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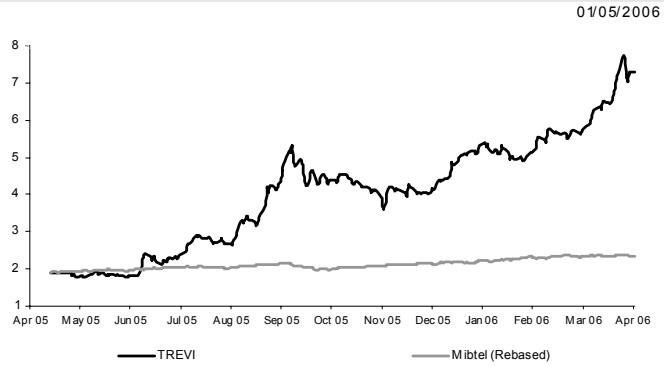
Italy

2 May 2006

Trevi

Buy
(unchanged)

Construction & Materials



Benchmark rebased to stock price

Price

EUR 7.30

Target Price

EUR 8.80

Accounting Standard/Since	**IFRS/2005**
Reuters/Bloomberg	TFI.MI/TFI IM

(EUR)	12/03	12/04	12/05e	12/06e	12/07e
Sales (m)	367	372	507	611	707
EBITDA (m)	41.7	41.7	55.3	78.6	96.5
EBIT (m)	17.1	18.4	28.7	47.3	60.0
Net profit (reported) (m)	1.4	2.6	12.8	20.4	27.2
Net debt/(cash) (m)	113	148	126	128	120
EPS (adj.)	0.04	0.04	0.20	0.32	0.43
CFPS	0.41	0.40	0.62	0.81	1.00
BVPS	1.04	1.21	1.52	1.81	2.22
DPS	0.02	0.02	0.03	0.03	0.03
Int. cover(EBITDA/Fin. int	4.1	5.6	6.2	8.6	10.3
EV/EBITDA	4.40	5.29	5.59	7.86	6.28
EV/EBIT	10.8	12.0	10.8	13.1	10.1
P/E (adj.)	23.1	26.3	13.0	22.8	17.1
Dividend yield (%)	1.8	0.2	0.3	0.3	0.3
ROCE (%)	5.2	4.7	7.3	11.1	13.1

Share price on 01/05/2006 (EUR)	7.30
Target price (EUR)	8.80
Market capitalisation (EURm)	467.0
No. of shares (m)	64.0
Free float	43.0%
Daily avg. no. trad. sh. 12 mth	758,600
Daily avg. trad. vol. 12 mth (m)	3.29
Price high 12 mth (EUR)	7.76
Price low 12 mth (EUR)	1.78
Abs. perf. 1 mth	26.5%
Abs. perf. 3 mth	36.7%
Abs. perf. 12 mth	312.4%
Local index	Mibtel
DJ Stoxx or EuroStoxx 50	No
EPS 07-05 CAGR	45.9%

Shareholders: Trevi Family 57%;

Innovation and reliability ensure the growth

- **Growth is guaranteed by some important agreements**: based on the large order backlog and some significant contracts in both its core businesses (foundation and drilling), Trevi Group shows considerable sales potential and profitability growth in the coming years (Cagr 06e-08e EPS is 32%).
- **Further important orders in the foundation business will be a strong driver**: thanks to the Group's track record in the dam repair niche, we can expect agreements for the reorganization of one of these structures in the coming months (U.S. Army launched a project to reorganize about 200 dams in the country). Furthermore, the US Government, owing to the damage caused by hurricane Katrina, has to repair about 6,000 miles of embankments.
- **Innovation and reliability will be two important drivers also in the drilling sector**: we think that the latest contracts signed with the primary oil companies (Petrobras, Chevron-Texaco and Repsol) will constitute a significant track record in the future, and thus allow the group to sign new important agreements.
- **DCF Model and SOP Valuation reach the same Fair Value**: Our DCF Model shows a Fair Value of EUR 8.83 per share. Our SOP valuation, based on the Group's four divisions (peers multiple comparison), identifies a Fair Value of EUR 8.85 per share, substantially confirming the Fair Value calculated with the DCF Model.
- **Rating Buy confirmed**: based on our valuation, we confirm our Buy recommendation and we set a Target Price of EUR 8.8 per share.

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Trevi Group is one of the world leaders in the field of foundation engineering (special foundations, tunnel excavation, soil consolidation for infrastructures such as bridges, railways and dams and the execution and marketing of rigs and special equipment for said works); it is also highly active in drilling rigs (oil, gas and water), both as a manufacturer of systems and as a supplier of oil drilling services.

Results above consensus in 2005

On 31st March the Company's Board of Director approved the FY 05 financial results. The data, above consensus estimates, showed good annual performance with double digit growth for both revenues and margins. More in detail:

Net revenues were up +35.6% Y/Y to EUR 496.6m. This strong growth is largely attributable to the foundation services which realized EUR 270m, +54.3% Y/Y and to the significant increase in the foundation rigs division, which contributed some EUR 128m, +25.7% Y/Y.

Operating leverage translated into higher margins: EBITDA was EUR55.3m (+32.8% Y/Y), equivalent to 10.9% of net sales and EBIT was EUR 28.7m (+55.8% Y/Y), equivalent to 5.7% of net sales.

Net Profit was up +401.9% Y/Y to EUR 12.8m, above company guidance of EUR 11.0m and Net debt was EUR 126m (with an improvement of 14.9%).

- Finally, backlog orders were at a record level of EUR 516.5m (+39.2%).
- The Board of Directors also proposed the distribution of a dividend of EUR 0.025 per share (+67%).

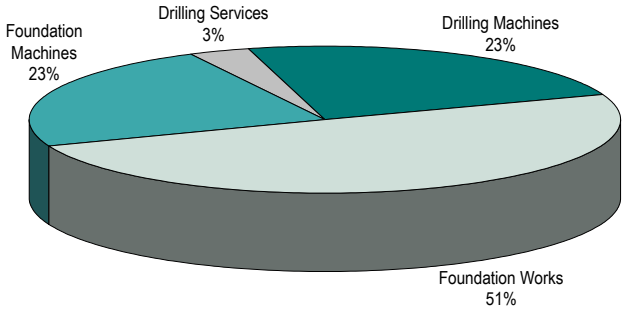
TREVI GROUP: FY 05 Results

	2004a	2005a	%Chg.
Sales	366.4	496.6	*+36.5%*
EBITDA	41.6	55.3	*+32.8%*
EBIT	18.4	28.7	*+55.8%*
Pre-tax Profit	9.6	25.3	*+163.2%*
Net Profit	2.6	12.8	*+401.9%*
Shareholders Equity	80.9	102.1	*+26.2%*
Net Debt	(147.9)	(126.0)	*+14.9%*
Debt/Equity	1.83x	1.23x	
Total Backlog orders	**371.0**	**517.0**	***+39.2%***
Foundation sector	241.0	329.0	*+36.5%*
Drilling sector	130.0	188.0	*+44.6%*

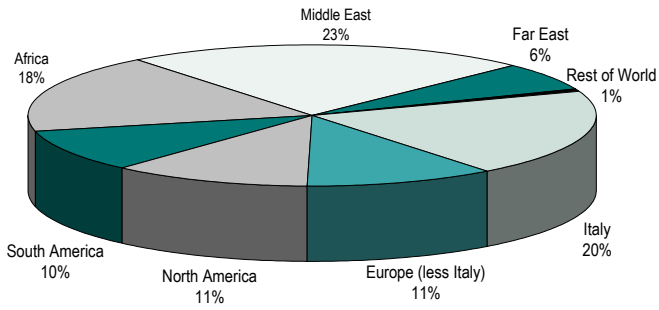
Source: Company Data

FY 05 Sales breakdown

by Division



by Geographical Area



Source: Company Data

Outlook 2008: drilling to rebalance business areas

Growth is guaranteed by some important agreements. The Company shows considerable growth potential also for the coming years, as demonstrated by the large order backlog (the Work Portfolio at the beginning of 2006 was at its all time high and allowed the Company to cover more than nine months of operating revenues - EUR 516.5m, +39.2%).

Besides, in the last six months the Group has signed some important agreements both in the foundation works division (in September 2005 the Group was awarded the contract by the US Army Corps of Engineers for the repair and prevention works for the earthquake damage in the Tuttle Creek Dam), and in the drilling division (a contract for USD 17m awarded in Peru by Petrobras in December 2005 and two contracts for a total amount of USD 46.4m awarded in Argentina by Chevron-Texaco and Repsol signed in March. Both contracts could be prolonged up to five years, the global counter-value could amount to USD 77.4m).

Therefore, in the light of the strong growth expected in both sectors, and thanks to these strategic agreements, we believe that the significant growth targets announced by the management will be met by the company.

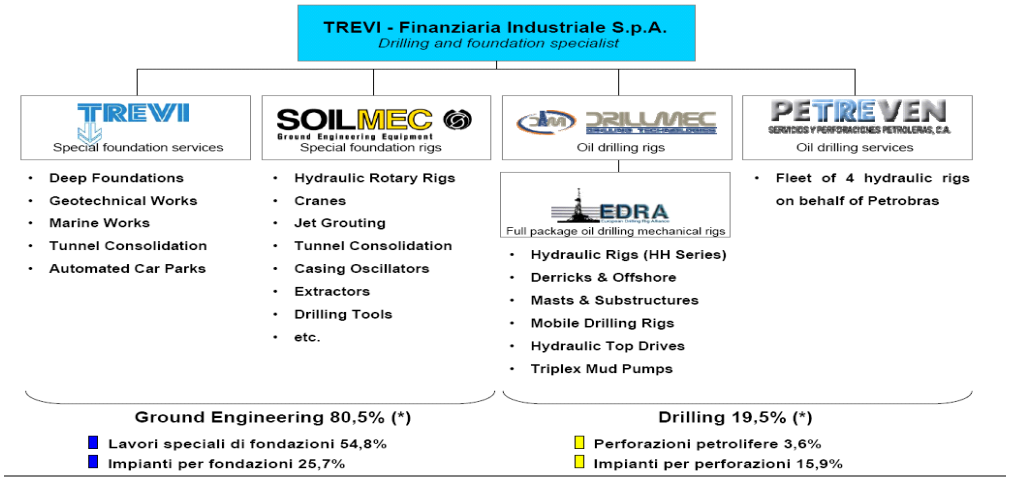
The following paragraphs analyze the features, the drivers and our estimates for each business area in which the Group operates.

Different drivers in four business areas

The Group operates in four different divisions:

- *Foundation rigs*: plants and rigs that are used for foundation engineering designed and manufactured by SOILMEC.
- *Foundation services*: special foundations, soil consolidation for infrastructures such as bridges, railways, dams, industrial systems and tunnels realized by TREVI through the rigs manufactured by Soilmec.
- *Drilling rigs*: drilling rigs that are used for hydrocarbons, designed and manufactured by DRILLMEC.
- *Drilling services*: well drilling for the extraction of hydrocarbons and for water research, realized by PETREVEN thanks to the use of drilling rigs manufactured by Drillmec.

Trevi Group's structure



Source: Company Presentation

Trevi (Foundation services)

Founded in 1957, the Company is the 4th largest Company in the world (behind Soletance Bachy, Bauer and Keller) in the field of soil engineering; it is present in the five continents with its activities, representative offices and agencies. The Group's leadership position is due to its solid track record.

The business features – *Cyclical business*: the Company operates in a cyclical business sector, closely linked to the trend in the construction and building sector and with the quantity of big infrastructures realized in the various countries. *Limited Country risk*: the group has a significant international presence in all the wide areas (its systems are distributed in 80 countries and there are works in progress in 20 different states); the foregoing reduces the country risk. An increase in the risk would happen if the Group took over the same job orders in countries with especially risky economies. *High entry barriers*: Trevi is protected by high entry barriers in the foundation division, represented by its solid track record (today the Group has high reliability and an excellent reputation at the worldwide level thanks to its over 45 years experience in this); in fact, the foundation jobs for large scale civil works require high technical competence and technically advanced machinery; therefore, only few players are recognized at the international level and monopolise it, and Trevi is one of them. *Currency risk*: job order revenues are realized in local currency in the various world countries. They are covered by costs in the same currencies. However, any weaknesses on the local currencies could weigh upon the Group results. *Risk of delay in job order execution*: job order execution requires high structure and labor costs and the net working capital level required is also very high; if significant delays happen in job order execution there is a strong imbalance risk.

Scenario and trend – Based on the CRESME estimates for the period 2005-07 (Centro Ricerche Economiche Sociali di Mercato per l'Edilizia e il Territorio), the growth rate in the building and construction sector will be around 5% per annum. At a worldwide level, CRESME estimates that, in the emerging countries, infrastructure needs will continue to expand for the next 15 years, towed by India, China, Brazil Hong-Kong and Korea (we remind investors that many of these countries have benefited in the last few years from the strong income from oil drilling; we believe, therefore, that at least a part of this income will go to civil infrastructure building). In the industrialized countries, instead, the expected growth rate is definitely lower and with a trend that is bound to the business cycle dynamics (in 2007 the main countries on the world will spend about USD 5,000 billion in the building sector).

As regards Italy, after a 2005 characterized by strong discontinuities in production and by infrastructure investments still lower than the forecasts, CRESME assumes a temperately optimistic scenario for the period 2006-09.

Strengths: a niche sector – repair works for dams – during the last few years, Trevi Group has completed numerous dam repair works. These job orders require special organizational skills that only few operators in the world are able to assure; Trevi has demonstrated it is part of this narrow operators' group thanks to the technological solutions proposed to the Costumers to solve certain complex geotechnical problems. Among the main recent projects acquired by Trevi, we mention: the Arapuni dam (New Zeland), Walter F. Gorge (Alabama), Parbati (India) and Missingiri (Mozambique).

The Tuttle Creek Dam – Thanks to its important track record, in September 2005 Trevi acquired the largest order in its history, the Tuttle Creek dam. The contract for the execution of repair and prevention works on earthquake damage in the Tuttle Creek Dam was assigned to the Group by the US Army Corps of Engineers for a total amount of USD 200m (USD 50m will have an impact on 2006e and 2007e figures and the remaining USD 150 over the following six years). This new order follows the foundation project that the company received in 2003 to repair the Walter F. George Dam (total amount of USD 56m), for which it received the US Army Corp of Engineers' award as Best Contractor. This order allows Trevi to re-

state and consolidate, at the international level, both its acknowledgment as a construction services company and the technological leading role reached and played by the Group.

Our estimates – Based on the important projects in execution and on the large order backlog (the Work Portfolio at the beginning of 2006 was at its all time high and allowed the Company to cover more than nine months of annual operating revenues), we estimate a consistent sales growth in the next three years and a more conservative growth for the future, for which, today, the visibility is still low. The following table is a summary of our new forecasts.

TREVI (Foundation services) – 2006-08 forecasts

	2004	2005	2006e	2007e	2008e
Sales	**224.20**	**272.00**	**328.0**	**362.8**	**402.4**
Ch%		*22.6%*	*21.5%*	*10.5%*	*10.9%*
EBITDA	**26.90**	**28.05**	**40.34**	**47.17**	**56.33**
EBITDA%	*12,.0%*	*10.7%*	*12.3%*	*13.0%*	*14.0%*
D&A		-17.80	-19.68	-21.77	-27.36
EBIT		**11.20**	**20.66**	**25.40**	**28.97**
EBIT%		*4.1%*	*6.3%*	*7.0%*	*7.2%*

Source: BANCA AKROS estimates

Further important drivers for future upside – We highlight that, thanks to the latest orders, the Group has been recognized as a highly reliable partner by the US Government and, in the near future, its excellent reputation could play an important role and represent the overcoming of an important entry barrier to obtaining new orders. In fact, in the near future, the US Government has to repair about 200 dams in the USA and, after the damage caused by the Katrina hurricane, there are about 6,000 miles of embankments to be repaired in the south of the United States.

Our estimates do not include these potential large agreements. Nevertheless, based on a potential scenario, assuming two new contracts for dam repair works will be acquired by the Company (first one for USD 100m in 2007 and second one for USD 50m in 2008), we estimate a further upside for the stock of *above 11%* compared with our current Fair Value.

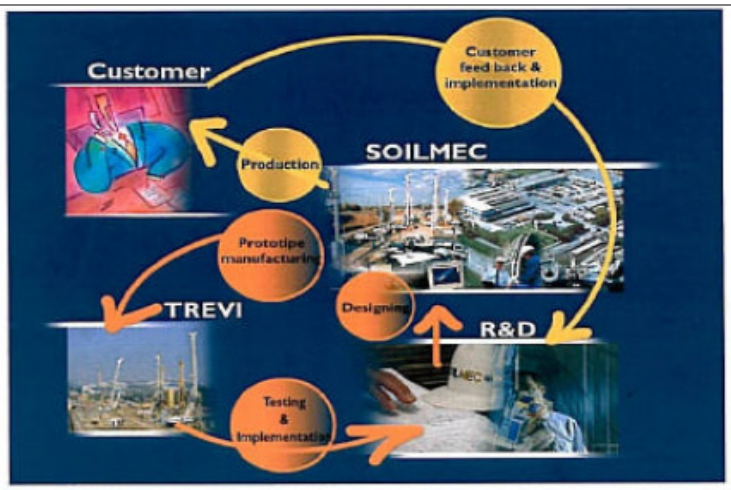
Soilmec (Foundation rigs)

Founded in 1969, the Company is the second largest player in the world and the world leader in the middle-high segment in equipment building for subsoil engineering with over 280 employees and satellite industries of over 60 companies.

The business features - *Cyclical business*: the Company operates in a cyclical business sector, closely linked to the trend in the construction and building sector. *Currency risk*: even though the company hedges for currency risk against part of the sales realized in USD (about 15% of total sales), a strong and sudden euro/dollar change could negatively weigh upon the operating profitability. *High capital intensive business*: because of the high level of production resources, this business division is decidedly capital intensive. However, in the last few years, the group has been able to contain the incidence of high fixed costs thanks to an improvement in production efficiency: the Company has outsourced the production phases to smaller value added (metal working and pre-assembling) and it has concentrated inside its plants the final assembly phases. Soilmec, structured with its suppliers in a model of "joint planning and construction", ensures more flexibility in the production process. *High barriers to entry*: Soilmec is today a player with a high recognized reliability level thanks to the foregoing high level of R&D and to the continuous investments in technology; this constitutes a remarkable entry barrier to new competitors.

Vertical integration: besides greater production efficiency, the Group, in the last few years, has been able to reach higher sustainable operating profitability thanks the overall services and cost structure offered to its clients. In fact, thanks to the remarkable investments in R&D, Soilmec has been able to develop a complete range of equipment for all the subsoil engineering sectors; the R&D Division is dedicated constantly to developing technologies and innovative products; the division is helped by all the information from clients on how efficient the machinery is; other important aid comes from the integration with Trevi (foundation services sector), what tests the new prototypes in its yard.

Soilmec: competitive advantage



Source: Company Presentation

Scenario and trend – Based on the CECE (Committee for European Construction Equipment), 2005 turnover on the European construction equipment industry increased by more than 10%. First results from the statistics provided by CECE indicate a total turnover of around EUR 21bn. Looking ahead, CECE forecasts another good year in 2006. Again, the export business will contribute the larger part on an increase of around 5% in turnover. Sales to North-America are expected to increase further. On the European markets moderate growth can be expected for Western Europe, which again will be higher than the growth in the construction activity. Sales in Central and Eastern Europe will increase once more by a much higher rate – but the still relatively low total amount of sales compared to Western Europe has to be kept in mind.

Our estimates – Based on the large order backlog (the Work Portfolio at the beginning of 2006 was at its all time high and allowed the Company to cover more than nine months of operating revenues) and on the company guidance, we estimate consistent sales growth in the next three years and more conservative growth for future years, for which, today, the visibility is still low. In terms of operating profitability, we believe that, thanks to the significant production efficiency obtained in the last few years, the Company was able to realize an EBITDA margin of about 13% and we consider this margin will continue in the next few years. The following table is a summary of our new forecasts.

SOILMEC (Foundation Rigs) – 2006-08 forecasts

	2004	2005	2006e	2007e	2008e
Sales	**89.3**	**127.6**	**145.5**	**152.1**	**160.0**
Ch%	*7.4%*	*4.3%*	*14.0%*	*13.0%*	*10.0%*
EBITDA	**6.25**	**15.70**	**18.91**	**19.77**	**20.81**
EBITDA%	*7.0%*	*12.3%*	*13.0%*	*13.0%*	*13.0%*
D&A		-4.21	-4.36	-4.56	-4.80
EBIT		**11.49**	**14.55**	**15.21**	**16.00**
EBIT%		*9.0%*	*10.0%*	*10.0%*	*10.0%*

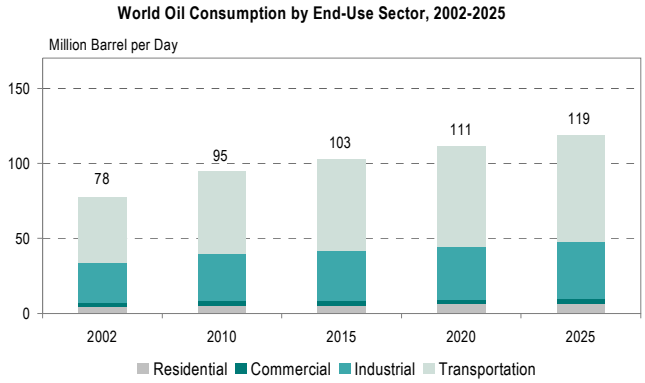
Source: BANCA AKROS estimates

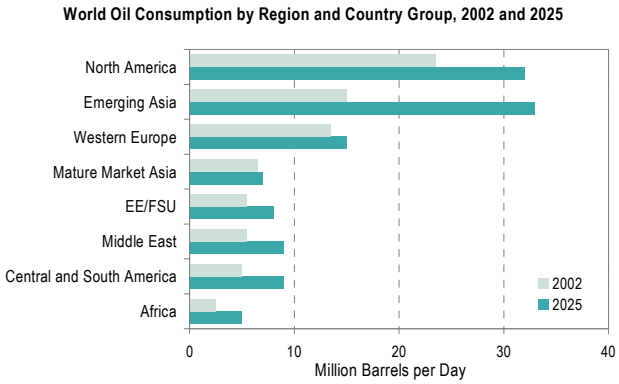
Drillmec (Oil drilling rigs)

OIL SECTOR: Scenario and trend – Based on the International Energy Outlook 2005 (IEO2005) reference case, world demand for crude oil will continuing to grow from 78 million barrels per day in 2002 to 103 million barrels per day in 2015 and over 119 million barrels per day up to 2025. Much of the growth in oil consumption is projected for the emerging Asian nations, where strong economic growth results in a robust increase in oil demand.

The projected increase in world oil demand will require an increment to world production capacity of more than 42 million barrels per day compared to the 2002 crude oil production capacity of 80.0 million barrels per day. Producers in the Organization of Petroleum Exporting Countries (OPEC) are expected to be the major source of production increases. In addition, non-OPEC supply is expected to remain highly competitive, with major increments to supply especially in the Caspian Basin, Latin America, and West Africa.

Oil demand trend 2002-2025





Source: Intl. Energy Outlook 2005 - EIA (Energy Information Administration) Office of Integrated Analysis and Forecasting U.S. Department of Energy, Washington DC

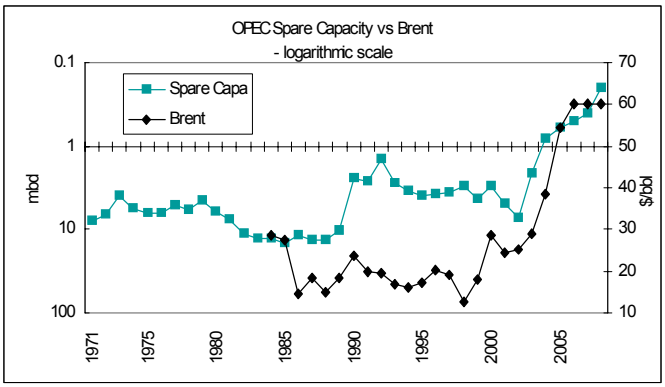
To date, in fact, the current rise in oil prices is due to a shortage of world production capacity compared with the high oil demand. This increase in the oil price is worsened by the difficult international scenario and in particular in the main producing countries (Iraq, Iran, Nigeria and Venezuela).

However, this imbalance is destined to last for a certain period. In fact, non-OPEC growth has stalled since 1998; what growth there is mainly due to Russia, which is now tailing off; OPEC is now required to return to record highs, as it did in the 1970s, but many of the key fields are reaching maximum output and are less able to ramp up; investments to increase Saudi production capacity will only start to give the first results as of 2008.

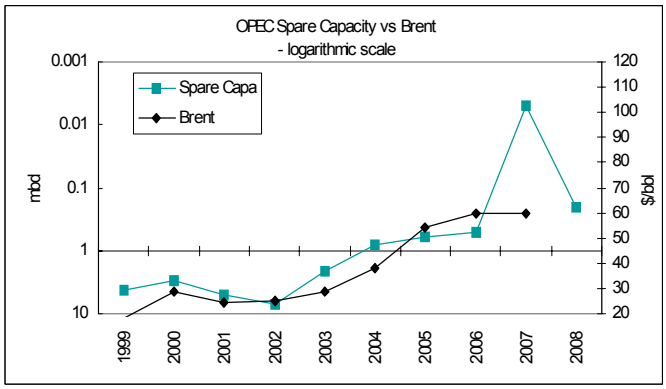
Therefore, based on ESN estimates, since oil prices are correlated to Saudi spare capacity, the relationship is extremely sensitive as Saudi capacity tightens; a spike to $100 is highly likely even without further exceptional interruptions.

OPEC Spare Capacity vs Brent

1971-2005



1999-2008



Source: ESN Estimates

Profile and market share - Drillmec is a Soilmec spin-off. The Company previously the Oil & Gas Division of Soilmec, started its operartions on January 1, 2004. Drillmec manufactures mechanical and innovative systems, hydraulic rigs for oil, geothermal and water drilling, as well as their relevant accessories; it also supplies specialised services, characterised by high added value, in the maintenance of the rigs. The Company, with the strong knowledge developed by the Group in the field, has further improved its technology through the acquisitions of Geoastra (a manufacturer of water well rigs), Massarenti & Ballerini (another well-know drilling rig manufacturer) and "Officine Meccaniche" in Cortemaggiore (Piacenza). Drillmec has developed in the last few years some innovative technologies:

The HH model: this is Drillmec's most innovative hydraulic rig. These machines can drill to a maximum depth of 4,000-4,500metres and, compared with others sold on the market, they have a high level of automation: 1) automatic drill shaft interchangeability (still manual in traditional systems); 2) low environmental impact and smaller plants; 3) 30% increase in drilling performances; 4) average 30% reduction in performance costs; 5) average 40% reduction in plant relocation and transport costs; 6) great reduction in accidents and damage.

EDRA joint venture: EDRA (European Drilling Rig Alliance) is a joint venture created in 2002 between Drillmec and two other European players (Wirth and Bentec). This alliance was set up to promote and enhance the value of European technologies in the drilling industry. Thanks to EDRA, Drillmec can offer Oil and Drilling Companies turn-key rig packages incorporating the latest design and technical innovations studied and tested by its partners. The most interesting geographical areas are North Africa, Middle-Eastern countries, China and South America, where US market leaders could be less competitive. In 2004, Drillmec acquired, through EDRA, an important contract from Sonatrach in Algeria. The supply was for four oil drilling rigs for USD 91.3m. The supply part awarded to Drillmec amounted to USD 46.7m. We retain that, thanks to this first order, EDRA will be recognized as an alternative reliable partner to the US competitors.

The business features - *Cyclical business*: the Company operates in a cyclical business sector, closely linked to the oil sector trend; therefore, both the business trend and the stock price are strongly affected by the oil price. *Currency risk*: even though the company hedges for currency risk against most of the sales realized in USD (about 70% of total sales), a strong and sudden euro/dollar change could negatively weigh upon the operating profitability. *High capital intensive business*: because of the high level of production resources this business division is decidedly capital intensive. However, the company is realizing the same efficiency improvement obtained in the last two years by Soilmec. Therefore, we believe that the group will be able to reach the same sustainable operating profitability as Soilmec in the coming two years. *Vertical integration*: furthermore, just like

Soilmec, Drillmec can benefit from the integration with Petreven (the drilling service company), which tests all the technological innovations in its own sites.

U.S.A.: supply of 25 hydraulic oil drilling rigs to Mountain Drilling– in September 2005 Drillmec signed a significant contract with the US Mountain Drilling Company (Texas) for the supply of 25 hydraulic oil drilling rigs in the HH-range, for a total amount of USD 115m, EUR 22.3m; the first five will be delivered in the short term. Mountain Drilling will work in the USA and Canada, markets that are traditionally conservative and will only employ Drillmec's innovative hydraulic rigs. This important job order follows the first supply of innovative hydraulic drilling rigs to the to the Cheyenne Drilling company in the United States at the beginning of 2005.

Our estimates – Based on the important projects in execution, on the strong evolution expected for the next few years in the oil industry and on the company's guidance, we estimates very consistent sales growth in the coming years (in the two past years Drillmec's sales increased from EUR 28m in 2003 to EUR 78m in 2005). In terms of operating profitability we believe that, thanks to the improvement in production efficiency the company is realizing, Drillmec will be able to reach the same approx. 13% EBITDA margin as Soilmec's in the next two years and we consider this will stay stable in the future years. The following table is a summary of our new forecasts.

DRILLMEC (Drilling Rigs) – 2006-08 forecasts

	2004	2005	2006e	2007e	2008e
Sales	**40.8**	**78.7**	**107.1**	**144.5**	**195.1**
Ch%	*45.3%*	*93.1%*	*36.0%*	*35.0%*	*35.0%*
EBITDA	**0.82**	**7.24**	**11.13**	**15.90**	**23.42**
EBITDA%	*2.0%*	*9.2%*	*10.4%*	*11.0%*	*12.0%*
D&A		-2.83	-4.28	-6.50	-9.76
EBIT		**4.41**	**6.85**	**9.40**	**13.66**
EBIT%		*5.6%*	*6.4%*	*6.5%*	*7.0%*

Source: BANCA AKROS estimates

Further important drivers for future upside – Today, therefore, the company is starting to benefit from the investments realized in the last few years. The foregoing contracts, in fact, obtained from primary sector buyers, constitute a track record of reliability; we can say that Trevi Group has been able to penetrate the strong entry barriers typical of the industry. In addition, we highlight that National Oilwell is the largest player of complete systems in the oil drilling sector today, and has almost all the market; however, this company operates with traditional equipment. Trevi Group, thus, being the only company with the hydraulic technology for perforation systems, has enormous growth potential.

We think, therefore, that these contracts will allow the Group to obtain new important agreements in the near future.

Our estimates do not include these potential agreements, but if Trevi Group should acquire new important orders, we estimate a further upside for the stock.

PETREVEN
Oil drilling services

Petreven (Oil drilling services)

Profile and market share - The Company operates in the drilling sector with the execution of the oil perforation service realized thanks to the use of drilling rigs manufactured by Drillmec.

The business features - *Cyclical business*: the Company operates in a cyclical business sector, closely linked to the oil sector trend; therefore, both the business trend and the stock price are strongly affected by the oil price. *Country risk*: Petreven mainly works in South America (Venezuela, Peru and Argentina) which is characterized by growing economies but also by strong instability. *Currency risk*: job order revenues are realized in USD. A strong and sudden euro/dollar swing could negatively weigh upon the operating profitability. *Risk of delay in job order execution*: job order execution requires high structure and labor costs and the net working capital level required is also very high; if significant delays happen in job order execution there will be a strong imbalance risk.

Reliability ensures growth – *2005:* Petreven has repeated its 2004 performance by winning the 1st Prize 2005 in Columbia for the best drilling company for work Safety & Quality. Since the very beginning of activities in Colombia works were performed in more than 1,000 days, without even one hour being wasted as a result of accidents and without experiencing any job stoppage. *December 2005*: Petreven signed a new contract for USD 17m awarded in Peru by Petrobras; this contract follows the successes already achieved by Petreven by making use of innovative hydraulic drilling rigs in Venezuela, Colombia and Argentina. *March 2006*: the Company signed two contracts for a total amount of USD 46.4m awarded in Argentina by CHEVRON-TEXACO and REPSOL. Both contracts could be prolonged up to five years, the global counter-value could amount to USD 77.4m.

Our estimates – Based on the important projects in execution and on the new contracts, we estimate consistent growth in the next three years and double digit growth also for the 2009 and 2010. We remind investors that the drilling service division shows a 30% EBITDA margin. The following table is a summary of our new forecasts.

PETREVEN (Drilling Services) – 2006-08 forecasts

	2004	2005	2006e	2007e	2008e
Sales	**12.2**	**18.3**	**28.5**	**45.0**	**67.0**
Ch%	*7.7%*	*50.1%*	*55.7%*	*57.9%*	*48.9%*
EBITDA	**1.59**	**3.11**	**7.98**	**13.50**	**22.11**
EBITDA%	*13%*	*17%*	*28%*	*30%*	*33%*
D&A		-2.75	-2.85	-3.60	-6.70
EBIT		**0.37**	**5.13**	**9.90**	**15.41**
EBIT%		*2.0%*	*18.0%*	*22.0%*	*23.0%*

Source: BANCA AKROS estimates

Further important drivers for future upside – The efficiency demonstrated and the important contracts signed with some of the main world oil companies constitute, exactly as for Drillmec, recognition of Trevi Group's reliability; therefore, the Group can legitimately now consider it a supplier to the oil industry. In our sector scenario analysis, it is important to consider two factors: 1) the growing demand for technological innovation in the oil sector (traditional equipment will gradually be replaced by plants characterized by specific high-end technicalities); 2) the demand for oil drilling systems will be strong (based on most estimates, the cycle of oil investments, fuelled in the last two years, will be consistent also in the next few years; the main oil companies will keep on investing in ambitious and expensive projects to the benefit of its suppliers). Based on these considerations, therefore, we believe that, in the near future, new contracts could be added to those signed in the last four months.

Our estimates do not include these potential and significant scenarios. Nevertheless, in a best case scenario, assuming two new contracts will be acquired by the Company (the first one in 2007 and the second one in 2008 – both similar to the latest contract signed with Chevron-Texaco and Repsol for amount and duration - we estimate a further upside for the stock of *above 13%* compared with our current Fair Value.

2006- 2008e cash flow generation

In light of the foregoing assumptions for each division, we estimate a strong improvement in operating profitability (EBITDA Cagr 2005-08e is around of 21%). This increase in the operative margins will translate into good cash flow generation. Despite the large investments expected in the next three years (around EUR 110m between 2006 and 2008), the Group should guarantee an interesting free operating cash flow yield on current equity (3.95% in 2007e and 7.76% in 2008e).

Cash flow generation should remain strong over the period due to the continuous improvement in profitability. Assuming ordinary dividends of around EUR 0.025 in the coming years the net debt should fall from EUR 126m in 2005 to EUR 92.7m in 2008e.

TREVI GROUP: Cash Flow model (EUR m)

	2005	2006 e	2007 e	2008 e
Net Profit (reported) + Minorities	13.7	21.4	28.4	36.2
Non cash items	26.6	31.3	36.6	48.7
Cash Flow	**40.3**	**52.7**	**65.0**	**84.9**
Change in Net Working Capital	14.2	-7.9	-11.7	-14.7
Capex	-28.0	-40.0	-38.0	-35.0
Operating Free Cash Flow (OpFCF)	**26.5**	**4.9**	**15.3**	**35.2**
Net Financial Investment	0.0	0.0	0.0	0.0
Dividends	-1.0	-1.6	-1.6	-1.6
Others (incl.Capital Increase)	-3.0	-5.2	-5.9	-6.1
Free Cash Flow	**22.5**	**-2.0**	**7.8**	**27.5**
Net Debt	**126.0**	**128.0**	**120.2**	**92.7**
Debt / Equity	1.2x	1.1x	0.8x	0.5x

Source: Company data and BANCA AKROS forecasts

Valuation

Our valuation of Trevi Group is based on a DCF Model and takes into account the SoP (Sum-of-the-parts) valuation based on the Group's four divisions (peers multiple comparison).

▪ DCF Model

In light of our estimates given for each division in the previous paragraphs, and based on our DCF model, we set a target price of EUR 8.80 per share, showing an upside above 15% on the current share price.

The Wacc is determined by assuming a target capital structure with debt covering 25% of net capital employed. Beta at 1.1, reflecting a certain penalisation applied to mid/small caps in light of their modest liquidity. Terminal growth at 2.0% looks appropriate to reflect the considerable potential growth rates both in the foundation sector and in the drilling sector.

TREVI GROUP: WACC calculation

Risk free rate	*4.5%*
Beta	1.1
Mkt risk premium	*4.0%*
Cost of Equity	*8.9%*
% equity	*75.0%*
Cost of Debt (gross)	*7.0%*
Tax rate	*33.0%*
Cost of Debt (net)	*4.7%*
% debt	*25.0%*
WACC	*7.85%*

Source: BANCA AKROS estimates

TREVI GROUP: Free Cash Flow projection (EUR m)

	2006e	2007e	2008e	2009e	2010e
EBITA	47.4	60.1	74.3	85.4	92.7
Taxes	-18.0	-22.8	-28.2	-32.5	-35.2
Tax rate	*38.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*
NOPLAT	29.4	37.3	46.0	53.0	57.5
Depreciation & other provisions	25.2	30.5	31.4	28.4	27.9
Operating Cash Flow	54.6	67.7	77.5	81.4	85.4
Capex	-40.0	-38.0	-35.0	-32.0	-32.0
Change in Net Working Capital	-7.9	-11.7	-14.7	-10.6	-7.2
Free Operating Cash Flow (FOCF)	6.7	18.0	27.8	38.8	46.2

Source: BANCA AKROS estimates

TREVI GROUP: DCF valuation

	2006e	2007e	2008e	2009e	2010e
WACC	*7.85%*	*7.85%*	*7.85%*	*7.85%*	*7.85%*
Discounted Free Operating Cash Flow	6.2	15.5	22.1	28.7	31.6
Cumulated DFOCF	**6.2**	**21.7**	**43.9**	**72.5**	**104.2**

Source: BANCA AKROS estimates

TREVI GROUP: DCF analysis

Perpetual Growth Rate	2.0%
WACC	*7.85%*
Terminal Value	**940.4**
Discounting Rate of Terminal Value	0.64
Discounted Terminal Value	597.7
Cumulated DFOCF	**104.2**
Financial Assets as of 31/12/05	2.7
Enterprise Value (EUR mn)	**704.6**
Net Financial Debt (EUR m)	(126.0)
Minorities market value (EUR m)	(13.2)
Equity Value (EUR m)	**565.4**
Value per share (EUR)	8.83

Source: BANCA AKROS estimates

▪ SOP based on a peers multiple comparison for each Group Division

Our SOP valuation, based on a peers multiple comparison for each Group Division, substantially confirms our target price of EUR 8.80 per share calculated with the DCF Model.

Each division (Foundation Services, Foundation Rigs, Drilling Rigs, Drilling Services) is valuated through a specific group of peer multiples.

- **Foundation Services (Trevi)** - We applied the 2006e EV/EBITDA consensus average multiple of the two main Italian General Contractors (Astaldi and Impregilo) and of Keller, Trevi's only direct listed player. We did not apply any discount because the Company is one of the four world leaders in the field of soil engineering and it is also the main player in the Italian market.

TREVI GROUP: Foundation services peer multiples

	06e EV/EBITDA
Astaldi	6.1
Impregilo	7.9
Keller	7.1
Average	**7.0**

Source: Bloomberg data and BANCA AKROS estimates

- **Foundation Rigs (Soilmec)** - We applied the 2006e EV/EBITDA consensus average multiple of the two main machinery producers in the world (Caterpillar and Atlas Copco). We did not apply any discount because the Company is the second largest player in the world and the world leader in the middle-high segment in equipment building for subsoil engineering.

TREVI GROUP: Foundation rigs peer multiples

	06e EV/EBITDA
Caterpillar	13.8
Atlas Copco	10.6
Average	**12.2**

Source: Bloomberg data and BANCA AKROS estimates

- **Drilling Rigs (Drillmec)** - We applied the 2006e EV/EBITDA consensus average multiple of the main US and European drilling equipment producers. We applied a 20% discount for the large size of these players compared with

Drillmec and because these drilling equipment producers operate only in the oil industry, while Drillmec is only a part of Trevi Group's activity.

TREVI GROUP: Drilling rigs peer multiples

	06e EV/EBITDA
Transocean	16.7
Rowan	9.7
National Oilwell	13.2
Smedvig	13.2
Cooper Cameron Corporation	12.8
Tenaris	13.7
Socotherm	13.1
Average	**13.2**
Average DISCOUNTED (20%)	**10.6**

Source: Bloomberg data and BANCA AKROS estimates

- **Drilling services (Petreven)** - We applied the 2006e EV/EBITDA consensus average multiple of the main US and European drilling services operators. We applied a 20% discount for the large size of these players compared with Petreven and because these drilling services operators operate only in the oil industry, while the oil division is only one of Trevi Group's two core business areas.

TREVI GROUP: Drilling services peer multiples

	06e EV/EBITDA
Global santa Fè	12.6
Precision Drilling	8.2
Pride International	10.1
Average	**10.3**
Average DISCOUNTED (20%)	**8.3**

Source: Bloomberg data and BANCA AKROS estimates

TREVI GROUP: SOP on 2006 EV/EBITDA multiples (EUR m)

Brand	EV 06	EV/ EBITDA	06e Sales Division	*% on Group Sales*	06e EBITDA Division	*% on Group Sales*	*06e EBITDA margin*
Foundation works	285.1	7.0x	330.4	*54%*	40.5	*52%*	*12%*
Drilling services	65.8	8.3x	28.5	*5%*	8.0	*10%*	*28%*
Drilling Equipement	117.5	10.6x	107.1	*18%*	11.1	*14%*	*10%*
Foundation equipment	230.8	12.2x	145.5	*24%*	18.9	*24%*	*13%*
Total	699.2		611.4	*100%*	78.6	*100%*	
Net debt	(128)						
Minorities	(4.9)						
Equity Value (SOP)	566.3						
Sh. Outs.	64,000						
FAIR VALUE	8.85						

Source: Bloomberg data and BANCA AKROS estimates

Conclusion

Based on the large order backlog and the significant contracts described above, Trevi Group shows considerable sales potential and profitability growth in the coming years.

Besides, the group has, for both potential businesses (foundation and drilling), important drivers which, if they partly fulfil themselves, would mean a potential upside for the stock:

- The foundation business is showing interesting growth for the future, not only owing to the heavy investments expected from the emerging countries, which are today benefiting from large cash flows deriving from the oil drilling, but also from the investments from industrialized countries, in particular from the USA where, thanks to the Group's track record in the dam repair niche and based on the important projects in execution, we can expect agreements for the reorganization of one of these structures in the coming months (U.S. Army launched a project to reorganize about 200 dams in the country). Furthermore, the US Government, owing to the damage caused by hurricane Katrina, has to repair about 6,000 miles of embankments in southern United States.

- In the drilling sector, we think that the latest contracts signed with the primary oil companies (Petrobras, Chevron-Texaco and Repsol) will constitute a significant track record in the future, and thus allow the group to sign new agreements. Today, therefore, we can say that Trevi is "starting to mutate": in the future, in fact, the group will no longer be identifiable as a pure building and construction sector operator, because the drilling sector is destined to take on increasing weight within the group; so two core business areas will be fully balanced between them.

Therefore, if one of the foregoing important potential drivers is realized we may have to revise our valuation upwards.

Trevi: Summary tables

PROFIT & LOSS (EURm)	2002	2003	2004	2005e	2006e	2007e	CAGR 07/02
Sales	**340.1**	**366.6**	**372.5**	**506.8**	**611.4**	**706.9**	***15.8%***
EBITDA	**27.6**	**41.7**	**41.7**	**55.3**	**78.6**	**96.5**	***28.4%***
Depreciation & Provisions	-22.7	-24.6	-23.2	-26.6	-31.3	-36.6	
Goodwill Amortisation	0.0	0.0	0.0	0.0	0.0	0.0	
EBIT	**5.0**	**17.1**	**18.4**	**28.7**	**47.3**	**60.0**	***64.5%***
Net Financial Interest	-13.5	-10.1	-7.4	-9.0	-9.2	-9.4	
Other Financials	-1.3	-0.1	-1.4	5.6	0.0	0.0	
Associates	0.0	0.0	0.0	0.0	0.0	0.0	
Extraordinary Items	0.0	-2.2	0.0	0.0	0.0	0.0	
Earnings Before Tax (EBT)	**-9.8**	**4.7**	**9.6**	**25.3**	**38.1**	**50.6**	***R+***
Tax	-4.5	-3.2	-6.4	-11.6	-16.8	-22.3	
Tax rate	*nm*	*67.3%*	*66.9%*	*45.8%*	*44.0%*	*44.0%*	
Minorities	-0.5	0.0	-0.6	-0.9	-0.9	-1.1	
Net Profit (reported)	**-14.7**	**1.4**	**2.6**	**12.8**	**20.4**	**27.2**	***R+***
Net Profit (adj.)	-14.6	2.3	2.6	12.8	20.5	27.3	
CASH FLOW (EURm)							
Net profit (reported) + Minorities	-14.3	1.5	3.2	13.7	21.3	28.3	
Non cash items	23.9	24.7	24.7	21.1	31.3	36.6	
Cash Flow	**9.6**	**26.1**	**27.8**	**34.8**	**52.6**	**64.8**	***46.4%***
Change in Net Working Capital	13.5	4.8	-9.2	14.2	-7.9	-11.7	
Capex	-25.5	-22.0	-25.8	-28.0	-40.0	-38.0	
Operating Free Cash Flow (OpFCF)	**-2.4**	**9.0**	**-7.1**	**20.9**	**4.7**	**15.1**	***R+***
Net Financial Investments	0.0	0.0	0.0	0.0	0.0	0.0	
Dividends	1.0	0.0	0.9	1.0	1.6	1.6	
Other (incl. Capital Increase)	-6.0	-13.4	22.1	5.3	5.2	5.9	
Free Cash Flow	**-7.5**	**-4.5**	**16.0**	**27.2**	**11.6**	**22.6**	***R+***
NOPLAT	3.1	10.6	11.4	17.8	29.3	37.2	
BALANCE SHEET & OTHER ITEMS (EURm)							
Net Tangible Assets	133.5	126.7	154.4	167.8	182.6	190.2	
Net Intangible Assets (ex Goodwill)	4.5	3.1	3.8	4.6	4.6	4.6	
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	
Net Financial Assets & Other	4.7	4.1	2.0	2.7	2.7	2.7	
Total Fixed Assets	**142.6**	**134.0**	**160.2**	**175.2**	**190.0**	**197.5**	***6.7%***
Net Working Capital	74.9	70.0	81.3	67.1	74.9	86.6	
Total capital invested/employed	212.8	199.9	239.5	239.5	262.2	281.4	
Shareholders Equity	**73.8**	**66.8**	**77.2**	**97.2**	**116.1**	**141.8**	***14.0%***
Minorities Equity	4.8	3.5	3.7	4.8	4.9	5.0	
Net Debt	**118.7**	**113.4**	**148.0**	**126.0**	**128.0**	**120.2**	***0.2%***
Provisions	11.3	10.7	0.0	0.0	0.0	0.0	
Other Liabilities	8.9	9.6	12.6	14.2	15.9	17.1	
Total Market Cap	**88.6**	**52.5**	**67.1**	**167.1**	**467.2**	**467.2**	
Entreprise Value (EV adj.)	229.0	183.5	220.3	309.0	617.7	606.5	
MARGINS AND RATIOS							
Sales growth	*-2.7%*	*7.8%*	*1.6%*	*36.1%*	*20.7%*	*15.6%*	
EBITDA growth	*33.2%*	*50.8%*	*0.0%*	*32.8%*	*42.0%*	*22.9%*	
EBIT growth	*86.9%*	*242.9%*	*8.0%*	*55.8%*	*64.7%*	*26.9%*	
EBITDA margin	***8.1%***	***11.4%***	***11.2%***	***10.9%***	***12.8%***	***13.7%***	
EBIT margin	*1.5%*	*4.7%*	*4.9%*	*5.7%*	*7.7%*	*8.5%*	
Debt/Equity (gearing)	***151.2%***	***161.5%***	***183.0%***	***123.5%***	***105.7%***	***81.9%***	
Debt/EBITDA	4.3	2.7	3.6	2.3	1.6	1.2	
Interest cover (EBITDA/Fin.interest)	2.0	4.1	5.6	6.2	8.6	10.3	
ROCE	*1.4%*	*5.2%*	*4.7%*	*7.3%*	*11.1%*	*13.1%*	
WACC	*7.8%*	*7.8%*	*7.8%*	*7.8%*	*7.8%*	*7.8%*	
ROCE/WACC	**0.2**	**0.7**	**0.6**	**0.9**	**1.4**	**1.7**	
EV/CE	1.05	0.90	0.91	1.28	2.33	2.13	
OpFCF/CE	*-1.1%*	*4.4%*	*-2.9%*	*8.6%*	*1.8%*	*5.3%*	
EV/Sales	0.67	0.50	0.59	0.61	1.01	0.86	
EV/EBITDA	**8.3**	**4.4**	**5.3**	**5.6**	**7.9**	**6.3**	
EV/EBIT	46.0	10.8	12.0	10.8	13.1	10.1	
P/E (adj.)	**nm**	**23.1**	**26.3**	**13.0**	**22.8**	**17.1**	
P/CF	11.1	2.0	2.6	4.2	9.0	7.3	
P/BV	1.2	0.8	0.9	1.7	4.0	3.3	
OpFCF yield	***-2.7%***	***17.1%***	***-10.6%***	***12.5%***	***1.0%***	***3.2%***	
Payout ratio	*0.0%*	*61.4%*	*37.6%*	*12.5%*	*7.8%*	*5.9%*	
Dividend yield (gross)	***0.0%***	***1.8%***	***0.2%***	***0.3%***	***0.3%***	***0.3%***	
PER SHARE DATA (EUR)							
EPS (reported)	-0.23	0.02	0.04	0.20	0.32	0.43	***R+***
EPS (adj.)	**-0.23**	**0.04**	**0.04**	**0.20**	**0.32**	**0.43**	***R+***
CFPS	0.13	0.41	0.40	0.62	0.81	1.00	***51.4%***
BVPS	1.15	1.04	1.21	1.52	1.81	2.22	***14.0%***
DPS	**0.00**	**0.02**	**0.02**	**0.03**	**0.03**	**0.03**	***R+***

Source: Company, Banca Akros estimates
2005 restated as IFRS proforma

Recommendation system

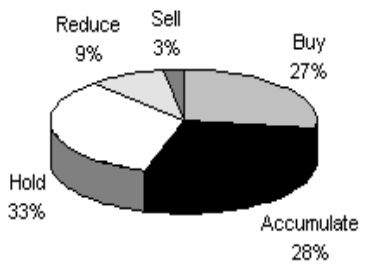
From the 18th October 2004, the Members of ESN use a **New Recommendation System**.

The new ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a total return, measured by the upside potential (including dividends) over a 6 months time horizon.

The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy, Accumulate (or Add), Hold, Reduce and Sell (in short: B, A, H, R, S)**.

Meaning of each rating or recommendation:

ESN Ratings Breakdown



- **Buy**: the stock is expected to generate a total return of **over 15%** during the next 6 months time horizon.
- **Accumulate:** the stock is expected to generate a total return of **5% to15%** during the next 6 months time horizon.
- **Hold**: the stock is expected to generate a total return of **0% to 5%** during the next 6 months time horizon
- **Reduce**: the stock is expected to generate a total return of **0 to -15%** during the next 6 months time horizon
- **Sell**: the stock is expected to generate a total return **below -15%** during the next 6 months time horizon

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