BANCA IMI

Equity Company Note

Trevi

2009-10E: Managing a Difficult Market Environment

Trevi - Key estimates and data				
Y/E December		2009A	2010E	2011E
Revenues	EUR M	1035.82	1066.89	1140.47
EBITDA	EUR M	181.81	169.88	188.32
EBIT	EUR M	117.36	122.89	140.46
Net income	EUR M	82.16	75.40	88.88
Dividend ord.	EUR	0.12	0.14	0.16
Adj. EPS	EUR	1.28	1.18	1.39
EV/EBITDA	x	7.16	7.20	6.23
Adj. P/E	x	10.28	11.20	9.50

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

- **2009 results**. In 2009 Trevi continued to benefit from its well-engineered business model based on a wide geographical diversification, a presence in businesses characterised by diverse growth drivers and from the good quality of its order backlog. In 2009, Trevi's consolidated revenues (-3.7% yoy) were slightly below our forecast. At end-2008 the group's order backlog (EUR 1.1Bn) was approximately EUR 400M higher than the end-December 2007 level; yet, to manage a deteriorating market environment and the risk related to raw material prices, in 2009 the company changed its production model reducing outsourcing, especially in the mechanical division and using raw materials supplied by clients in some special foundations works. The group's top line was negatively impacted by such changes, but the company avoided layoffs of skilled employees, increased the added value margin and thanks to an exceptional profitability of some special foundation works, also improved the EBITDA margin yoy. Below the EBIT line, we highlight that despite the higher 2009 average net debt, net interest charges showed little yoy increase (EUR 17.4M vs. EUR 17.2M in 2008) mainly thanks to lower interest rates. The group's tax rate also fell sharply (19.5% vs. 29.1% in 2008) thanks to management's ability in obtaining tax exemptions in some countries and to a favourable geographical profit mix.
- **Outlook**. At 31.12.2009, the group's order backlog was EUR 780.3M, stable compared to the EUR 783.5M at end-September 2009 and significantly lower than the EUR 1.1Bn of December 2008. The 2009 order inflow more than halved to EUR 707M vs. the EUR 1.47Bn in 2008. According to management, negotiations are underway for several bigger than usual contracts in both the ground engineering services and the drilling machines divisions, and these should support the order intake in the next few months. At end-2009, group net debt was EUR 443M, substantially stable vs. EUR 441M at end-September 2009, as the cash generated by operations in 4Q09, almost entirely offset the EUR 21.5M investments. In 4Q09 the group continued to reduce its stock level (EUR 356M vs. EUR 369M at end-September 2009) after the peak reached last June and registered a significant reduction in commercial receivables. Overall, in 4Q09 the NWC reduced by approximately EUR 14.5M despite the reduction in commercial payables.
- **Estimates and valuation**. Based on 2009 results we fine-tuned our 2010E-11E group estimates. We revised slightly downwards our group top-line estimates for 2010E-11E by 4.8% and 4.7% respectively, so as to account for the different production model adopted by the company. We left our 2010E-11E EBITDA margin forecast substantially unchanged as well as the group's bottom line, which should benefit from a lower than previously estimated tax rate. Based on our updated sum-of-the-parts valuation, **we fine-tuned our target price to EUR 13.30/share** (from EUR 12.70/share). We confirm our **HOLD rating on the stock.**
- **Key risks**. Despite our positive assumptions for the group's ground engineering division in 2H10E and 2011E, we highlight that: 1) visibility for the construction equipment division is still poor; 2) a significant order inflow is necessary in the next few months to support our 2010E top-line and profitability estimates; and 3) the company's bottom line appears to be sensitive to the USD exchange rate: it is generally positively correlated.

See page 9 for full disclosures and analyst certification

14 April 2010

HOLD

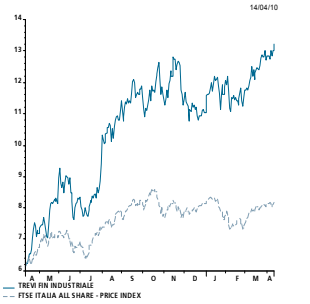
Target Price: EUR 13.30 (from EUR 12.70)

Building & Materials Results Note

Intesa Sanpaolo Research Department

Bruno Permutti
Research Analyst
+39 02 7261 5772

Price performance, -1Y



Source: Thomson Reuters

Data priced on 13.04.2010	
Target price (€)	13.30
Target upside (%)	0.76
Market price (€)	13.20
52-week range (€)	13.2/6.2
Market cap (€ M)	844.80
No. of shares (M)	64.00
Free float (%)	41
Major shareholder (%)	D.Trevisani, 55
Reuters	TFI.MI
Bloomberg	TFI IM
FTSE It All Shares	23709

Performance %			
Absolute		Rel. to FTSE All Sh	
-1M	6.5	-1M	3.7
-3M	10.6	-3M	12.0
-12M	114.6	-12M	82.0

Source: Intesa Sanpaolo Research estimates and Thomson Reuters

Banca IMI distributes this report issued by
INTESA SANPAOLO

4Q09-FY09 Results

In 2009 Trevi successfully managed a difficult market environment and continued to benefit from its well-engineered business model based on a wide geographical diversification, a presence in businesses characterised by diverse growth drivers and from the good quality of its order backlog. The group's top line declined slightly yoy (-3.7%), but the group's flexible production structure and the high profitability of the ground engineering division allowed the company to increase the added value and to reach a 9-year record high EBITDA margin (17.6%).

Revenues and operating profitability

Slightly lower than expected sales but increased added value and EBITDA margin in 2009

In 2009, Trevi's consolidated revenues were slightly below our forecast and showed a 3.7% yoy decrease compared with the corresponding period last year. At the end of 2008 the group's order backlog (EUR 1.1Bn) was approximately EUR 400M higher than the level reached at end-December 2007. However, to manage a deteriorating market environment and the risk related to raw material prices, the company changed its production model in 2009, reducing outsourcing, especially in the mechanical divisions and using raw materials supplied by clients in some special foundations works. The group's top line was negatively impacted by such changes but the company avoided layoffs of skilled employees, increased the added value margin and thanks to an exceptional profitability of some special foundation works also improved the EBITDA margin yoy.

Services and Drillmec more than offset weakness by Soilmec

Looking at the single divisions we note that the good performance by the services divisions (+7% yoy) and the drilling equipment business (+7.5% yoy for Drillmec) more than offset the weakness by Soilmec (-41.3% yoy), which suffered from a slowdown in the residential and commercial construction investments in several countries. From a geographical standpoint, the group's revenue improved in all markets (especially the Middle East, Latin America and Africa), with the exception of Europe (ex-Italy) and the Far East, which was impacted by lower sales from Soilmec Hong Kong. We also note that the consolidation perimeter in 2009 included two newly-acquired companies, Arabian Soil Contractors in Saudi Arabia (services division), Watson Inc. in the USA (mechanical division) which contributed EUR 37.5M to 2009 revenue. At the operating level, Trevi reported a yoy increase for both added value and EBITDA margin benefiting from the abovementioned flexibility of the production structure that allowed the company to maintain a high production capacity utilisation rate for both Drillmec and Soilmec and a good absorption of its fixed costs base. The services divisions benefited from the good performance of the projects completed by Trevi in the Middle East, Africa and North America, which more than offset the decline in the mechanical divisions, mainly attributable to the sharp drop in Soilmec revenue.

4Q09 weakness mostly explained by Drillmec focus on preliminary activity

Focusing on 4Q09, which showed a 31.1% yoy decline in revenue and an EBITDA margin of 10.3% vs. 13% in 4Q08, we highlight that most of the top line decline was attributable to the mechanical divisions: however, Soilmec started to recover following the very weak second and third quarter of 2009 (EUR 36.7M, EUR 40.5M and EUR 54.1M respectively) and Drillmec, which completed deliveries of an important Iraqi order in 3Q09 and dedicated the last three months of the year mainly to the engineering of the two 3000HP drilling machines ordered by Saipem last September for a total value above EUR 100M. The first drilling plant for an amount of approximately EUR 70M is scheduled for delivery by end-June while the second should be completed by September 2010. We believe that the low 4Q09 consolidated EBITDA margin mostly reflected the temporary decline in Drillmec' top-line. Despite the improving EBITDA result (+9.3% yoy), the higher depreciation (from EUR 32.4M in 2008 to EUR 42.1M in 2009), mainly related to investments at the services divisions and a substantial increase in provisions and credit write-offs (EUR 22.3M vs. EUR 6.3M in 2008), weighed on the consolidated 2009 EBIT result (-8% yoy). Note that most of the credit write-offs were related to a single client in the U.A.E.; the credit assessment was extremely prudent and according to management, it expects part of the amount of the credit to be recovered in the next few years. Trevi' sacrifice should therefore be limited to the related interest payment.

Below the EBIT line, we highlight: 1) the higher 2009 average net debt (EUR 443.8M at end-December 2009 vs. EUR 322.1M at end-December 2008 and EUR 142.6M at end-December 2007), resulted in a very limited increase in net interest charges (EUR 17.4M vs. EUR 17.2M in 2008) mainly thanks to the lower interest rates; and 2) the group registered forex gains of EUR 4.7M mainly thanks to the group's decision not to hedge USD positions in the second half of the year; 3) the group's tax rate was 19.5% vs. 29.1% in 2008 thanks to management's ability in obtaining tax exemptions in some countries and to a favourable geographical profit mix. Such tax exemptions are expected to last for a while and should help the group to structurally reduce the tax burden to at least 26-27% for the next few years.

Trevi - 4Q09A-FY09A results

EUR M	4Q09A	4Q09E	vs. est. %	4Q08A	yoy	FY09A	FY09E	vs. est. %	FY08A	yoy
Revenues	199.4	238.9	-16.5	289.3	-31.1	1035.8	1075.3	-3.7	1069.2	-3.1
Added Value	60.5	NA	-	80.5	-24.8	347.1	NA	-	313.2	10.8
Margin (%)	30.3	-	-	27.8		33.5	-	-	29.3	
EBITDA	20.5	31.1	-33.9	35.3	-41.8	181.8	192.4	-5.5	166.3	9.3
Margin (%)	10.3	13.0		12.2		17.6	17.9		15.6	
EBIT	7.7	22.1	-65.3	21.2	-63.8	117.4	131.8	-11.0	127.6	-8.0
Margin (%)	3.8	9.3		7.3		11.3	12.3		11.9	
Pre-tax income	7.1	13.9	-48.9	17.2	-58.6	104.6	111.4	-6.1	109.2	-4.2
Net Income	12.1	7.4	64.0	17.4	-30.5	82.2	77.4	6.1	74.7	10.0

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Trevi - Revenue breakdown by division (409A-FY09A)

EUR M	4Q08A	% on cons. sales	FY08	% on cons. sales	4Q09A	% on cons. sales	yoy	FY09A	% on cons. sales	yoy
Machines for foundations works	68.1	23.6	319.2	29.9	54.1	27.1	-20.6	187.4	18.1	-41.3
Drilling machinery	93.4	32.3	288.8	27.0	25.2	12.7	-73.0	310.5	30.0	7.5
Elisions	1.3	0.4	-0.8	-0.1	0.0	0.0	-99.0	-1.4	-0.1	
Mechanical Division	162.9	56.3	607.2	56.8	79.3	39.8	-51.3	496.4	47.9	-18.2
Drilling services	22.6	7.8	64.9	6.1	15.1	7.6	-33.2	65.4	6.3	0.8
Special foundations works	137.1	47.4	456.1	42.7	112.9	56.6	-17.7	495.2	47.8	8.6
Elisions	-1.3	-0.4	-3.2	-0.3	-1.6	-0.8	24.9	-6.3	-0.6	
Services Division	158.4	54.7	517.8	48.4	126.3	63.4	-20.2	554.2	53.5	7.0
Parent Company	4.0	1.4	13.5	1.3	4.0	2.0	-1.8	15.0	1.4	10.6
Elisions	-36.0	-12.4	-69.4	-6.5	-10.2	-5.1	-71.6	-29.8	-2.9	-57.0
Consolidated Sales	289.3		1069.2		199.4		-31.1	1035.8		-3.1

A: actual; Source: Company data

NFP

Group net working capital started to reduce in 4Q09. Net Debt level under control

At end-2009, group net debt was EUR 443M, substantially stable vs. EUR 441M at end-September 2009, as the cash generated by operations in 4Q09, almost entirely offset the EUR 21.5M investments. Note that in 4Q09 the group continued to reduce its stock level (EUR 356M vs. EUR 369M at end-September 2009) after the peak reached in June and registered a significant reduction in commercial receivables. Overall, in the last three months of the year the NWC reduced by approximately EUR 14.5M despite the reduction in commercial payables. The NWC dynamic suggests that the group was careful not to compromise the good relationships with key suppliers-creditors, while successfully implementing a plan for the gradual reduction of Soilmec stock.

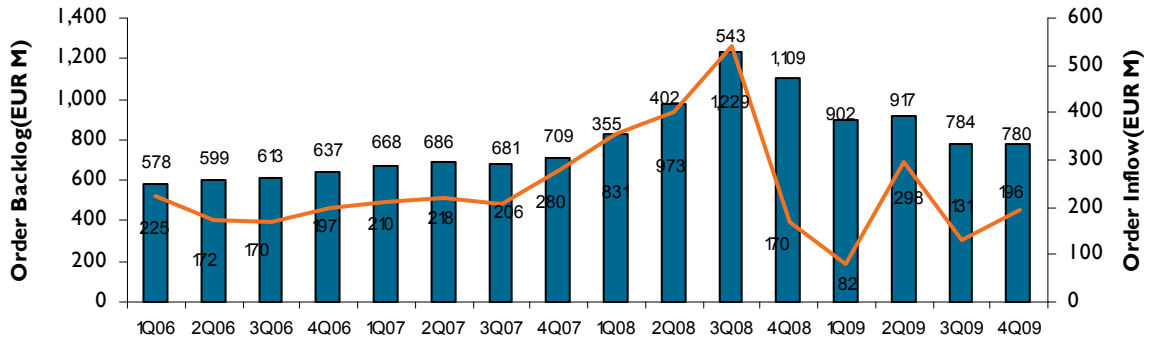
Order backlog

Weak order backlog compared to end-2008, but several opportunities on the table

At 31.12.2009, the group's order backlog amounted to EUR 780.3M, stable compared to the EUR 783.5M at end-September 2009 and significantly lower than the EUR 1.1Bn of December 2008. The 2009 order inflow more than halved to EUR 707M compared to the EUR 1.47Bn in 2008. However, according to management, negotiations are underway for several larger than usual contracts in both the ground engineering services and the drilling machines divisions, and these should support the order intake in the next few months. No disclosure was given about ongoing discussions for new contracts, but we believe that important opportunities for Trevi and Drillmec could derive from the following projects: 1) the Mosul dam consolidation works in Iraq whose total value is estimated at approximately USD 2.2Bn in 6-7 years and given the size and

complexity of the work could see a joint participation of Trevi and its German competitor Bauer; 2) additional dam maintenance works in the US where the group gained a strong reputation through the successful collaboration with the US Army Corps of Engineers in several projects; 3) the development of the Kashagan oil field in Kazakistan a project currently coordinated by ENI (until 2015) for which Drillmec already signed a contract for the supply of two 3000HP drilling machines for a total amount above EUR 100M. Shell, Total and Exxon are also part of the Kashagan project which is therefore an exceptional window for the Drillmec products.

Trevi - Quarterly order backlog and Inflow (2006-09)



A: actual; Source: Company data

Trevi - Order Backlog: Breakdown by division

EUR M	Backlog FY06	Backlog FY07	Backlog FY08	Backlog FY09
Machines for foundations works(Soilmec)	57	85	67	31
Drilling machinery(Drillmec)	159	163	299	203
Mechanical Divisions	217	248	366	234
Drilling services(Petreven)	159	113	111	94
Special foundations works(Trevi)	261	347	632	453
Services Divisions	420	461	743	546
Group Total	637	709	1109	780

A: actual; Source: Company data and Intesa Sanpaolo Research

Earnings Outlook

2010E-11E estimates only fine-tuned as new orders are expected in a short time.

Based on the announced results we fine-tuned our 2010E-11E group estimates to account for the different production model adopted by the company aimed at reducing third party services and at transferring any risk of raw material prices to clients (raw materials are supplied by clients). We did not change our underlying assumptions that the order inflow in the next few months will be sufficient to support the group's revenue in the second half of the year as we received the feeling that management is increasingly confident that the ongoing negotiations could translate into new orders in a relatively short time. Should this be the case we would not exclude that our 2011E growth forecasts could be too conservative, but we prefer to wait and see the amount and timing of the expected order intake.

In particular we have revised our 2010E-11E forecasts as follows:

- We revised downwards our group top-line estimates for 2010E-11E by 4.8% and 4.7% respectively. We did not significantly change our assumptions on the sales development in the group's four divisions, while we assumed that the different production model will persist in the next two years;
- We substantially confirmed our previous estimates for the group's EBITDA and EBIT margin;
- We significantly cut the group's expected tax rate from 29.1% to 26% as management worked hard to optimise the group's fiscal structure and to obtain fiscal exemptions in some countries that are expected to continue to contribute to the group's profits in the next few years.

Trevi - Group estimates revision (2009E-11E)

EUR M	FY10E			FY11E		
	New	Old	% chg.	New	Old	% chg.
Revenues	1,067	1,120	-4.8	1,140.5	1,196.1	-4.7
EBITDA	169.9	178.9	-5.0	188.3	199.0	-5.4
Margin (%)	15.9	16.0		16.5	16.6	
EBIT	122.9	127.4	-3.5	140.5	148.0	-5.1
Margin (%)	11.5	11.4		12.3	12.4	
Pre-tax income	104.4	109.6	-4.8	123.1	132.2	-6.9
Net Income	75.4	75.0	0.6	88.9	90.4	-1.7

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Trevi - Divisional Revenue and EBITDA (2009E-11E)

Revenue per B.U. EUR M	2009AE	yoy %	% on sales	2010E	yoy %	% on sales	2011E	yoy %	% on sales
Special foundations works	493	9	48	503	2	47	554	10	49
Drilling services	57	5	6	69	20	6	80	17	7
Machines for foundations works	185	-41	18	189	2	18	195	3	17
Drilling machinery	300	22	29	306	2	29	312	2	27
Group revenue	1036	-3		1067	3		1140	7	

EBITDA per B.U. EUR M	2009AE	yoy %	on EBITDA	2010E	yoy %	on EBITDA	2011E	yoy %	on EBITDA
Special foundations works	123	59	68	101	-18	59	111	10	59
% margin	25			20			20		
Drilling services	13	1	7	17	25	10	19	17	10
% margin	23			24			24		
Machines for foundations works	16	-64	9	18	14	11	21	19	11
% margin	9			10			11		
Drilling machinery	30	-6	16	34	15	20	37	7	19
% margin	10			11			12		
Group EBITDA	182	9		170	-7		188	11	
% margin	17.5			15.9			16.5		

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Valuation

DCF-based SOP valuation points to a fair value of EUR 15.0/share

Our updated sum-of-the-parts valuation based on a DCF model of the drilling and construction businesses, which points to a fair value of EUR 15.0/share, up vs. our previous EUR 13.6/share valuation mainly due to the lower tax rate (26% vs. 29.1%) and a slight reduction in the expected capital expenditure since 2011, which appears to be consistent with management's approach for 2010. We used an equity risk premium of 5.25% and a risk-free rate of 4%. We also highlight that our SOP value per share calculation assumes the exercise of the conversion option, currently in the money, attached to the convertible bond issued at the end of November 2006, with a maturity date at November 2011 with a strike price of EUR 11.30/Trevi share.

Trevi - SOP valuation based on DCF

Company Division	Valuation Method	EUR M
EV Construction related business	DCF model	920
EV Drilling related business	DCF model	504
Total EV		1424
Net debt as at 31.12.2009		444
Other assets/liabilities		0
SOP value		980
Post-conversion n° of shares (M)		70
Fully diluted fair value/sh. (EUR)		15.0
Current share price (EUR)		13.2
Upside(+)/Downside(-) potential %		13.3

Source: Intesa Sanpaolo Research estimates

Peer comparison-based sum-of-the-parts valuation

Peers comparison based SOP valuation of EUR 11.6/share

We also valued Trevi Group with a SOP valuation based on a 2010E-11E EV/EBITDA peers comparison. We split the drilling division into drilling services (Petreven) and oil services equipment (Drillmec), and the foundation division into special foundation works (Trevi) and machines for foundation works (Soilmec). We highlight that in the Trevi and Soilmec enterprise value calculation included in our group sum of the parts, we used the 2010E-11E EV/EBITDA multiples of Bauer, which we consider the most similar peers based on its size and perimeter of activity.

Trevi - Construction works and Equipment peers' multiples

	EV/EBITDA 2010	2011
Skanska	8.1	7.9
Hochtief AG	4.6	4.2
Bilfinger & Berger AG	4.4	4.7
Fomento Const y Contr(Fcc	7.5	7.1
Vinci	7.2	6.8
Keller	5.0	4.2
Bauer	6.4	4.9
Median	6.4	4.9

Source: FactSet and Intesa Sanpaolo Research estimates

Trevi - Drilling equipment peers' multiples

	EV/EBITDA 2010	2011
National Oilwell Varco	5.9	5.0
Cooper Cameron Corp	10.4	8.4
Fmc Technologies Inc	13.8	11.9
Dril Quip	12.4	10.1
Saipem	9.5	8.3
Technip	7.5	6.1
Median	9.9	8.4

Source: FactSet and Intesa Sanpaolo Research estimates

Trevi - Drilling services peers' multiples	EV/EBITDA 2010	2011
Transocean Inc	6.5	5.5
Noble Corp	4.6	4.1
Diamond Offshore Drilling	6.3	5.9
Ensco International	6.4	5.2
Pride International	11.2	6.8
Hercules	8.2	6.2
Median	6.5	5.7

Source: FactSet and Intesa Sanpaolo Research estimates

Trevi - SOP valuation based on 2010E-11E peers' multiples			
Company Division	Valuation Method	EUR M on 2010E	EUR M on 2011E
EV Special Foundation Works	Peers Comparison	643	548
EV Drilling Equipment	Peers Comparison	298	289
EV Drilling Services	Peers Comparison	84	93
EV Special Foundation Machines	Peers Comparison	115	106
Total EV		1140	1036
Net debt December 2010E		367	319
Other assets/liabilities		0	0
SOP value		773	717
Post-conversion n° of shares (mn)		70	70
Fully diluted fair value/sh. (EUR)		12.0	11.2
Current share price (EUR)		13.2	13.2
Upside(+)/Downside(-) potential %		-8.5	-15.0

Source: FactSet and Intesa Sanpaolo Research estimates

Our sum-of-the-parts model based on 2010E-11E peer multiples points to a Trevi Group valuation of 11.6 EUR/share.

Conclusions

DCF and SOP-based valuations to EUR 13.30/share slightly up vs. previous EUR 12.70/share

We think the group valuation should be the average of both the DCF-based and peers' multiples-based SOP valuations. The first method provides, in our opinion, a medium-term view and a more objective indication of the group's possible value, while the latter puts our valuation into the current market context. Note that we expect that 2010E could be an year of transition for Trevi toward a more pronounced growth that could materialise as from 2011 should the various negotiations currently underway be successful. Based on our current estimates and market multiples update, **we slightly increase our target price to EUR 13.30/share (EUR 12.70/share previously).** Note that our target price is calculated as the arithmetic average of the DCF-based SOP valuation of EUR 15.00/share and the multiples comparison-based SOP valuation of EUR 11.6/share. We confirm our **HOLD rating on the stock.**

Key risks

Despite our positive assumptions for the group's ground engineering division in 2H10E and in 2011E, we highlight that: 1) visibility for the construction equipment division is still poor; 2) a significant order inflow is necessary in the next few months to support our 2010E top-line and profitability estimates; and 3) the company's bottom line appears to be sensitive to the USD exchange rate: it is generally positively correlated.

Trevi - Key figures

			Ordinary		Rating
Sector	Construction	Mkt price EUR/Share	13.20		**HOLD**
REUTERS CODE	TFI.MI	Target price EUR/Share	13.30		
Values per share (EUR)		2008A	2009A	2010E	2011E
No. ordinary shares (M)		64.00	64.00	64.00	64.00
No. NC saving/preferred shares (M)		0.00	0.00	0.00	0.00
Total no. of shares (M)		64.00	64.00	64.00	64.00
Adj. EPS		1.17	1.28	1.18	1.39
CFPS		1.67	1.94	1.84	2.07
BVPS		3.54	4.72	5.78	7.03
Dividend Ord		0.12	0.12	0.14	0.16
Dividend SAV Nc		0.00	0.00	0.00	0.00
Income statement (EUR M)		2008A	2009A	2010E	2011E
Sales		1069.16	1035.82	1066.89	1140.47
EBITDA		166.31	181.81	169.88	188.32
EBIT		127.60	117.36	122.89	140.46
Pre-tax income		109.17	104.63	104.42	123.11
Net income		74.66	82.16	75.40	88.88
Adj. net income		74.66	82.16	75.40	88.88
Cash flow (EUR M)		2008A	2009A	2010E	2011E
Net income before minorities		77.35	84.20	77.27	91.10
Depreciation and provisions		32.40	42.16	42.49	43.37
Change in working capital		-166.65	-171.21	14.58	-25.18
Operating cash flow		-56.90	-44.85	134.34	109.28
Capital expenditure		-123.39	-80.45	-50.00	-52.50
Other (uses of Funds)		7.23	-10.89	0.00	0.00
Free cash flow		-173.06	-136.18	84.34	56.78
Dividends and equity changes		-6.40	-7.68	-7.68	-8.65
Net cash flow		-179.46	-143.86	76.66	48.13
Balance sheet (EUR M)		2008A	2009A	2010E	2011E
Net capital employed		557.44	759.69	752.62	786.94
of which associates		0.00	0.00	0.00	0.00
Net debt/-cash		322.10	443.80	367.14	319.01
Minorities		8.90	13.67	15.54	17.76
Net equity		226.43	302.22	369.94	450.18
Market cap		844.80	844.80	844.80	844.80
Minorities value		18.07	13.54	11.06	9.09
Enterprise value (*)		1184.97	1302.14	1223.00	1172.90
Stock market ratios (x)		2008A	2009A	2010E	2011E
Adj. P/E		11.32	10.28	11.20	9.50
P/CEPS		7.89	6.80	7.17	6.39
P/BVPS		3.73	2.80	2.28	1.88
Dividend yield (% ord)		0.91	0.91	1.02	1.21
Dividend yield (% sav)					
EV/sales		1.11	1.26	1.15	1.03
EV/EBITDA		7.13	7.16	7.20	6.23
EV/EBIT		9.29	11.10	9.95	8.35
EV/CE		2.13	1.71	1.62	1.49
D/EBITDA		1.94	2.44	2.16	1.69
D/EBIT		2.52	3.78	2.99	2.27
Profitability & financial ratios (%)		2008A	2009A	2010E	2011E
EBITDA margin		15.55	17.55	15.92	16.51
EBIT margin		11.93	11.33	11.52	12.32
Tax rate		29.15	19.52	26.00	26.00
Net income margin		6.98	7.93	7.07	7.79
ROE		32.97	27.18	20.38	19.74
Debt/equity ratio		1.37	1.40	0.95	0.68
Growth (%)			2009A	2010E	2011E
Sales			-3.12	3.00	6.90
EBITDA			9.32	-6.56	10.86
EBIT			-8.03	4.71	14.29
Pre-tax income			-4.16	-0.20	17.89
Net income			10.04	-8.23	17.89
Adj. net income			10.04	-8.23	17.89

(*) EV = Mkt cap+ Net Debt + Minorities Value - Associates A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Disclaimer

Analyst certification

The financial analyst who prepared this report, and whose name and role appear on the first page, certifies that:

(1) The views expressed on companies mentioned herein accurately reflect independent, fair and balanced personal views; (2) No direct or indirect compensation has been or will be received in exchange for any views expressed.

Specific disclosures

1. Neither the analyst nor any member of the analyst's household has a financial interest in the securities of the Company.
2. Neither the analyst nor any member of the analyst's household serves as an officer, director or advisory board member of the Company.
3. The analyst named in the document is a member of AIAF.
4. The analyst named in this document is not registered with or qualified by FINRA, the U.S. regulatory body with oversight over Banca IMI Securities Corp. Accordingly, the analyst may not be subject to NASD Rule 2711 and NYSE Rule 472 with respect to communicates with a subject company, public appearances and trading securities in a personal account. For additional information, please contact the Compliance Department of Banca IMI Securities Corp at 212-326-1133.
5. The analyst of this report does not receive bonuses, salaries, or any other form of compensation that is based upon specific investment banking transactions.
6. The research department supervisors do not have a financial interest in the securities of the Company.

This research has been prepared by Intesa Sanpaolo SpA and distributed by Banca IMI SpA Milan, Banca IMI SpA-London Branch (a member of the London Stock Exchange) and Banca IMI Securities Corp (a member of the NYSE and NASD). Intesa Sanpaolo SpA accepts full responsibility for the contents of this report and also reserves the right to issue this document to its own clients. Banca IMI SpA and Intesa Sanpaolo SpA, which are both part of the Intesa Sanpaolo Group, are both authorised by the Banca d'Italia and are both regulated by the Financial Services Authority in the conduct of designated investment business in the UK and by the SEC for the conduct of US business.

Opinions and estimates in this research are as at the date of this material and are subject to change without notice to the recipient. Information and opinions have been obtained from sources believed to be reliable, but no representation or warranty is made as to their accuracy or correctness. Past performance is not a guarantee of future results. The investments and strategies discussed in this research may not be suitable for all investors. If you are in any doubt you should consult your investment advisor.

This report has been prepared solely for information purposes and is not intended as an offer or solicitation with respect to the purchase or sale of any financial products. It should not be regarded as a substitute for the exercise of the recipient's own judgment. No Intesa Sanpaolo SpA or Banca IMI SpA entities accept any liability whatsoever for any direct, consequential or indirect loss arising from any use of material contained in this report. This document may only be reproduced or published together with the name of Intesa Sanpaolo SpA and Banca IMI SpA.

Intesa Sanpaolo SpA and Banca IMI SpA have in place a Joint Conflicts Management Policy for managing effectively the conflicts of interest which might affect the impartiality of all investment research which is held out, or where it is reasonable for the user to rely on the research, as being an impartial assessment of the value or prospects of its subject matter. A copy of this Policy is available to the recipient of this research upon making a written request to the Compliance Officer, Intesa Sanpaolo SpA, 90 Queen Street, London EC4N 1SA. Intesa Sanpaolo SpA has formalised a set of principles and procedures for dealing with conflicts of interest ("Research Policy"). The Research Policy is clearly explained in the relevant section of Intesa Sanpaolo's web site (www.intesasanpaolo.com).

Member companies of the Intesa Sanpaolo Group, or their directors and/or representatives and/or employees and/or members of their households, may have a long or short position in any securities mentioned at any time, and may make a purchase and/or sale, or offer to make a purchase and/or sale, of any of the securities from time to time in the open market or otherwise.

Intesa Sanpaolo SpA issues and circulates research to Qualified Institutional Investors in the USA only through Banca IMI Securities Corp., 1 William Street, New York, NY 10004, USA, Tel: (1) 212 326 1230.

Residents in Italy: This document is intended for distribution only to professional investors as defined in art.31, Consob Regulation no. 11522 of 1.07.1998 either as a printed document and/or in electronic form.

Person and residents in the UK**:** This document is not for distribution in the United Kingdom to persons who would be defined as private customers under rules of the FSA.

US persons: This document is intended for distribution in the United States only to Qualified Institutional Investors as defined in Rule 144a of the Securities Act of 1933. US Customers wishing to effect a transaction should do so only by contacting a representative at Banca IMI Securities Corp. in the US (see contact details above).

Coverage policy and frequency of research reports

The list of companies covered by the Research Department is available upon request. Intesa Sanpaolo SpA aims to provide continuous coverage of the companies on the list in conjunction with the timing of periodical accounting reports and any exceptional event that affects the issuer's operations. The companies for which Banca IMI acts as sponsor or specialist are covered in compliance with regulations issued by regulatory bodies with jurisdiction. In the case of a short note, we advise investors to refer to the most recent company report published by Intesa Sanpaolo SpA's Research Department for a full analysis of valuation methodology, earnings assumptions, risks and the historical of recommendation and target price. Research is available on Banca IMI's web site (www.bancaimi.com) or by contacting your sales representative.

Valuation methodology (long-term horizon: 12M)

The Intesa Sanpaolo SpA Equity Research Department values the companies for which it assigns recommendations as follows:

We obtain a fair value using a number of valuation methodologies including: discounted cash flow method (DCF), dividend discount model (DDM), embedded value methodology, return on allocated capital, break-up value, asset-based valuation method, sum-of-the-parts, and multiples-based models (for example PE, P/BV, PCF, EV/Sales, EV/EBITDA, EV/EBIT, etc.). The financial analysts use the above valuation methods alternatively and/or jointly at their discretion. The assigned target price may differ from the fair value, as it also takes into account overall market/sector conditions, corporate/market events, and corporate specifics (ie, holding discounts) reasonably considered to be possible drivers of the company's share price performance. These factors may also be assessed using the methodologies indicated above.

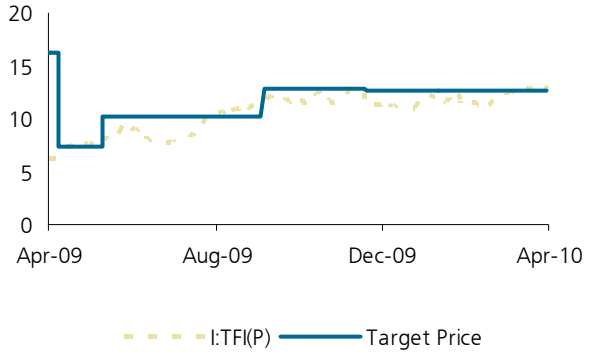
Equity rating key: (long-term horizon: 12M)

In its recommendations, Intesa Sanpaolo SpA uses an "absolute" rating system, which is not related to market performance and whose key is reported below:

Equity rating key (long-term horizon: 12M)	
Long-term rating	Definition
BUY	If the target price is 20% higher than the market price
ADD	If the target price is 10%-20% higher than the market price
HOLD	If the target price is 10% below or 10% above the market price
REDUCE	If the target price is 10%-20% lower than the market price
SELL	If the target price is 20% lower than the market price
RATING SUSPENDED	The investment rating and target price for this stock have been suspended as there is not a sufficient fundamental basis for determining an investment rating or target. The previous investment rating and target price, if any, are no longer in effect for this stock.
NO RATING	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulations and/or firm policies in certain circumstances, including when Intesa Sanpaolo is acting in an advisory capacity in a merger or strategic transaction involving the company.
TARGET PRICE	The market price that the analyst believes the share may reach within a one-year time horizon
MARKET PRICE	Closing price on the day before the issue date of the report, as indicated on the first page, except where otherwise indicated

Historical recommendations and target price trends (long-term horizon: 12M)

Target price and market price trend (-1Y)



Historical recommendations and target price trend (-1Y)

Date	Rating	TP	Mkt Price
12-May-09	ADD	UR	7.70
19-May-09	BUY	10.10	7.94
14-Sep-09	ADD	12.85	11.34
12-Nov-09	ADD	12.90	12.37
27-Nov-09	HOLD	12.70	12.54

Equity rating allocations (long-term horizon: 12M)

Intesa Sanpaolo Research Rating Distribution (at 1 February 2010)					
Number of companies subject to recommendations: 91 (**)	BUY	ADD	HOLD	REDUCE	SELL
Total Equity Research Coverage %	28	31	32	7	2
of which Intesa Sanpaolo's Clients % (*)	69	50	69	67	-

(*) Companies on behalf of whom Intesa Sanpaolo and the other companies of the Intesa Sanpaolo Group have provided corporate and Investment banking services in the last 12 months; percentage of clients in each rating category. (**) The total number of companies covered is 104

Valuation methodology (short-term horizon: 3M)

Our short-term investment ideas are based on ongoing special market situations, including among others: spreads between share categories; holding companies vs. subsidiaries; stub; control chain reshuffling; stressed capital situations; potential extraordinary deals (including capital increase/delisting/extraordinary dividends); and preys and predators. Investment ideas are presented either in relative terms (e.g. spread ordinary vs. savings; holding vs. subsidiaries) or in absolute terms (e.g. preys).

The companies to which we assign short-term ratings are under regular coverage by our research analysts and, as such, are subject to fundamental analysis and long-term recommendations. The main differences attain to the time horizon considered (monthly vs. yearly) and

definitions (short-term 'long/short' vs. long-term 'buy/sell'). Note that the short-term relative recommendations of these investment ideas may differ from our long-term recommendations. We monitor the monthly performance of our short-term investment ideas and follow them until their closure.

Equity rating key (short-term horizon: 3M)

Equity rating key (short-term horizon: 3M)	
Short-term rating	Definition
LONG	Stock price expected to rise or outperform within three months from the time the rating was assigned due to a specific catalyst or event
SHORT	Stock price expected to fall or underperform within three months from the time the rating was assigned due to a specific catalyst or event

Company specific disclosures

Banca IMI discloses interests and conflicts of interest, as defined by: Articles 69-quater and 69-quinquies, of Consob Resolution No.11971 of 14.05.1999, as subsequently amended and supplemented; the NYSE's Rule 472 and the NASD's Rule 2711; the FSA Policy Statement 04/06 "Conflicts of Interest in Investment Research – March 2004 and the Policy Statement 05/03 "Implementation of Market Abuse Directive", March 2005. The Intesa Sanpaolo Group maintains procedures and organisational mechanisms (Information barriers) to professionally manage conflicts of interest in relation to investment research. We provide the following information on Intesa Sanpaolo Group's conflicts of interest:

1 The Intesa Sanpaolo Group has a conflict of interest inasmuch as it plans to solicit investment banking business or intends to seek compensation from the Company in the next three months.

2 The Intesa Sanpaolo Group has made significant financing to TREVI FINANZIARIA INDUSTRIALE SpA and its parent and group companies.

3 Banca IMI is a corporate broker relative to securities issued by TREVI FINANZIARIA INDUSTRIALE SpA.

Intesa Sanpaolo Research Department – Head of Research Gregorio De Felice

Head of Equity & Credit Research

Giampaolo Trasi	+39 02 7261 2297	giampaolo.trasi@intesasanpaolo.com

Equity Research

Monica Bosio	+39 02 7261 2725	monica.bosio@intesasanpaolo.com
Luca Bacoccoli	+39 02 7261 5026	luca.bacoccoli@intesasanpaolo.com
Laura Carmignani	+39 02 8021 2742	laura.carmignani@intesasanpaolo.com
Sergio Ciaramella	+39 02 7261 5688	sergio.ciaramella@intesasanpaolo.com
Manuela Meroni	+39 02 7261 5937	manuela.meroni@intesasanpaolo.com
Gian Luca Pacini	+39 02 7261 2971	gianluca.pacini@intesasanpaolo.com
Bruno Permutti	+39 02 7261 5772	bruno.permutti@intesasanpaolo.com
Fabio M. Picardi	+39 02 7261 2972	fabio.picardi@intesasanpaolo.com
Roberto Ranieri	+39 02 7261 5011	roberto.ranieri@intesasanpaolo.com
Lorenzo Re	+39 02 7261 2387	lorenzo.re@intesasanpaolo.com

Corporate Broking Research

Alberto Francese	+39 02 7261 2707	alberto.francese@intesasanpaolo.com
Marta Caprini	+39 02 7261 5607	marta.caprini@intesasanpaolo.com
Serena Polini	+39 02 7261 2292	serena.polini@intesasanpaolo.com

Research Production

Anna Whatley	+39 02 7261 2763	anna.whatley@intesasanpaolo.com
Cinzia Bovina	+39 02 7261 5437	cinzia.bovina@intesasanpaolo.com
Bruce Marshall	+39 02 7261 2278	robert.marshall@intesasanpaolo.com
Annita Ricci	+39 02 7261 2279	annita.ricci@intesasanpaolo.com

Banca IMI

Institutional Sales

Nicola Maccario	+39 02 7261 5517	nicola.maccario@bancaimi.com
Carlo Cavalieri	+39 02 7261 2722	carlo.cavalieri@bancaimi.com
Francesca Guadagni	+39 02 7261 5817	francesca.guadagni@bancaimi.com
Robert Meier	+39 02 7261 2158	robert.meier@bancaimi.com
Daniela Stucchi	+39 02 7261 5708	daniela.stucchi@bancaimi.com
Mark Wilson	+39 02 7261 2758	mark.wilson@bancaimi.com

US Institutional Sales

Stephane Ventilato	+1 212 326 1233	Stephane.Ventilato@bancaimi.com
Jack Del Duca	+1 212 326 1234	DelDucaJ@bancaimius.com
Barbara Leonardi	+1 212 326 1232	LeonardiB@bancaimius.com
Gregory Halvorsen	+1 212 326 1237	gregory.halvorsen@bancaimi.com

Sales Trading

Roberto Gussoni	+39 02 7261 5929	roberto.gussoni@bancaimi.com
Claudio Manes	+39 02 7261 5542	claudio.manes@bancaimi.com
Adele Marchetti	+39 02 7261 5880	adele.marchetti@bancaimi.com
Lorenzo Pennati	+39 02 7261 5647	lorenzo.pennati@bancaimi.com

Equity Derivatives Institutional Sales

Andrea Martini	+39 02 7261 5977	andrea.martini@bancaimi.com
Emanuele Manini	+39 02 7261 5936	emanuele.manini@bancaimi.com

Market Hub – Brokerage & Execution

Italian Equities - Sergio Francolini	+39 02 7261 5859	sergio.francolini@bancaimi.com
Foreign Equities - Francesco Riccardi	+39 02 7261 2901	francesco.riccardi@bancaimi.com

Market Hub – Exchange Traded Derivatives

Biagio Merola - Milan	+39 02 7261 2420	biagio.merola@bancaimi.com

Market Hub – @ sales

Giovanni Spotti	+39 02 7261 2339	giovanni.spotti@bancaimi.com

Banca IMI SpA

Piazzetta Giordano Dell'Amore, 3
20121 Milan, Italy
Tel: +39 02 7261 1

Banca IMI Securities Corp.

1 William Street
10004 New York, NY, USA
Tel: (1) 212 326 1230

Banca IMI London Branch

90 Queen Street
London EC4N 1SA, UK
Tel +44 207 894 2600