounts of TREVI-Finanziaria Industriale S.p.A. at 31 December 2004 prepared under Italian accounting principles reclassified on the new basis of presentation adopted by the company.

Note:

(1) The increase of Euro 21,839,091 (gross of tax) generated in total tangible assets at transition date is represented by the application of "fair value deemed as cost" as permitted by IFRS1 and by the inclusion of Finance leases as prescribed by IAS 17. For greater detail refer to Note 2 of the preceding section "Impact on the net equity, economic and financial situation".

- Land: Euro 3 million relates to the portion of land at the factory at Podenzano (PC) included in the lease contract, to which is added Euro 1.525 million (gross of taxes), for the revaluation as calculated by the survey carried out by independent experts.
- Buildings: This item refers to the designation of the property at Podenzano (PC) acquired by a leasing contract for Euro 9,903,363 (gross of taxes)
- Plant and equipment: The IAS adjustment refers to the designation prescribed by IAS 17 of assets acquired via leasing contracts for Euro 7,119,845 and to a reclassification of Euro 107,057 of incremental costs on third party assets included in intangible assets according to national accounting principles.
- Industrial and commercial equipment : The IAS adjustment refers to the designation, as prescribed by IAS 17, of assets acquired via leasing contracts with a value of Euro 354,996.
- Work in progress and deposits: The IAS adjustment refers to advance payments of non-capitalized costs of Euro 171,170.

(2) The decrease of Euro 107,856 (gross of taxes) in the value attributed to intangible assets, as described above in note 1, is due to the reclassification of improvement costs on third party plant and machinery acquired via leasing contracts for Euro 107,057 and to the transfer of costs that cannot be capitalized under IFRS (start up and expansion costs) which were capitalized in the balance sheet, for Euro 799.

(3) The item "Financial assets for disposal in long term", which relates to own shares (treasury shares) held at 1 January 2005 has been adjusted by Euro 1,832,991 as prescribed by IAS 32; Euro 599,363 (the par value of own shares held in treasury) of this adjustment is reflected in a reduction of equity share capital while the remainder is included in the IAS reserve.

(4) The effect of the IAS adjustment on Trade receivables and other

short term assets, a reduction of Euro 3,480,183, is composed of;

- Transfer of an initial maxi-payment on a leasing contract for the property at Podenzano (PC) for Euro 2,671,269;
- A reduction of Euro 159,014 of financial assets (accrued assets) for the valuation at amortized cost using the effective interest rate method as prescribed by IAS 39, of mortgages which incurred initial costs reported under national accounting principles.
- Elimination of the dividend announced for 2004 paid in 2005 of SOILMEC S.p.A. for Euro 649,900, as approved by the shareholders' meeting in 2005.

(5) The effective reduction of Euro 1,832,991 as detailed in note (3) relates to the reduction of Net Equity (Euro 599,363 of ordinary share capital and Euro 1,233,628 of IAS reserve) carried out to eliminate the item "Treasury shares" from the balance sheet as prescribed by IAS 32. The own shares reserve of Euro 1,832,991 was eliminated and the share premium reserve brought back into use as authorized by the shareholders' meeting. The fair value reserve was set up in accordance with IAS 39 for non-realised losses deriving from fair value hedging instruments covering interest rate risks.

(6) The IAS adjustments relating to non-current liabilities of Euro 4,616,173 are composed principally of the increase of Euro 3,110,000 in other long term financial payables to leasing companies; Euro 161,800 of the adjustment relates to the application of Fair Value methodology in the IAS reserve to derivative contracts not classified as hedging instruments according to IAS 39. Euro 1,237,805 relates to the deferred fiscal impact calculated on adjustments generated by the adoption of IFRS, Euro 29,169 to adopting IAS 19 in accounting for TFR defined benefit schemes provided for by the company.

(7) The IAS adjustments regarding current liabilities are almost entirely attributable to inclusion of the current portion of residual payables to leasing companies for existing contracts.

TREVI – Finanziaria Industriale S.p.A.
Balance sheet at 12/31/05 *(Euro)*

ASSETS	National Account. Principles	IAS adjustments	Notes	IAS/IFRS Balance Sheet
Non-current assets				
Tangible Fixed Assets				
Land		4,525,000		4,525,000
Buildings		9,360,712		9,360,712
Plant and machinery	159,818	6,454,413		6,614,231
Industrial and Commercial equipment		280,347		280,347
Other assets	3,251	-		3,251
Work in progress and deposits	171,170	(171,170)		-
Total Tangible Assets	**334,239**	**20,449,302**	**(1)**	**20,783,541**
Intangible Assets				
Development costs		-		-
Patents and intellectual property	148,032	-		148,032
Concessions, licenses and rights	47,585	-		47,585
Work in progress and deposits		-		-
Other intangible assets	63,222	(63,222)		-
Total intangible assets	**258,839**	**(63,222)**	**(2)**	**195,617**
Non-core fixed investments		-		-
Investments	44,859,570	-		44,859,570
Financial assets for disposal in long term		-		-
Prepaid tax assets	347,607	140,056		487,663
Long term derivative instruments		134,872		134,872
Other long term financial receivables	69,085,446	-		69,085,446
Trade receivables and other long term assets	49,593	-		49,593
Total Non-current assets	**114,935,294**	**20,661,008**		**135,596,302**
Non-current assets for disposal				
Assets for disposal		-		-
Current assets				
Inventory		-		-
Trade receivables and other short term assets	19,519,335	(4,426,965)		15,092,370
Current tax assets	1,950,483	-		1,950,483
Other short term financial receivables		-		-
Financial assets		-		-
Short term derivative instruments		-		-
Tradeable securities at fair value		-		-
Cash and cash equivalents	1,396,731	-		1,396,731
Total	**22,866,549**	**(4,426,965)**	**(3)**	**18,439,584**
TOTAL ASSETS	**137,801,843**	**16,234,043**		**154,035,886**

TREVI – Finanziaria Industriale S.p.A.
Balance sheet at 12/31/05 *(Euro)*

ASSETS	National Account. Principles	IAS adjustments	Notes	IAS/IFRS Balance Sheet
Non-current assets				
Tangible Fixed Assets				
Land		4,525,000		4,525,000
Buildings		9,360,712		9,360,712
Plant and machinery	159,818	6,454,413		6,614,231
Industrial and Commercial equipment		280,347		280,347
Other assets	3,251	-		3,251
Work in progress and deposits	171,170	(171,170)		-
Total Tangible Assets	**334,239**	**20,449,302**	**(1)**	**20,783,541**
Intangible Assets				
Development costs		-		-
Patents and intellectual property	148,032	-		148,032
Concessions, licenses and rights	47,585	-		47,585
Work in progress and deposits		-		-
Other intangible assets	63,222	(63,222)		-
Total intangible assets	**258,839**	**(63,222)**	**(2)**	**195,617**
Non-core fixed investments		-		-
Investments	44,859,570	-		44,859,570
Financial assets for disposal in long term		-		-
Prepaid tax assets	347,607	140,056		487,663
Long term derivative instruments		134,872		134,872
Other long term financial receivables	69,085,446	-		69,085,446
Trade receivables and other long term assets	49,593	-		49,593
Total Non-current assets	**114,935,294**	**20,661,008**		**135,596,302**
Non-current assets for disposal				
Assets for disposal		-		-
Current assets				
Inventory		-		-
Trade receivables and other short term assets	19,519,335	(4,426,965)		15,092,370
Current tax assets	1,950,483	-		1,950,483
Other short term financial receivables		-		-
Financial assets		-		-
Short term derivative instruments		-		-
Tradeable securities at fair value		-		-
Cash and cash equivalents	1,396,731	-		1,396,731
Total	**22,866,549**	**(4,426,965)**	**(3)**	**18,439,584**
TOTAL ASSETS	**137,801,843**	**16,234,043**		**154,035,886**

TREVI - Finanziaria Industriale S.p.A.
Income statement 12/31/05 *(Euro)*

	National Accounting Principles	IAS adjustments	Notes	IAS/IFRS Balance Sheet
Revenues from sales and services	9,615,360	-		9,615,360
Capitalisation of internal works		-		-
Other operating revenues	1,372,017	-		1,372,017
Change in inventory of finished goods and work in progress		-		-
Change in work to order in progress		-		-
Raw materials and consumables	9,660	-		9,660
Change in inventories of raw materials, consumables.		-		-
Personnel costs	1,911,690	35,647	(7)	1,947,337
Other operating costs	10,649,464	(3,597,277)	(8)	7,052,187
Depreciation	233,702	1,370,879	(9)	1,604,581
Provisions and write-downs		-		-
Operating profits	**(1,817,139)**	**2,190,751**		**373,612**
Financial income	5,979,309	(1,724,659)	(10)	4,254,650
Financial costs	2,207,964	489,813	(11)	2,697,777
Foreign exchange gains / (losses)	99,588	-		99,588
Adjustments to value of financial assets		-		-
Gains from shareholdings in subsidiaries valued using net equity method.		-		-
Profit / (losses) of activities for disposal		-		-
Profit / (Loss) before tax	2,053,794	(23,721)		2,030,073
Tax	30,152	590,666		620,818
Profit / (Loss) for period	**2,023,642**	**(614,387)**		**1,409,255**

The data reported in the first column are taken from the accounts at 31 December 2005 prepared according to Italian accounting principles and are reclassified on the basis of the new presentation scheme adopted by the company.

A description of the main impact of application of International accounting principles on the balance sheet and income statement at 31 December 2005 follows. For further information refer to the note on reconciliation of net equity and profit reported previously in the section "RECONCILIATION BETWEEN ITALIAN ACCOUNTING PRINCIPLES AND I.F.R.S.".
Note:

(1) The increase of Euro 20,449,302 (gross of taxes) which appears in the Intangible Assets item is attributable, as detailed in the notes to the opening balance sheet at 1 January 2005, to the application of "fair value as deemed cost" as permitted by IFRS1 and by the designation of Finance Leases according to the treatment prescribed by IAS 17. A brief summary of the major details on principles used is given below:

- Land: Euro 3 million relates to the portion of land at the factory at Podenzano (PC) included in the lease contract, to which is added Euro 1.525 million (gross of taxes), for the revaluation as calculated by the survey carried out by independent experts.
- Buildings: This item refers to the designation of the property at Podenzano (PC) acquired by a leasing contract for Euro 9,903,363 (gross of taxes) less related depreciation for the period of Euro 542,651.
- Plant and equipment: The IAS adjustment refers to the designation prescribed by IAS 17 of assets acquired via leasing contracts for Euro 7,119,845 and to a reclassification of Euro 107,057 of incremental costs on third party assets and Euro 43,835 of "other intangible assets" included in intangible assets according to national accounting principles. Depreciation of Euro 728,654 is calculated on the assets thus designated.
- Industrial and commercial equipment : The IAS adjustment refers to the designation, as prescribed by IAS 17, of assets acquired via leasing contracts with a value of Euro 354,996 less related depreciation for the period of Euro 74,649.

- Work in progress and deposits: The IAS adjustment refers to advance payments of non-capitalized costs of Euro 171,170.

(2) The negative impact on intangible assets, equal to Euro 63,222 (gross of taxes), is attributable to the opening reclassification of improvement costs on leased plant and machinery (Euro 107,057), for Euro 43,835 to other intangible assets transferred from the item "plant and machinery", as detailed in note (1), and to the recovery from the share of depreciation of cost of plant and equipment transferred for Euro 799.

(3) The effect of the IAS adjustment on Trade and other short term payables, which is reduced by Euro 4,426,965 is principally due to;

- Transfer of the residual portion (Euro 2,369,032) of the maxi-payment on the leasing contract for the property at Podenzano (PC)
- Elimination of the dividend declared for 2005 but paid in 2006 of SOILMEC S.p.A. for Euro 1,940,000 as approved by the 2006 shareholders' meeting.

(4) With regard to the details of the IAS adjustments and their impact on the net equity of the company, refer to the prospectus of reconciliation of Net Equity and Economic Result and accompanying notes reported in the section "EFFECTS ON BALANCE SHEET AND INCOME STATEMENTS"

(5) The IAS adjustments relating to non-current liabilities of Euro 11,363,929 in total, are attributable primarily to the increase of Euro 9,229,856 of residual payables to other long term financiers and for payables to leasing companies; Euro 1,898,630 relates to the deferred fiscal impact calculated on IFRS adjustment, Euro 64,816 to the application of IAS 19 on accounting of TFR defined benefit plans provided by the company.

(6) The IAS adjustments relating to current liabilities are almost entirely attributable to the designation of the short term portion of residual payables to leasing companies for existing contracts.

(7) The net effect of IAS 19 adjustments on the item "Personnel costs" is equal to Euro 35,647 is attributable to the difference between the share of TFR provided by the company and

the current value of the performance obligation defined by the date the liability falls due adjusted to take into account actuarial losses.

(8) The IAS adjustment to the item "Other operating costs" is entirely attributable to the application of IAS 17 that determines the transfer of relevant leasing charges.

(9) The IAS adjustment to the item "Depreciation" reflects the previous note and is almost entirely attributable to the application of IAS 17, that determines the application of depreciation rates approved by the company.

(10) The item "Financial income" is adjusted to reflect the transfer of the capital gain realized on the sale of treasury shares held (Euro 544,000), and to reflect the elimination of the dividend for the period 2005, approved and paid in 2006, for Euro 1,940,000 and for the allocation of Euro 109,441 relating to the positive change in the fair value of derivative hedging instruments as prescribed by IAS 39. This item is further increased by Euro 649,900 by the designation of the dividend for 2004 paid in 2005 by the subsidiary SOILMEC S.p.A. as prescribed by IAS 18.

(11) The item "Financial Costs" is adjusted by Euro 561,813 for the designation of the portion of interest relative to leasing charges in the period and for the Euro 72,000 transfer of the capital loss realized on the sale of treasury shares.

Cash Flow Statement at 31 December 2005:

	National Accounting Principles	IAS adjustments	IAS
Initial Cash and cash equivalents	61,920	0	61,920
Profit for the period before changes in working capital	2,355,355	800,376	3,155,731
Change in working capital	8,103,877	(5,565,718)	2,538,159
Cash flow used for investment	(145,173)	(2,758,952)	(2,904,125)
Cash flow used for (by) financing activity	(8,979,248)	7,524,294	(1,454,954)
Final cash and cash equivalents	1,396,731	(0)	1,396,731

The adjustments highlighted in the prospectus are principally attributable to the effect of application of International accounting principle IAS 17 that concerns an increase in the cash absorbed by investment and the increase in cash flow by financing activity, substantially attributable to the designation of residual debts to leasing companies. The differences between the change in working capital are attributable principally to the designation of deferred taxes, to the transfer of the dividend of the subsidiary SOILMEC S.p.A. and to the adjustment of accruals for the initial maxi-payment made for property leasing obligations.

PricewaterhouseCoopers

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF LAW DECREE no. 58 DATED 24 FEBRUARY 1998

To the shareholders of
TREVI – Finanziaria Industriale SpA

1) We have audited the financial statements of TREVI – Finanziaria Industriale SpA which comprise the balance sheet, profit and loss account, statement of cash flow, statement of changes in shareholders' equity and the related notes as of 31 December 2006. These financial statements are the responsibility of TREVI – Finanziaria Industriale SpA's directors. Our responsibility is to express an opinion on these financial statements based on our audit. The aforementioned financial statements have been prepared for the first time in accordance with the International Financial Reporting Standards as adopted by the European Union.
2) We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. In accordance with those standards and criteria, the audit has been planned and performed to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are reliable. An audit includes examining, on a sample basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness of the accounting principles used and the reasonableness of the estimates made by the directors. We believe that our audit provides a reasonable basis for our opinion.
   The financial statements present for comparative purposes the corresponding data for the preceding period prepared in accordance with the same accounting principles. In addition, the explanatory notes reported in attachment 2 "Transition to International accounting principles" explains the effects of translation to International Financial Reporting Standards as adopted by the European Union and includes information relating to the reconciliation statements required by IFRS 1, previously approved by the Board of Directors and published as an attachment to the half-yearly interim statement as of 30 June 2006, which we have audited and for which we refer you to the auditors' report issued by us on 20 September 2006.

3) In our opinion, the financial statements of TREVI – Finanziaria Industriale SpA at 31 December 2006 comply with the International Financial Reporting Standards as adopted by the European Union and with the measures introduced by article 9 of law decree no. 38/2005; accordingly, they give a true and fair view of the financial position, the results of operations, the changes in shareholders' equity and cash flows of the TREVI – Finanziaria Industriale for the year then ended.

Bologna, 13 April 2007
PricewaterhouseCoopers SpA

Roberto Adami
(Partner)

This report has been translated from the original

RESOLUTIONS OF THE SHAREHOLDERS' MEETING DATED 7th MAY 2007

The year two thousand seven, on the 7th day of the month of May, at the registered office in Cesena, the Ordinary and Extraordinary Shareholders' Meeting of TREVI – Finanziaria Industriale S.p.A. was held at second calling, in the presence of Shareholders with nr. 37,875,521 ordinary shares, representing 59.181% of the capital stock and having the right to vote.

The Ordinary Shareholders' Meeting has resolved:

1) To approve the Financial Statement as at 31st December 2006, as well as the Report of the Board of Directors on Operations and to allocate the net profit for the year amounting to Euro 4,811,230 as follows:
   - 5%, that is Euro 240,562 to the legal reserve;
   - Euro 0.050 per share (for a total amount of € 3,200,000) to the entitled Shareholders, with dividends' detachment date on 9th July 2007 and payment starting from 12th July 2007;
   - The remaining Euro 1,370,688 to the extraordinary reserve.

2) To approve the continuation of the purchasing/alienation plan of own shares up to a maximum of nr. 2,000,000 shares, equal to 3.125 % of the capital stock. The duration of the plan is until 30th April 2008; the maximum equivalent amount is Euro 15 per share; the minimum is Euro 3.00.

3) The appointment of the new Board of Directors for the years 2007 – 2008 – 2009, and namely, it is made of Mr. Davide Trevisani (Chairman and Managing Director), Mr. Gianluigi Trevisani (Vice President and Managing Director), Mr.Cesare Trevisani (Managing Director), Mr.Stefano Trevisani and, as independent managing director without executory powers, Mr. Enrico Bocchini, Mr. Guglielmo Antonio Claudio Moscato, Mr.Franco Mosconi, Mr. Riccardo Pinza and Mr. Pio Teodorani Fabbri.

4) The appointment of the Board of Auditors for the years 2007 – 2008 – 2009, and namely, it is made of Mr. Adolfo Leonardi (President), Mr. Giacinto Alessandri (Statutory Auditor), Mr.Giancarlo Poletti (Statutory Auditor), Mrs. Silvia Caporali (Substitute Auditor) and Mr.Giancarlo Daltri (Substitute Auditor).

The Extraordinary Shareholders' Meeting has resolved:

1) The new Corporate By-Laws in conformity with the Law on Savings nr. 262/05.

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