Gruppo TREVI

TREVI - Finanziaria Industriale S.p.A.

ANNUAL REPORT
AND ACCOUNTS
as at December 31, 2005

TREVI – Finanziaria Industriale S.p.A.
Registered office in Cesena (FC) - Via larga 201
Capital Stock 32,000,000 i.v.
Forlì – Cesena Chamber of Commerce Business Register No.201.271
Tax code,Vat no. and Forlì-Cesena Register of Companies no.: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
Roberto Pinza
Enrico Bocchini

BOARD OF STATUTORY AUDITORS

Statutory Auditors
Adolfo Leonardi (Presidente)
Giacinto Alessandri
Giancarlo Poletti

Substitue Auditors
Marco Alessandri
Giancarlo Daltri

INDEPENDENT ACCOUNTANTS

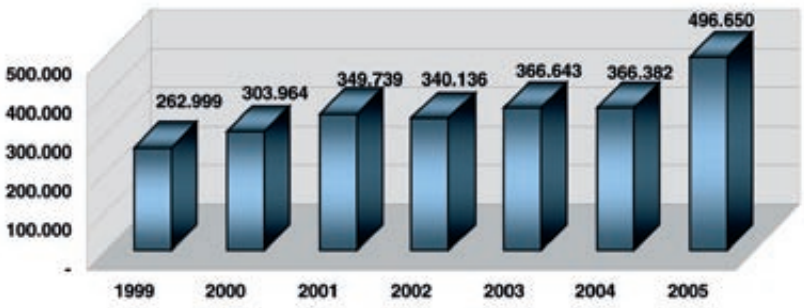
PricewaterhouseCoopers S.p.A

KEY FINANCIAL INFORMATION

	Thousands of Euro 12/31/2005	Thousands of Euro 12/31/2004	Changes
Production value	506,753	372,468	36.1%
Total revenues	496,650	366,382	35.6%
Added value	149,345	123,157	21.3%
% on total revenues	30.1%	33.6%	
E.B.I.T.D.A.	55,307	41,650	32.8%
% on total revenues	11.14%	11.37%	
E.B.I.T.	28,699	18,425	55.8%
E.B.I.T. / total revenues	5.78%	5.03%	
Net result of the Group	12,824	2,555	401.9%
Gross technical investments	19,975	25,269	-21.0%
Net invested capital	228,076	228,879	-0.4%
Net financial position	(126,008)	(147,995)	14.9%
Total stockholders' equity	102,068	80,884	26.2%
Group's net equity	97,224	77,199	25.9%
Minority interests	4,844	3,685	31.5%
Nr. of employees (1)	3,577	3,238	
Works' portfolio	516,507	371,105	39.2%
Dividend per Share	0.200	0.041	
E.B.I.T./Net invested capital (R.O.I.)	12.58%	8.05%	
Net income/Net stockholders' equity (R.O.E.)	12.56%	3.16%	
E.B.I.T./Total revenues (R.O.S.)	5.78%	5.03%	
Net financial position/Total net stockholders' equity (Debt/Equity)	1.23	1.83	

(1) Companies consolidated on a line-by-line basis

TOTAL REVENUES IN THOUSANDS OF EURO



CONSOLIDATED FINANCIAL STATEMENTS

as of December 31, 2005

Alta velocità Milano - Novara / *High Speed System Milano - Novara*

Dear Shareholders,

We have pleasure in bringing to your attention the consolidated statements of TREVI - Finanziaria Industriale S.p.A. and of the companies under its control as at 31 December 2005 drawn up for the first time according to IAS/IFRS (EU/International) accounting principals, and which shows total revenue at around 496.65 million euro, net Group result of 12.82 million euro and return on shares up from 4.1 to 20 eurocents. The net financial debit balance stands at 126 million euro.

The year 2005 represented a turning point for Trevi in that our internal lines registered excellent growth in all our international markets and a substantial increase in profits. These results reflect exceptional performance in the mechanical engineering sector, which showed a total increase in revenue of around 48.7%, taking advantage of the dynamic demand in all the overseas markets in which the Trevi Group is involved. At the close of the financial year, the Group's portfolio of work amounted to around 517 million euro (+39%).

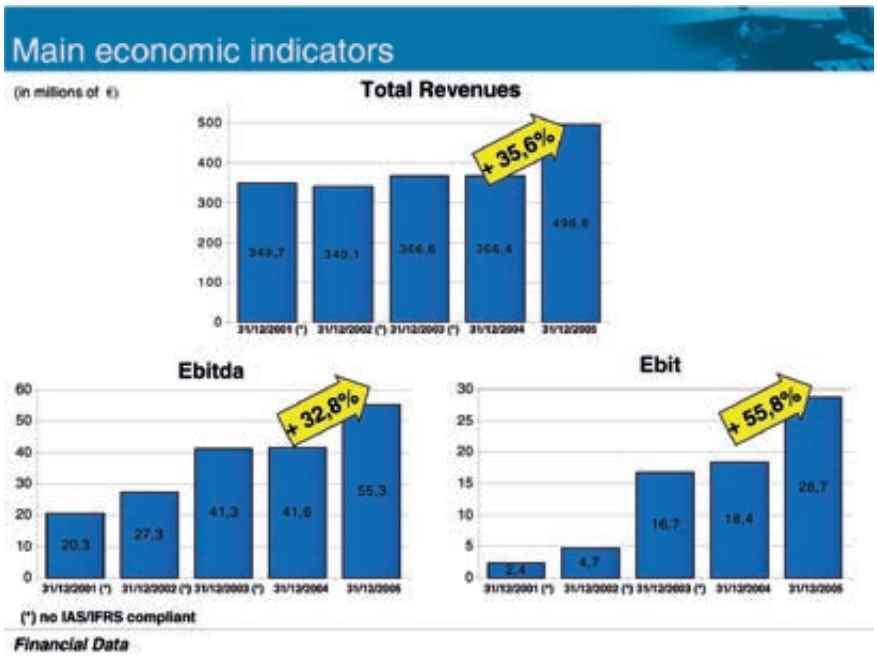
The overseas sector of the Trevi Division represented another strong point of the group as a whole in the 2005 business year, particularly in terms of revenue-earning performance.

As regards the current situation in the Italian construction market, the legislative changes of the last few years and the on-going calls for improved infrastructure stand in contrast to the objective difficulties, both technical and economic, of setting up and maintaining construction sites. We will only mention in passing here the intense work that has gone into preparing bids for the Messina Straits Bridge and the Rome Underground projects which will both be major features of the Italian construction world in the next few years, destined to leave their mark on the sector, as much for the difficulties inherent in their planning and realisation as for their economic importance to the relevant regions.

Key figures of the Group
(IN THOUSANDS OF EURO)

	12/31/2005	12/31/2004	Changes	%
TOTAL REVENUES	496,650	366,382	130,268	35.6%
Changes in inventories of work in progress, semifinished and finished products	5,582	(617)	6,199	
Additions to fixed assets by internal production	3,410	3,352	58	
Other operating revenues	1,111	3,351	(2,240)	
VALUE OF PRODUCTION	**506,753**	**372,468**	**134,285**	**36.1%**
Use of raw materials and outside services	351,639	243,314	108,325	44.5%
Other operating expenses	5,769	5,997	(228)	
VALUE ADDED	**149,345**	**123,157**	**26,188**	**21.3%**
Payroll and related contributions	94,038	81,507	12,531	
E.B.I.T.D.A.	**55,307**	**41,650**	**13,657**	**32.8%**
Amortization, depreciation	20,503	17,603	2,900	
Writedowns and provisions	6,105	5,622	483	
E.B.I.T.	**28,699**	**18,425**	**10,274**	**55.8%**
Financial Income (expenses)	(8,870)	(7,304)	(1,566)	
Net difference from exchange	5,557	(1,430)	6,987	
Adjustments to financial assets	(110)	(86)	(24)	
Gain (losses) on assets disposal	0	0	0	
PRE-TAX RESULT	**25,276**	**9,605**	**15,671**	**163.2%**
Income taxes for the year	11,577	6,423	5,154	
Minority interests	875	627	248	
CONSOLIDATED INCOME	**12,824**	**2,555**	**10,269**	**402%**

Total revenue reached over 496 million euro 35.6% up on the business year. Added value increased 26 million euro (+21.3%), but its incidence on total revenue fell from 33.6% to 30.1%, indicating that growth has come about partly through decentralisation of production. Gross operating profit amounted to 55.3 million euro (+32.8%) with an 11.1% incidence on income, the figures for the previous year were 41.7 million with an 11.4% incidence. After 20.5 million euro in amortisements had been deducted and 6.1. million euro set aside for risk funds, the operating profit grew 55.8% to 28.7 million euro, equal to 5.8% of total income. In 2004 the operating profit stood at 18.4 million, 5% of total income.



Net financial charges were calculated at 8.9 million euro, an increase of 1.6 million euro on 2004. The differences in net credited exchange amounted to 5.6 million euro against net losses of around 1.4 million in 2004.

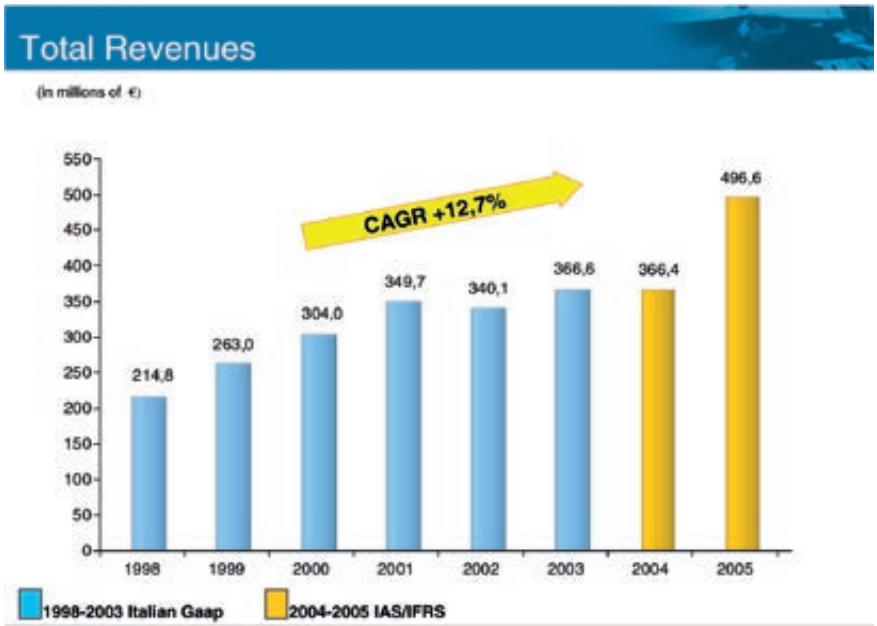
The pre-tax result amounted to 25.3 million euro (+163%), which, net of current charges, both deferred and advance, yielded a figure for the Group of 12.8 million euro, about four times as much as in the previous business year.

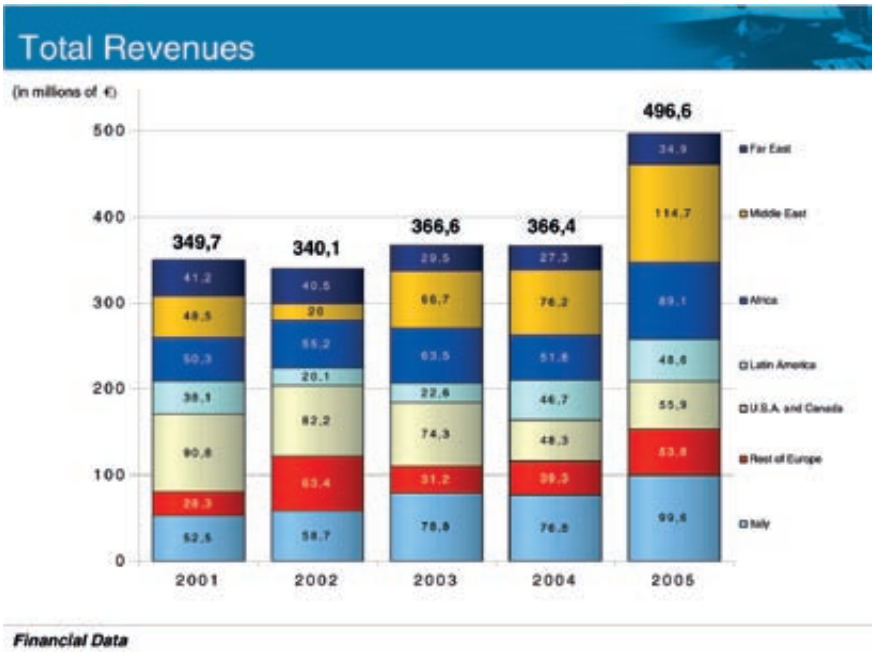
For the first time in three consecutive years, these financial results were not penalised by the devaluation of the US dollar against the euro, as the average exchange rate remained substantially unchanged from one year to the next.

The group's strong presence in international markets continued to be demonstrated by the percentage of overseas sales, worth around 80% of the total. The weight of Italian area sales on overall revenue has fallen slightly settling at around 20%. Sales in the rest of Europe increased by about 15 million euro, retaining a stable percentage share of around 10.7%. The incidence on total revenue of Middle Eastern sales increased from 20.8% to 23.1% of the total, with an increase in this area of 38.5 million euro. Revenue from the North American area fell from 13.2% to 11.3%, there was strong growth in Africa while the Far East and Latin America remained stable.

On 31 December 2005 the Group was able to count on a portfolio of

work amounting to 517 million euro (+39.2% on December 2004) of which 394 million euro is to come from work in process, thus assuring a degree of cover for the 2006 budget of 75% in the foundation-laying sector and over 79% of the mechanical engineering sector budget.





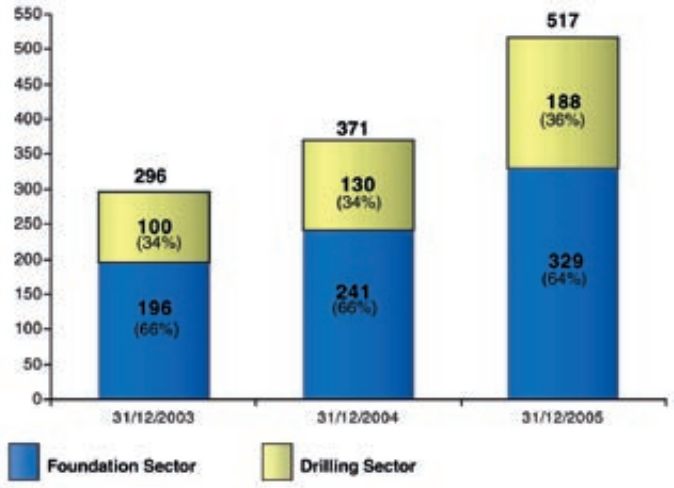
Distribution of Total Revenues per Product Line

Amounts in millions of €

Product Line	31/12/2005	%	31/12/2004	%	Changes	%
Special foundation works	272,0	54,8%	224,1	61,2%	47,9	+21,4%
Special foundation rigs	127,7	25,7%	89,3	24,4%	38,4	+43,0%
Foundation Sector	**399,7**	**80,5%**	**313,4**	**85,5%**	**86,3**	**+27,5%**
Oil drilling	18,3	3,6%	12,2	3,3%	6,1	+50,0%
Oil, water and gas drilling systems	78,6	15,9%	40,8	11,1%	37,9	+92,9%
Drilling Sector	**96,9**	**19,5%**	**53,0**	**14,5%**	**44,0**	**+83,0%**
Total	**496,6**	**100**	**366,4**	**100**	**130,3**	**+35,6%**

Orders' Portfolio

(in millions of €)



Summary consolidated balance sheet
(IN THOUSANDS OF EURO)

		12/31/2005	12/31/2004	Changes	%
A)	**Fixed assets**				
	- Intangible fixed assets	4,055	3,793	262	
	- Property, plant and equipment	168,373	154,444	13,929	
	- Financial fixed assets	2,741	1,999	742	
		175,169	**160,236**	**14,933**	**9%**
B)	**Net working capital**				
	- Inventories	120,282	91,924	28,358	
	- Trade receivables	163,450	125,996	37,454	
	- Trade payables (-)	(162,802)	(98,195)	(64,607)	
	- Advances (-)	(29,070)	(19,647)	(9,423)	
	- Others assets (liabilities)	(24,776)	(18,805)	(5,971)	
		67,084	**81,273**	**(14,189)**	**-17%**
C)	**Invested capital minus current liabilities (A+B)**	**242,253**	**241,509**	**744**	**0%**
D)	**Employee termination indemnities (-)**	**(14,177)**	**(12,630)**	**(1,547)**	**12%**
E)	**NET INVESTED CAPITAL (C+D)**	**228,076**	**228,879**	**(803)**	**0%**
	Financed by:				
F)	**Group stockholders' equity**	**97,224**	**77,199**	**20,025**	**26%**
G)	Minority interests in capital and reserves	4,844	3,685	1,159	
H)	**Net financial position**	**126,008**	**147,995**	**(21,987)**	**15%**
I)	**TOTAL SOURCES OF FUNDS (F+G+H)**	**228,076**	**228,879**	**(803)**	**0%**

Net capital invested amounted to around 228 million euro, remaining substantially unchanged from the December 2004 figure, mainly as a result of a net reduction in operating capital of 14.2 million (-17%), which counterbalanced the net increase in locked-up capital. This is the best barometer for indicating how the growth process is developing along healthy lines: the payment-due time from our clients was shortened and often sizeable discounts were negotiated. The increase in leftover stock was held at (30.85%) a lower percentage than the increase in total revenue, that increase having been planned with the object of satisfying sustained demand in the early months of 2006. Suppliers were called upon to bear part of the burden of financing the greater volume of their sub-suppliers and subcontracts, suitably planned over time to allow for efficient management of the 108 million euro increase in consumption of prime materials and outsourced services (44.5%).

The value of the Group's net assets has increased by nearly 20 million euro (+26%) , mainly due to the positive effect on the Conversion Reserve (+6.9 million euro) of the devaluation of the US dollar against the euro (falling from 1.36 on 31 December 2004 to 1.18 on 31 December 2005) (+10.3 million euro).

NET CONSOLIDATED FINANCIAL POSITION
(IN THOUSANDS OF EURO)

	12/31/2005	12/31/2004	Changes
Short-term bank loans	(69,813)	(80,323)	10,510
Other short-term borrowing	(12,244)	(11,912)	(332)
Short-term liquid assets	51,576	34,688	16,888
Total short-term portion	**(30,481)**	**(57,547)**	**27,066**
Medium- to long-term bank loans	(76,848)	(66,900)	(9,948)
Other medium- and long-term borrowing	(18,496)	(23,386)	4,890
Derivative financial instruments	(183)	(162)	(21)
Total medium- and long-term portion	**(95,527)**	**(90,448)**	**(5,079)**
Net financial position	**(126,008)**	**(147,995)**	**21,987**

Short term debt fell by around 27 million euro compared to 31 December 2004, falling from 57.5 to 30.5 million euro, while medium and long term debt increased by 5 million euro, from 90.4 to 95.5 million euro. This is mainly the result of taking on numerous medium and long term commitments for financing development. Net financial liabilities reduced over the course of 2005 by around 22 million euro. The relationship between net liabilities and net total assets fell from 1.83 to 1.23 over the course of the 12 months. Net operating cash flow rose to 53.39 million euro (17.05 million euro in 2004), Which, compared to a 55.31 million euro gross operating margin, provides a measure of the quality of the operating profit of the Trevi Group. The relationship between the net financial standing and gross operating margin fell to 2.28 from 3.55 in 2004.

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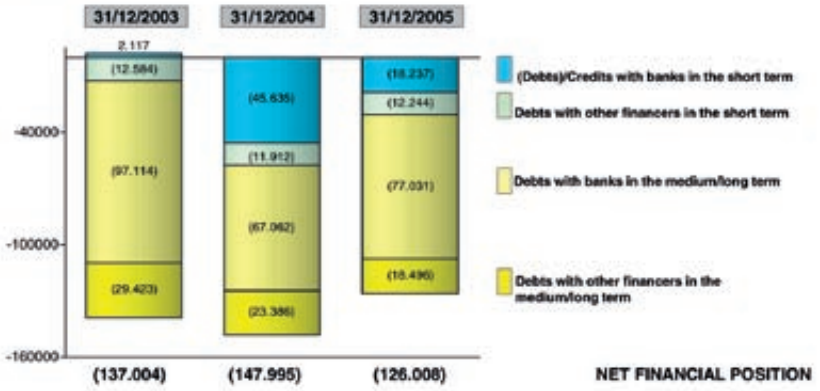
Net Financial Position - *Debt Structure*

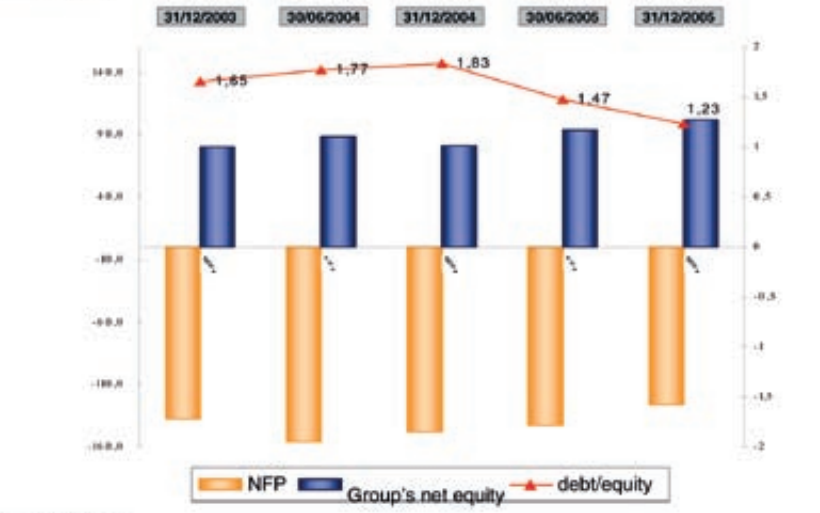
(in millions of €)



Financial Data

Net Financial Position

(in millions of €)



Financial Data

Investments

Net investment in fixed tangible assets for the Trevi group during the 2005 financial year amounted to 20 million euro of which 16.46 million euro were for the Trevi Division 3.39 million euro for the Metalmeccanica (mechanical engineering) Division. For the former division, the major amounts were for investments in the United Arab Emirates, Africa and Italy. Disinvestments totalling 9.36 million euro were made in historical costs relating to goods almost completely amortised. Amortisements totalled 18.8 million euro. The net value of fixed tangible assets at 31 December, was affected by differences in currency conversion rates to the sum of 9.5 million euro, created by historical exchange rates and those that applied on 31 December 2005. The 2005 investment policy was more restrained than in previous business years, in that, in addition to providing the necessary resources for those areas with major growth in activity, it was directed at maintaining production capacity and allowing the Group to acquire the most technologically advanced plant and machinery. Financing for these tangible fixed assets, at 30.7 million euro, was obtained through financial leasing.

Research and development activity

Activity in research and development carried out in the 2005 business year for foundation-laying machinery was principally directed at three areas:

- Developing new models
- Developing new technologies
- Making innovations in existing models of functional groups to improve performance.

With reference to the first point: renewal is underway of the whole range in the pile sector, with particular attention to the upper end of the market.

The crane sector has been broadened with the 120 ton model for which an applications kit is being developed for auger bored piles, CFA and cable and hydraulic grabs, while the 70 ton model is in development, after a careful study of the latest generation hydraulic grabs.

The micropile range is being completed with a 25 ton model, ideal for extractors and micropiles to compete with current rival heavier models.

Particular attention has been paid to the development of new technologies in the ground consolidation sector with integrated mechanical mixing techniques and to studying the mechanics of

implementing on-site production and worker safety.
With reference to the third point, various projects are being studied aimed at incrementing productivity in a number of working areas by improving some rotary models, machinery for making continuous flight auger bored piles and finally, finding more productive methods for the removal of material from diaphragm installation.
In the oil, water and gas well drilling field, research and development activity has been directed at maximising the performance of the HH series of hydraulic drills and of the Jetting series of pumps. The order received from Edra S.r.l. has made possible the return to some major projects acquired in the past after the failure of Massarenti Ballerini, for a series of large dimension mechanical drills from 1200 to 2000 H.P. The whole range of mechanical drills from 110 to 60 tons, has been improved, these being of major interest to the Middle East area.
The parent company has a research and development project underway for an expert system to be used for artificial freezing of the subsoil that the Region of Emilia Romagna has deemed eligible for a technology research grant under the PRRIITT scheme (item 3.1). Costs incurred, relative to this project, up to 31 December 2005 amount to 486,000 euro.
Development costs were capitalised at 1.5 million euro; 3.9 million euro have been entered in the financial account for research.

SECTOR ANALYSIS

Parent company performance

The 2005 business year closed for the company with revenue from sales and services of 9,615,000 euro (against 8,393,000 euro in the previous year, showing an increase of 1,222,000 euro), financial returns of 5,979,000 euro (against 4,085,000 euro in the previous year showing an increase of 962,000 euro), operating profit at 2,024,000 (against 1,062,000 euro in the previous year showing an increase of 962,000 euro).
Revenue volume showed strong growth, as it continues to show in the current year, confirming the value of the centralisation of some departments to the single management of the parent company, among these departments are: planning, research and development, plant and equipment hire, management, management support and administration, human resources and personnel management, ICT and integrated business software services, departments supporting the principal industrial holding company of the Trevi Group (management of shareholdings and financing concessions

of controlled companies).
The only change in directly held shareholdings was the increase of 22,000 euro for subscription to 10% of the capital of SWISSBORING GULF FREE ZONE COMPANY (FZCO), a DUBAI (U.A.E.) based company, 90% of the quota subscribed by the controlled company TREVI S.p.A. The company is operative in the fields of technical assistance and plant and equipment sales and hire.
The performance of individual controlled companies is detailed in the following section of this report.
It is important to emphasise the increase in financing extended to controlled companies.
Also to be emphasised are the 202,491,000 euro offered as securities, compared to 82,863,000 euro, an increase of 119,628,000 euro.
Sureties offered to credit institutions increased following the strong increases made in business and revenue by controlled companies, and the conclusion of important medium and long term financing arrangements made by controlled companies, as highlighted in the comment on the net consolidated financial standing. The increase is also the result of increased guarantees issued in support of specific projects, the principal one being for the company E.D.R.A. S.r.l. for the supply of four oil drilling rigs to ENTP (the Sonatrach Group) – Algeria.
The increase in sureties offered to insurance companies is principally due to the guarantee issued in favour of a major US insurance company, for the subsidiary company Trevi Icos Corporation, for the contract to restore the Tuttle Creek dam in Missouri, amounting to 100% of the package now being implemented.
For further comment on individual balance sheet entries, please see the Accompanying Notes section.

Trevi Division Operations: laying special foundations for large-scale civil engineering projects and drilling wells for hydrocarbons.

Total revenue from the Trevi Division amounted to 282 million euro, an increase of 18.7% on the previous year. Added values represented around 33% of revenue, from this Division that carries out below-ground engineering operations. Gross margin was 29 million euro. After deduction of 12.7 million in amortisements, the operating result amounted to 11.2 million euro. Equal to around 4% of total income. The following section details the Division's operations by principal geographic area.

The Americas

In the USA, during 2005, Trevi achieved a turnover of 37.2 million euro, corresponding to around 7.5% of total consolidated revenue. A satisfactory start, in economic and financial terms, was made on the restoration of the Tuttle Creek dam in Kansas, a contract awarded by the US Armed Forces Corps of Engineers and worth a total of $30 million USD. In addition, a contract was assigned for the consolidation of the land surrounding a diamond mine in Canada, for which the company Trevi Foundations Canada Inc. was set up.

As a result of the improved socio-economic conditions Argentina has enjoyed for the last few years, our local subsidiary Pilotes Trevi S.A. fulfilled contracts for around 11 million euro, leading to the closure of the 2005 business year in profit. The current dynamism of that market makes it possible to believe in the country's great potential once again.

In Venezuela the apparent lessening of political and social conflict had led to activity that is still weak but maintains its continuity, with a turnover of around 18.6 million euro and a positive result. In particular, last year marked the near completion of the "Bordo Seco" contract, worth around $24 million USD, assigned by the Venezuelan authority C.A.D.A.F.E. for planning and executing waterproofing and refurbishment works on the dam.

Last year saw the continuation of oil drilling operations in Venezuela and Columbia for the Brasilian oil company Petrobras, with good results. June marked the start of a major contract worth $45 million USD awarded by Petrobras Energia S.A. for the provision of oil drilling services for five years in in Patagonia, Argentina, using two of the innovative new HH 102 rigs. In December Petrobras assigned another oil drilling contract in Peru, leading to the setting up of a subsidiary company in Lima.

Europe

Examination of the Trevi S.p.A. economic data shows production volume of 119.3 million euro, an increase in volume on the year 2004 of 15.4%.

The volume of business linked solely to the company's typical operations amounted to €105.6 million, against 89.2% for the previous year (+18.4%), of which €69.7 came from Italy, at 66% of the total, and €35.9 million came from other countries, at 34% of the total.

The gross operating margin stood at €5.06 million, exactly equal to the previous year's figure.

The operating result, after deduction of amortisements and provisions, produced a negative result of €1.7 million, against -€0.183 million on the previous year.
A comparison of the 2004 and 2005 balance sheets shows that the difference in the results can be attributed to two principal factors: a greater sum accounted for by amortisements and provisions in 2005 and the reduction of dividends received from overseas controlled companies.
The particular market conditions in some European countries in which the company has historically had a presence, although favourable for development, as the notable portfolio of orders demonstrates, nonetheless indicate a conservative dividend policy towards sub-holdings in the foundation-laying sector, with the aim of reinforcing the asset situation of these companies in view of their growing future commitments in terms of resources.
The year that has just passed, despite some difficulties, mainly linked to the uncertainties of production in the domestic market, nonetheless evidenced consolidation in the process of integrating the human resources and "know how" acquired from the Rodio branch of the company that proved highly satisfactory in both commercial and productive terms.
The volume of the company's order portfolio, particularly in the sector linked to foundation-laying operations in Italy, is the highest in corporate history, suggesting that it is possible to look forward to next year with optimism: to date, this portfolio covers almost the whole productive capacity for the current year and a good part of the following year.
Last year's results were determined by some important contracts, embarked on in the final months of 2005, notably the B1 Rome Metro line, the extension of works for the Naples Underground and reclamation of an area of the Syndial works at Priolo.
Right at the beginning of January 2005, two major contracts were awarded directly by the contractors: the first for emergency operations to make safe the Penisola Magnisi and the second for the construction of a new dock at the Port of Gioia Tauro. Trevis' share of these works amounted to around 20.5 million euro.
Thanks to the contribution from the Rodio brand, a major contract, worth around 17 million euro, was acquired for jet grouting works in the di Stans tunnel in Austria, an important element in the development of the Munich-Verona rail link.
Turning to the Trevipark sector, revenue for 2005 showed an increase on the previous year, even if the turnover came in below

the budgeted target, mainly the result of the long delay in getting the Bologna sites underway. In the last three years, site activity has developed with moderate continuity, with the completion of three car parks (in Rome, Turin and Brescia) and work started on two new ones in Milan and Bologna, still in progress.

Africa

In Africa the Trevi Group fulfilled contracts worth 38.7 million euro. Nigeria continued to enjoy political stability, thus allowing the planned development programmes to proceed. The Lagos area generated increased turnover, mainly the result of sites in the port area for the construction of new docks and for the foundations for oil storage tanks. The Eastern part of the country has also increased its commitments. Notable development is forecast with contracts acquired in the Port Harcourt area, in particular with Shell.

Algeria continues to be a country of major importance for the Group, in addition to contracts from operators in the hydro-electric sector, work on laying the foundations for the Algeria Underground is in the completion phase.

Work has also been completed successfully on the repairs to the Massingir dam in Mozambique, carried out by Trevi in consortium with two South African companies.

The Middle and Far East

In 2005 the Trevi Group achieved a revenue of 80.6 million euro and an excellent operating result. Activity in the U.A.E. was principally influenced by the final phase of the extension work on Dubai airport, by three major contracts for laying the foundations in an area designated for residential and commercial development known as “Burj Residence-Commercial Island”, World Trade Center Residence” and “Burj Dubai-Lake Hotel”. There were positive developments in Oman and Qatar, where work began on the first phase of the “New Doha International Airport” contract.

On the other side of the Straits of Hormuz, in Iran, Trevi has substantially completed work on the enlargement of the docks at the port of Bandar Abbas.

In the Far East, the Trevi Group achieved modest revenues in the Philippines and in New Zealand, where work is in progress on the Ararpuni dam, in joint venture with a local company.

Mechanical Engineering Division: construction of special foundation and drilling machines

The results achieved by the Mechanical Engineering Division in the financial year ending 31 Dwcember 2005, demonstrate a decisive trend reversal both in terms of total revenue increase and in the improvement of economic results. Total revenue rose from 139.7 million euro to 207.9 million euro (+48.7%) and operating result rose from 6.6 million euro to 15.9 million euro.
The total revenue increase is largely attributable to the expansion of the drilling sector that, from the 2004 business year, was run by a specially set-up company Drillmec S.p.A., charged with planning, design, construction and sales of drilling equipment for wells for water, oil and geothermal energy. This company is located at Gariga di Podenzano, Piacenza in a premises of around 95,000 m^2, 13,000 of which is under cover, where it employs a staff of 216. The 2005 business year saw the fulfilment of the expectations and efforts of the management in making the company a visible presence in international markets, supported by favourable global conditions in the oil sector. The production capacity was reorganised, with a sizeable share of the work subcontracted out, to sustain the explosive rhythm of growth. The company's total revenue increased from 49.9 to 75.4 million euro and the operating result grew from 0.9 to 2.8 million euro.

In the ground engineering sector a revenue increase was registered from 114.9 to 150.7 million euro, operating result rose from 7.2 to 13.3 million euro. This result was obtained by consolidating the company's leadership position its the principal operating segment, that being medium and small size machinery, and by gaining market share in the high grade tool segment with cranes for foundation laying and micropile equipment.
The growing stock value, from 29 to 39 million euro, was also the result of the management's wish for planned production with more reliable delivery, thus guaranteeing that sales in the first quarter of 2006 would attain higher volumes that in 2005.
One of the positive aspects of the 2005 business year, was the positive trend shown by the controlled companies Soilmec Ltd (UK) and Soilmec (H.K.) Ltd which generated excellent revenue and earning performance levels. The division of total revenue by geographic area showed good sales figures in Europe, the Middle East and the Far East.

Future prospects in both sectors appear highly promising given the significant order portfolio already in being, that by the 31 December 2005 indicated around nine months' cover in the ground engineering and drilling sectors.
In conclusion, mention must be made of the further significant reduction in net capital invested which laid the groundwork for a major reduction of the net financial standing, the ratio of own funds to third party funds fell from 2.45 to 0.73.

Group relationships with non-consolidated subsidiaries, associated and parent companies, companies controlled by them and with other related parties

TREVI – Finanziaria Industriale S.p.A. has a limited relationship with SOFITRE S.r.l., a company 100% controlled by the Trevisani family, and with the companies of which it the parent. During the business year this relationship yielded revenue of 412,000 euro, costs of 55,000 euro and on 31 December 2005, receivables of 1,665,000 and payables of 207,000 euro.
The conditions of sale operated with related companies are in line with normal market conditions.
So far, securities and guarantees offered by TREVI - Finanziaria Industriale S.p.A., prior to stock market quotation, in favour of some banks on behalf of SOFITRE, a company belongiong to the Group, amount to 3,730,000,000 (at the end of the previous year this figure stood at Euro 3.881.000). This relates principally to the companies Parcheggi S.p.A. and Roma Park S.r.l. for the construction of automated car parks.
During the year a 100% holding in RCT S.r.L. was acquired by Trevi S.p.A. for a figure of 1,240,000 euro; the price was agreed following valuation by an outside consultant.

Policy for covering risks arising from exchange and interest rate fluctuations
The Trevi Group has instigated a policy for covering risks of a financial nature, that provides for sale transactions in foreign currencies and for financial operations in foreign currencies with cover for anticipated cash flows. Details of the measures implemented to cover exchange rate fluctuations are fully explained in the Accompanying Notes section, together with the valuation criteria adopted.

Post-balance sheet events

The Trevi Group, via the controlled company Petreven C.A. has recently signed two major contracts in Argentina with local companies belonging to the Chevron-Texaco and Repsol-YPF groups, for oil drilling services, the total contract value being $46.4 million USD, extendable to 77.4. Petreven C.A. was awarded these contracts by the Brasilian oil company Petrobras because it has worked for over 1.8 million man hours without on-site injuries or stoppages.

Another important contract has been signed in Turkey, via the controlled company Drillmec S.p.A. with Turkiye Petrolieri A.O., part of the Turkish Petroleum Int. Co. group, for the supply of a conventional 1500 H.P. oil drilling rig and a 800 H.P. mobile rig, at a total value of $19.5 million USD. Contractual risks are covered by a works policy with Sace S.p.A.

Adoption of the Code of Conduct for Listed Companies

The company has adopted the general principles of the Code of Conduct (self-regulatory code of practice), as a means of improving its own corporate governance rules and its internal organisation, with the aim of directing management orientation toward the creation of value for its shareholders and to have a positive effect on its other stakeholders, such as clients, creditors, suppliers, employees, the community and external environment in general.

This report, which will be made available to shareholders, together with the required documentation for the general meeting to approve the balance sheet, and at the same time forwarded to the Italian stock exchange and made available on the company website, will keep the market and shareholders informed of the corporate governance system and the company's observance of the self-regulatory code of practice.

The organisational structure of TREVI – Finanziaria Industriale S.p.A. is built on the traditional model, in which management is assigned exclusively to the Board of Directors, the company's central governing body, surveillance functions are assigned to the Board of Auditors and accounting control assigned to the audit company appointed by the General Shareholder Meeting.

BOARD OF DIRECTORS

The regulations governing corporate bodies emphasise the central role of the Board of Directors as the organ of government and specify its relationship with other corporate bodies. Article 23 of the company charter invests the Board of Directors with the most wide-ranging and unlimited powers for the ordinary and extraordinary management of the company, excluding only those decisions that by law are absolutely reserved for the general shareholder meeting.

Meetings of the Board of Directors are convened by the Chairman or, if he is absent or incapacitated, by the Managing Directors or by written request from at least one board member or member of the Board of Auditors, notification being sent to members of the Board of Directors and Board of Auditors at least three days before the meeting and containing a summary of the subjects to be discussed. Board meetings can also be held via video or remote conference. Board members and auditors are promptly supplied with information about the subjects on the meeting agenda. The Board of Directors meets regularly, at least once every two months, and has the main responsibility of defining the strategic objectives of all the operative companies and ensuring these objectives are achieved. The Board is responsible for:

- defining the corporate structure of the group and deciding whether to start up and/or close down operative companies
- examining and approving the Group's annual and quarterly production, financial and strategic plans and, periodically comparing the results achieved with those programmed
- assigning and revoking the powers delegated to the Managing Directors, defining their limits, and ways in which they will be exercised, and, at the first board meeting of the year, reference will be made to the activities carried out in exercising the delegated powers received and conceded
- examining and approving operations with a significant impact on the assets and economic and financial standing of the company, with reference to operations by associated parties, making decisions by voting on proposals with the favourable opinion of independent board members, in the cases set out in Article 2391 of the Civil Code, on "board members' interests", "interested" members will abstain from voting.
- making decisions to acquire other companies and invest in fixed assets
- appointing the directors of directly controlled companies
- deciding on the recruitment of higher management personnel for

the parent company and controlled companies and also the pay and incentives policy for higher management personnel
- regulating the conduct of controlled companies in the principal inter-company activities
- overseeing the conduct of the management of the company, paying particular attention to any conflict of interest situations, taking into account information received from the Managing Directors and from the general management of operative companies, with reference to general shareholder meetings.

The company charter states that the Board of Directors be composed of a minimum of three and a maximum of eleven members.

The Board of Directors, as decided on 30 April 2004 is currently made up of nine members, four of which are executive and five are independent non-executive members.

Table 1) sets out the current composition of the Board of Directors and Committees. Membership of the current board expires with the approval of the closed balance sheet for 31/12/2006.

According to Article 30 of the company charter, the Chairman of the Board of Directors is responsible for signing on behalf of and representing the company to third parties and in court. Within the limits of the powers delegated, the Managing Directors are also responsible for signing for and representing the company.

Ample powers are delegated to the Chairman and Managing Directors for the ordinary management of the company, a choice principally motivated by the activities carried out by the company, that being an industrial stock-holding company that provides services predominantly for companies within the same group.

On the occasion of the latest renewal of the corporate appointments, at the general shareholder meeting of 30 April 2004, the curriculum vitae of each candidate was deposited at the company's registered office. In the course of the 2005 business year, the Board of Directors met nine times.

The company charter does not indicate the minimum frequency of board meetings.

Board members' remuneration, detailed in the Accompanying Notes section of the 2005 Balance Sheet, is not linked to corporate results delivered, or to the achievement of specific objectives. The Board Report also contains details of the shareholding retained by each member of the Board of Directors and Board of Auditors in the main company and controlled companies.

Other corporate appointments in companies quoted on regulated markets held by board members are given below:

- Teodorani Fabbri Pio:
- Board Member of IFIL S.p.A. and I.F.I. S.p.A.. Corporate appointments of significant weight in non-quoted companies: board member of Lloyd Adriatico S.p.A. (Gruppo Allianz), of which he is a member of the executive committee.

Board member Moscato Guglielmo Antonio Claudio terminated, during the course of the 2005 business year, his mandate as board member of ENI S.p.A. and member of the internal control committee and of the oil and gas committee; he is currently holding the office of President of Eni Corporate University.

In order to improve functioning and policy making capacity, and following on from the recommendations given in the self-regulatory code of practice, the Board of Directors has set up two committees

BOARD MEMBERS' REMUNERATION COMMITTEE

The company set up the Board Members' Remuneration Committee on 15 May 2004. appointing as non-executive members Avv. Mario Amoroso (Chairman) and Ing. Enrico Bocchini, taking account of the fact that the Board of Directors was appointed at the general shareholders' meeting on the 30 April 2004 and its mandate expires with approval of the Balance Sheet of 31/12/2006.

INTERNAL CONTROL COMMITTEE

The company has set up the Internal Control Committee. On 15 May 2004, the Board of Directors appointed, as independent and non-executive committee members, Avv. Mario Amoroso (President) e Ing. Enrico Bocchini. This committee reported half-yearly on the activities of the Board of Directors and it met three times in the business year. The Chairman of the Board of Auditors was also present at these meetings.

BOARD APPOINTMENTS COMMITTEE

The appointments committee, suggested in the self-regulatory code of practice, has not been set up. Board nominees are presented to the shareholders, in particular to majority shareholders, who proceed to make a provisional selection from among the candidates.

BOARD OF AUDITORS

The Board of Auditors in compliance with Article 149 of D. Lgs.(Legislative Decree) no. 58/98, oversees observance of the law and of the company charter, it ensures the principles of good administration are being followed correctly, that the corporate

structure is adequate and oversees those aspects of the internal control, administrative and accounting systems that fall within its remit.
The Board of Auditors is made up of three statutory members and two substitute members, elected for a three year period by the general shareholders' meeting on 30 April 2004, that expires with the approval of the Balance Sheet of 31 December 2006. Table 2) shows the composition of the Board of Auditors, the number of meetings held during the business year and the meeting attendance percentages.
In compliance with Article 18 of the company charter, and any legal incompatibilities being understood, auditors may not be elected if they already act as auditors for more than five other companies quoted on regulated markets, with the exception of those companies that either directly or indirectly control this company or are controlled by it, nor may they be elected if they do not posses the necessary qualities of respectability and professionalism set out in the current regulations.
Minority shareholders, retain the right to elect one statutory and one substitue auditor, those who either individually or as a group hold at least 3% of the total capital have the right to propose lists of candidates for election.
These lists must be deposited at the company offices at least five says before the date set for the general shareholders' meeting and, within the same period, be published in at least one national daily newspaper.
At the general shareholders' meeting of 30 April 2004, that elected the current Board of Auditors, no minority shareholder lists were proposed.
Over the course of 2005 the Board of Auditors met twelve times; all members of the Board of Auditors attended the ten Board of Directors' meetings, except for the meetings of 14 February, 31 March and 12 September 2005, when two out of three attended.
Neither the statutory nor the substitute auditors are appointed to any other board of Auditors or Directors in any companies quoted on regulated markets.

ACCOUNTING AUDIT

The task of auditing the accounts, according to legal requirements, is given to an audit company listed on the official register of accounting auditors, and it is appointed by the general shareholders' meeting. The current audit company is PricewaterhouseCoopers S.p.A.,

appointed for a three year period by the general shareholders' meeting of 13 May 2005, and its remit expires with approval of the 2007 business year balance sheet.

SHAREHOLDERS' MEETING

The shareholders' meeting, when the administrators of the company have a meeting with the shareholders, is both ordinary and extraordinary, in compliance with the law, and decisions taken in compliance with the company charter, are binding on all shareholders.

To facilitate shareholder participation, proxy votes are permitted, in compliance with the current regulations. The company has not a adopted a regulation procedure for the meeting, given the small number of shareholders attending which has always allowed meetings to proceed in an orderly manner and all present are able to take part in the discussions.

At the ordinary and extraordinary general shareholders' meeting of the 13 May 2005, the shareholders were provided with the appropriate information about the company's adherence to the self-regulatory code of practice for quoted companies. On that occasion the Managing Directors presented to shareholders and other persons attending, a history of the company, the main events and contracts that marked its development and they were given a guided tour of the Cesena production unit. The opportunity was also taken to acquaint shareholders fully with the current situation of the company and to exploit this valuable opportunity for shareholders and company executives to meet and exchange ideas.

THE COMPANY CHARTER

The current governing charter is deposited with the Italian stock exchange and is available on the company web site. At the extraordinary general shareholders' meeting of the 13 May 2005, a new charter was approved, comprising 37 articles, in compliance with Legislative Decree no. 6 of 17 January 2003 and its subsequent amendments and additions. The Board of Directors' report, commentary and a presentation of the new company charter was properly deposited at the registered offices and at the Borse Italiane S.p.A (the Italian stock exchange companyt), where it can be made available to shareholders.

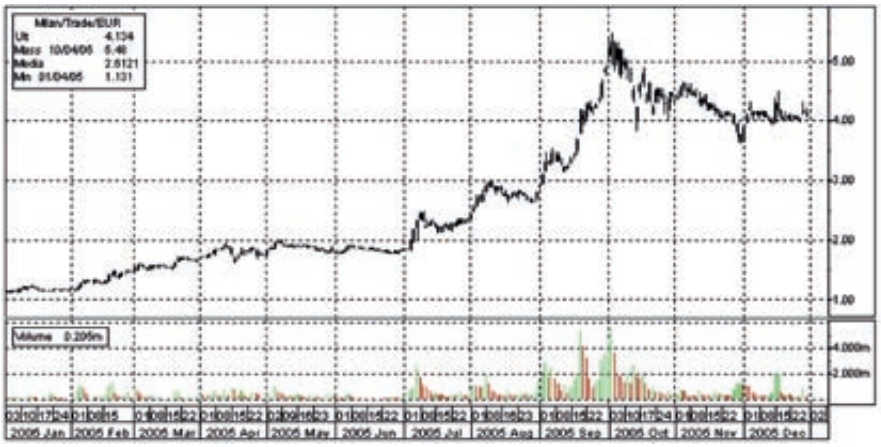
COMMUNICATIONS WITH SHAREHOLDERS AND INSTITUTIONAL INVESTORS

In order to facilitate an on-going dialogue between the company and shareholders in general and in particular with institutional investors, the company has decided to appoint a person in charge of financial communications, an Investor Relations Manager and to make all informative corporate documents (balance sheets, reports, press releases) available on its web site www.trevifin.com both in Italian and English. During the 2005 business year, this site was redesigned and updated and, in addition to containing as much information as possible, it offers links to the web sites of all principal controlled companies.

Contact details of the Investor Relations Manager are as follows:
Stefano Campana
Tel. 0547-319411 - Fax: 0547-319313
E mail: scampana@trevifin.com

The company promotes regular meetings with institutional investors and, in collaboration with AIAF (The Italian Association of Financial Analysts) it organises presentations, on a six-monthly basis at the Italian stock exchange in Milan, of its annual and half-year results to the financial community, together with its corporate strategies in its principal sectors of activity. During the last business year, the company has favoured meetings with the financial committee in the form of guided visits to its manufacturing units and meetings with individual shareholders and investors, including those overseas. In all its communications, the company's intention is to follow the principles set out in the "Guida per l'informazione al mercato" (Market Information Guide) supplied by Forum ref. and Borsa Italiana.

The calendar of corporate events is sent via the NIS system to the Italian stock exchange and is published on the company web site.



2005 was a positive year for the Italian stock market: the Mibtel index grew 14.4%. Trevi shares registered the best yearly performance of all shares quoted on the Milan exchange signalling a 274.7% rise with daily trading volumes showing strong growth. The share value at the close of the business was 4.13 euro. The market particularly valued the corporate strategy by means of growth in internal lines in all markets in which the Group operates, especially in the drilling sector, rigs and drilling services, which grew an average of 83.2%, the best of all the principal economic/financial indicators.

CAPITAL STOCK COMPOSITION

The TREVI – Finanziaria Industriale S.p.A. capital stock, at 31 dicembre 2005, amounted to 32,000,000 euro, totally paid-up, and made up of 64,000,000 ordinary shares each with a value of 0.50 euro.

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

On 31 December 2005, from the data deposited at CONSOB (the Italian stock market regulator), the shareholder with a quota over 2% of the total capital stock was Bipiemme Gestioni SGR S.p.A., accredited at 5.395%; on 23 January 2006 the company declared a variation in its quota, now holding a quota of 4.944%.

Shares held by board members and auditors are detailed in the Accompanying Notes section of the 2005 Balance Sheet.

On 31 December 2005 the company did not hold, either directly or through controlled companies, any of its own shares.

ADDITIONAL INFORMATION

Table 3), as recommended by the guide to compiling a corporate governance report supplied by Assonime, aim to highlight other information and provisions of the self-regulatory code of practice.

NEW SELF-REGULATORY CODE OF PRACTICE

In March 2006 a new self-regulatory code of practice was published, seven years after the first version, by the corporate governance committee of the Italian stock exchange. The new code, following development of the theme of good practice and the growing awareness that good governance represents an efficient tool for evaluating and protecting the investments of a company's shareholders, requires all quoted Italian companies to further reinforce their own governance systems.

The company will adopt this code of practice in the course of the

2006 business year, and further information about this will be made available to the market in the report on Italian corporate governance due for publication in 2007. Law 262/2005 for the protection of savings and investments, has led to substantial modification to the regulations governing quoted companies, in terms of their administrative bodies, controls and governance, which will also encourage companies to reinforce the application of best practice.

TABLE 1: STRUCTURE OF BOARD OF DIRECTORS AND COMMITTEES

		Board of Directors					Internal Control Committee °		Remuneration Committee °°		Committee Appointments #		Executive Committee	
Position held	**Member**	**Executive**	**Non-executive**	**Indepen-dent**	********	**Number of positions held ****	*******	********	*******	********	*******	********	*******	********
Chairman and Managing Director.	Trevisani Davide	X												
Deputy Chairman and Managing Director	Trevisani Gianluigi	X												
Managing Director	Trevisani Cesare	X												
Board member	Trevisani Stefano	X												
Board member	Amoroso Mario		X	X			X							
Board member	Moscato Guglielmo		X	X										
Board member	Teodorani Fabbri Pio		X	X										
Board member	Pinza Roberto		X	X										
Board member	Bocchini Enrico		X	X			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: 9	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 governance report, the remuneration and internal control committees were re-appointed by a decision at the board meeting of 15 May 2005. In both committees Mario Amoroso's appointment has been confirmed while board member Roberto Pinza has been replaced by Enrico Bocchini

TABLE 2: BOARD OF AUDITORS

Position held	Members	Attendance percentage at auditors' meetings	Number of other appointments**
Chairman	Leonardi Adolfo	100%	
Statutory auditor	Alessandri Giacinto	100%	
Stautory auditor	Poletti Giancarlo	100%	
Substitue auditor	Daltri Giancarlo	----	
Substitute 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		

	YES	NO	Summary notes for any diversions from the recommendations of the code
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
Is 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 relations manger*?	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

Code of conduct for Internal Dealing

TREVI – Finanziaria Industriale S.p.A., has a approved the code of conduct on the subject of Internal Dealing, drawn up to comply with the regulations introduced by the Italian stock exchange (also available on the company web site). These regulations oblige the company to issue regular communiqués reporting those operations carried out on the financial instruments quoted by the issuing company, by any persons who may have access to confidential and price-sensitive information, in order to guarantee the market maximum transparency and homogeneity of information.

The current code, approved and implemented with the approval of the 2005 Balance Sheet, in compliance with the regulations set down by the Italian stock exchange, has the following qualifying elements:

- the thresholds remain at the levels given in the regulations, 50,000 euro for "relevant operations" and "250,000 euro for "significant operations", with a fixed time within which the market must be

informed: by the tenth day the market has been open following the solar quarter in question, for operations defined as “relevant”, and without delay and by the end of the first day on which information was received that the threshold for “significant” operations has been passed

- blocking periods have been established, these being predetermined periods of time during which those subject to the provisions of the code, may not operate. In particular, it is not permitted to carry out operations in the following periods:
- in the five days preceding public announcement of the approval by the Board of Directors of the annual and half-yearly balance sheets
- in the five days preceding public announcement by the board of directors of the first and third quarter results in any business year

This prohibition does not apply to attributed rights in the context of stock option plans.

The code of conduct, available on the company web site, came into force on 1 January 2003.

In accordance with these regulations, over the course of 2005, 15 notices were received, three, over time, for “relevant” operations and twelve immediate for “significant” operations. Once these notices were issued, involving board members Davide, Gianluigi, Cesare Trevisani, they were deposited at the Italian stock exchange.

Treasury shares or shares held in parent companies

Over the course of the business year, 1,391,326 of its own shares (equal to 2.17% of the capital stock) were placed, producing a net capital gain of 790,253 euro.

Acquisition of its own shares was carried out following the general shareholders’ meetings of 30 April 2001, 30 April 2002, 30 April 2003, 30 April 2004 and 13 May 2005.

On the last day of the business year, the company no longer held directly, or via controlled companies, any of its own shares, nor did it maintain shares and/or holdings in the controlling company Trevi Holding APS.

Additional information

From March 2004 the company has had a subsidiary in Venezuela, set up for the purpose of operating the consortium Trevi SpA (50%) - TREVI - Finanziaria Industriale SpA (45%) - SC Sembenelli Srl (5%), for the contract in Venezuela awarded by CADAFE for repairs

to the Bordo Seco dam. The contract is expected to expire over the course of 2006.
Within the time set prescribed in the regulations, the company has introduced the Security Planning Document, governed by Article 34 of the new consolidating act on privacy.
In accordance with Consob ruling 11520 of 2 July 1998, shares held on a personal basis by board members and auditors, in the company and in controlled companies are shown below:

1. Shares in TREVI – Finanziaria Industriale S.p.A.

Surname and name	Possession Title	No. of shares owned on 31/12/04	No. of shares bought	No. of shares sold	No. of shares owned on 31/12/05
Trevisani Davide	Owner	4,527,59	64,000	2,601,290	1,990,069
Trevisani Gianluigi	Owner	2,834,282	256,861	2,897,443	193,700
Trevisani Cesare	Owner	1,583,825	213,300	1,630.,10	167,115
Trevisani Stefano	Owner	19,500	-	19,500	-
Amoroso Mario		-	-	-	-
Moscato Antonio Claudio	Owner	2,000			2,000
Pinza Roberto		-	-	-	-
Teodorani Fabbri Pio		-	-	-	-
Bocchini Enrico	Owner	1,000	-	-	1,000
Leonardi Adolfo		-	-	-	-
Alessandri Giacinto		-	-	-	-
Poletti Giancarlo		-	-	-	-
Daltri Giancarlo		-	-	-	-
Alessandri Marco		-	-	-	-

2. In the controlled company SOILMEC S.p.A., registered office in Cesena (FC) Via Dismano, 5819 – Business Register Forlì – Cesena no 00139200406, capital stock 5,160,000 euro fully paid-up, represented by 1,000,000 ordinary shares, nominal value 5.16 euro each.

Surname and name	Possession Title	No. shares owned on 31/12/04	No. shares bought	No. shares sold	No. shares owned on 31/12/05
Trevisani Davide	Owner	16,800	-	-	16,800
Trevisani Gianluigi	Owner	10,200	-	-	10,200
Trevisani Cesare	Owner	3,000	-	-	3,000

Allocation of net income for the year

The profit resulting from the balance sheet of TREVI – Finanziaria Industriale S.p.A., for the year ending 31 Dicembre 2005, amounts to 2,023,643 euro which we propose will be thus assigned:

- 5%, equal to 101,182 euro, to the legal reserve;
- at 0.025 euro per share, to the shareholders with rights, dividend to be deducted 10 July 2006 and paid out from 13 July 2006; on account of the tax changes that took effect on 1 January 2004, no tax credit is due and, depending on the recipient, is either subject to deduction of tax at source or forms part of the total of taxable income;
- the rest to an extraordinary reserve fund.

Dear shareholders,

2005 was an extraordinary year for the Trevi Group in which we experienced excellent growth in all our internal lines in all our international markets and a substantial increase in profits.

These results can be attributed to the skills and commitment of our workforce. I would like to offer them all my heartfelt thanks, on behalf of the Board of Directors, for their support and professionalism.

The extraordinary nature of the objectives achieved does not mean they cannot be improved upon this year; the excellent level the order portfolio has reached make us confident that 2006 will be another positive year for Trevi.

Cesena, 31 March 2006
For the Board of Directors
The Chairman Davide Trevisani


AVOPILING
8467 1300
AVOPILING

CONSOLIDATED BALANCE SHEET

STATO

ASSETS	Notes	12/31/2005	12/31/2004
Non-current assets			
Tangible fixed assets			
Lands		7,947	7,899
Buildings		29,575	29,881
Plant and machinery		90,415	76,298
Industrial and commercial equipment		14,135	18,225
Other assets		24,311	20,461
Assets under construction and advance payments		1,807	1,496
Total tangible fixed assets	**(1)**	**168,190**	**154,260**
Intangible fixed assets			
Deferred development costs		2,441	1,718
Industrial patents and intellectual		494	580
Concessions, licenses and trademarks		541	360
Deferred costs and payment on account			69
Other intangible fixed assests		579	1,065
Total intangible fixed assets	(2)	4,055	3,792
Investment property	(3)	183	183
Investments	(4)	984	1,062
Avaiable for sale financial assets			
Deferred income tax assets	(5)	3,509	2,878
Derivative financial instruments			
Other financial assets - Loans	(6)	1,757	936
Trade and other receivables	(7)	7,644	3,225
Total non-current assets		**186,322**	**166,336**
Non-current assets avaiable for sale			
Assets avaiable for sale			-
Current Assets			
Inventories	(8)	120,282	91,924
Trade and other receivables	(9)	183,452	140,906
Current income tax receivables	(10)	9,509	6,141
Other financial assets receivables			
Financial assets not held as fixed assets	(11)	200	200
Derivative financial instruments	(12)	5	
Other financial assets at fair value through profit or loss			
Liquid funds	(11)	51,376	34,489
Total current-assets		**364,824**	**273,660**
Total Assets		**551,146**	**439,996**

AS AT DECEMBER 31, 2005

PATRIMONIALE *(Thousands of Euro)*

Liabilities and Stockholders' Equity	Notes	12/31/2005	12/31/2004
Stockholders' equity			
Capital Stock		32,000	31,304
Share premium reserve		34,355	34,708
Other reserve		9,222	8,647
I.A.S reserve		13,789	13,261
Cumulative translation adjustment		(10,907)	(17,853)
Profit (Loss) brought forward		5,941	4,576
Net income (loss) for the year		12,824	2,555
Total	**(13)**	**97,224**	**77,198**
Minority interests in capital and reserves		**4,844**	**3,685**
Total stockholders' equity		**102,068**	**80,883**
Non-current liabilities			
Long term borrowings	(14)	76,848	66,900
Due to other providers of finance	(14)	18,496	23,386
Derivative financial instruments	(14)	188	162
Deferred income tax liabilities	(15)	19,716	14,951
Post-employment benefit	(16)	14,177	12,629
Long term provisions	(15)	9,080	7,168
Other payables	(17)	1,870	1,008
Total non-current liabilities		**140,375**	**126,204**
Current Liabilities			
Trade and other payables	(18)	215,247	135,492
Current income tax liabilities	(19)	11,399	5,182
Short term borrowing	(20)	69,813	80,323
Due to other providers of finance	(21)	12,244	11,912
Derivative financial instruments			
Short term provisions			
Total current liabilities		**308,703**	**232,909**
Total liabilities and Stockholders' equity		**551,146**	**439,996**
Net financial position		**(126,008)**	**(147,994)**
Debt/Equity		***1.23***	***1.83***

CONSOLIDATED PROFIT AND LOSS AS AT DECEMBER 31, 2005 *(Thousands of Euro)*

	Notes	12/31/2005	12/31/2004
Revenues from sales and services	(22)	474,004	352,569
Additions to fixed assets by internal production		3,410	3,352
Other income	(22)	13,974	13,740
Changes in inventories of work in progress and finished products		5,582	(617)
Changes in contract work in progress	(22)	9,783	3,424
Costs of goods		230,185	141,628
Changes in inventories of raw, ancillary and consumable materials		(10,106)	(3,823)
Salaries and employee benefits	(23)	94,038	81,507
Other operating expenses	(24)	137,330	111,505
Amortization, depreciation		20,503	17,604
Writedowns and provisions	(25)	6,105	5,622
E.B.I.T.		**28,698**	**18,425**
Financial income	(26)	1,576	1,018
Financial expenses	(27)	10,446	8,322
Net difference from exchange	(28)	5,558	(1,430)
Adjustments to financial assets	(29)	(110)	
Effect of valuation in associated companies using the equity method			(86)
Gain (losses) on assets disposal			
Results before taxation		**25,276**	**9,605**
Income taxes for the year	(30)	11,577	6,423
Net income (loss) for the year		**13,699**	**3,182**
Minority interests		875	627
Group net income for the year		**12,824**	**2,555**
Dividend per Share	*(31)*	*0.200*	*0.040*

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

		2005	2004
	Net income of the Group	12,824	2,555
	Depreciation and amortization	20,503	17,604
	Gain (Losses) on disposal of intangible - tangible fixed assets	746	(903)
	Gain (Losses) or revaluations - writedowns of financial fixed assets	111	86
	Provision to the reserve for employees termination indemnities, pension funds and similar commitments	4,677	3,809
	Change in minority interest in capital and reserves	1,159	208
A	**Cash generated from operations before changes in working capital**	**40,020**	**23,359**
B	**Changes in working capital:**		
	Inventories	(28,358)	(10,593)
	Commercial receivables	(37,454)	(6,932)
	other activities	(14,328)	(3,655)
	Commercial debts	64,607	11,195
	Other liabilities	22,225	804
	Reserves for risks and charges	6,677	2,869
	Total	**13,369**	**(6,312)**
C	**Net cash flows for operating activities:**		
	Intangible fixed assets	(1,970)	(1,172)
	Tangible fixed assets	(33,470)	(20,465)
	Financial fixed assets	(33)	(277)
	Reimbursement of debts and financial leasing	(4,558)	(6,709)
	Totale	**(40,031)**	**(28,623)**
D	**Cash flow from (used in) financing activities:**		
	Capital Stock	696	27
	Changes in the accounts of net assets	7,465	(3,854)
	Increase or (decrease) of other debts with banks	(1,259)	3,207
	Dividends distributed	(960)	(940)
	Changes in the reserve for employee termination indemnities	(3,129)	(1,357)
	Total	**2,812**	**(2,917)**
E	**Net change in Cash flows (A+B+C+D)**	**16,170**	**(14,493)**
	Net liquid funds, Opening amount	**22,653**	**37,146**
	Net change in Cash Flows (E)	**16,170**	**(14,493)**
	Net liquid funds, End of Year	**38,823**	**22,653**

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

		2005	2004
	Net Financial Position (Opening amount)	(147,995)	(137,004)
	Net income of the Group	12,824	2,555
	Depreciation and amortization	20,503	17,604
	Gain (Losses) on disposal of intangible - tangible fixed assets	746	(903)
	Gain (Losses) or revaluations - writedowns of financial fixed assets	111	86
	Provision to the reserve for employees termination indemnities, pension funds and similar commitments	4,677	3,809
	Change in minority interest in capital and reserves	1,159	208
A	**Cash generated from operations before changes in working capital**	**40,020**	**23,359**
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	other activities	(14,328)	(3,655)
	Commercial debts	64,607	11,195
	Other liabilities	22,225	804
	Reserves for risks and charges	6,677	2,869
	Total	**13,369**	**(6,312)**
C	**Net cash flows for operating activities:**		
	Intangible fixed assets	(1,970)	(1,172)
	Tangible fixed assets	(33,470)	(20,465)
	Financial fixed assets	(33)	(277)
	Totale	**(35,473)**	**(21,914)**
D	**Cash flow from (used in) financing activities:**		
	Capital Stock	696	27
	Changes in the accounts of net assets	7,465	(3,854)
	Dividends distributed	(960)	(940)
	Changes in the reserve for employee termination indemnities	(3,129)	(1,357)
	Total	**4,071**	**(6,124)**
	Net change in Cash flows (A+B+C+D)	**21,987**	**(10,991)**
	Net Financial Position, End of Year	**(126,008)**	**(147,995)**

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31 ,2005
(In thousands of Euros)

Group profile and activities

TREVI - Finanziaria Industriale S.p.A. and its controlled companies (henceforth known as the Trevi Group or the Group) is active in the following sectors: contracts and services for foundation works for civil engineering and infrastructure projects, oil industry services, plant and equipment for special foundations, tunnel excavation, well drilling for the extraction of hydrocarbons and water sourcing. These sectors are organised into the four main companies in the Group: Trevi S.p.A., the parent company, active in the below-ground engineering sector (the Trevi Division), Soilmec S.p.A. the division that produces and markets plant and equipment for drilling for hydrocarbons and water sourcing and Petreven C.A., which provides services in the oil drilling sector.
The Group is controlled by TREVI - Finanziaria Industriale S.p.A..
For further information about the various areas in which the Group operates, for the relationship with associated companies and for events that occurred after the end of the business year, please see the Board of Directors' performance report.
To comply with EU Regulation no. 1606/2002 of 19 July 2002, this consolidated Trevi Group balance sheet, closed on 31 December 2005, is the first balance sheet drawn up and presented in form and content according to the framework set out for International Accounting Principles, by the I.A.S.B. (International Accounting Standards Board), adopted by the European Community (subsequently IAS/IFRS individually or IFRS as a whole) and according to SIC/IFRIC interpretive principles.
The criteria for entry and value calculation of the items shown in the consolidated balance sheet closed on 31 December 2004 were in compliance with the Italian Civil Code, interpreted and integrated into the Accounting Principles laid down by the Consiglio Nazionale dei Dottori Commercialisti e dei ragionieri (National Accountants' Council), known subsequently in their entirety as "Italian accounting principles" from the "Italian Accountancy Body" (IAB). The equivalent consolidated data given in this balance sheet have been adequately harmonised with the IAS/IFRS international accounting principles.
As will be seen, there are some significant differences between the Italian and IAS/IFRS principles. In drawing up the 31 December 2005 consolidated balance sheet according to the IAS/IFRS formula, the administrators of the Group have had to modify some accounting practices applied for valuation and consolidation of items under the Italian system to adapt them to the IAS/IFRS requirements.
Consequently, the Group, being aware of the effects of the transition to the IAS/IFRS system, has set out the reconciliations required

for paragraphs 39 and 49 of IFRS accounting principle 1: "First-time Adoption of international Financial Reporting Standards, accompanied by explanatory notes about the criteria used for entry of the items to be reconciled. These reconciliations can be found in the appendix.
The Independent audit company PricewaterhouseCoopers S.p.A. has been given the task of carrying out a full audit to examine how the reconciliation methods used for the period 1 January 2004 to 31 December 2004 compare with IAS/IFRS methods and the report on this audit is available under the terms and through the channels prescribed by the afore-mentioned regulations.
The parent company TREVI – Finanziaria Industriale S.p.A. has declared that in compliance with D.L. (Legislative Decree) no. 38 of 28 February 2005 it will adopt the IAS/IFRS system from 01 January 2006 to draw up its own balance sheet.
In preparing this balance sheet, the financial statement (assets/liabilities) and the profit and loss account for the parent company and both Italian and overseas controlled companies have been drawn up according to the IAS/IFRS system.

Consolidation principles

Controlled Companies:
A company is defined as "controlled" when the parent company has such management powers, either direct or indirect, as to enable it to obtain the full benefits of its business activities. A company is assumed to be controlled when the Group holds majority voting rights, also taking into consideration the potential voting rights that can be exercised when the balance sheet is drawn up.
Balance sheets of controlled companies are consolidated using the global integration method dating from the time control was obtained until such time as this control be relinquished
According to IFRS 3 (Business Combinations), controlled companies acquired by the group are accounted for using the purchase method based on the assumption that:

- The purchase price is made up of the fair value of the business acquired, taking into account any assets given and liabilities incurred, plus costs directly incurred by the acquisition.
- The excess of the cost of the acquisition over the market value of the quota acquired by the Group, can be entered under net assets as goodwill.
- If the cost of acquisition is lower than the fair value of the quota acquired by the Group in the net assets of the acquired company, la difference is entered directly in the profit and loss account.

The reciprocal debit/credit and cost/revenue relationships for companies coming into the consolidation areas, and for all the effects of operations of significant relevance carried out between these companies, are thus made clear. Profits not yet realised with third parties, originating from operations between companies in the Group, are eliminated, including those originating from the calculation of unsold stock value on the date of the balance sheet.
The share of net assets owned by minority shareholders is shown in the appropriate entry, while the share owned by third parties as a result of business activity is shown separately in the consolidated profit and loss account.

Associated companies:
A company is defined as "associated" if the Group exercises a significant influence over it, but over which it does not have management control. This influence is assumed when the Group has a relevant quota, from 20% to 50% of the voting rights at general shareholder meetings.
The consolidated balance sheet includes the Group's share of the profits and losses of associated companies, calculated by means of the net asset method from the date the significant influence was initiated until such time as this influence be relinquished.
The Group's share of the profits or losses following acquisition of the holding in an associated company are shown in the consolidated profit and loss account.
The net asset method is defined as follows:

- Profits or losses due to the Group are entered in the consolidated balance sheet profit and loss account from the date on which significant influence or joint control was initiated until significant influence or control be relinquished. The variations in asset value of the companies subject to the net asset method, not represented in the profit and loss account result, are entered directly as an adjustment in reserves in the net assets/liabilities statement.
- Unrealised profits and losses generated by operations between the parent company and/or controlled companies and the associate company in question, calculated by the net asset method, are eliminated in proportion to the value of the Group's holding in the said associated company. Non-realised loses are eliminated unless these are represented as a reduction in value.

The joint ventures in Argentina are valued by the net asset method.

Joint Ventures:

IAS 31 ("Accounting information relative to participation in joint ventures") defines a joint venture as a contractual agreement in which two or more parties undertake economic activity that is subject to joint control and allows for either proportional consolidation or consolidation using the net assets method as accounting criteria.

Proportional consolidation means that the balance sheet of each participant discloses a proportional share for all assets, liabilities, revenue and costs for all joint activities. Joint ventures initiated or terminated during the course of the business year are consolidated for the period in which joint control applies.

Consolidation by the net asset method means that a summary consolidation is made, in that the accountable value of the participation in the joint value is replaced by the corresponding share of the net assets, calculated according to the relevant consolidation rules.

Conversion of overseas balance sheets into euro

Converting the consolidated balance sheets of overseas companies, into euro is done by the current exchange value method, using the exchange rates that apply at the time the balance sheet is drawn up for asset/liability values and the average exchange rate over the business year for the profit and loss account. Differences arising from conversion of the initial net opening asset/liability values to the exchange rate effective at closure and those arising from the average rate calculation for the profit and loss account, are entered as a conversion reserve, included in net assets/liabilities.

The exchange rates used for the 2005 business year were as follows:

Currency		Average exchange rate for the year	Rate for the year at the year-end
Pound sterling	GBP	0.684	0.685
Japanese Yen	JPY	136.871	138.900
U.S. Dollar	USD	1.245	1.179
Turkish Lira	TRL	1,677,662.250	1,592,400.000
Venezuelan Bolivar	VEB	2,619.928	2,533.170
Nigerian Naira	NGN	164.788	153.275
Singapore Dollar	SGD	2.071	1.963
Philippine Peso	PHP	68.520	62.719
Chinese renmimbi	CNY	10.204	9.520
Malaysian Ringgit	MYR	4.715	4.458
Dirham U.A.E.	AED	4.572	4.333
Algerina dinar	DZD	90.727	86.038
Swedish kroner	SEK	9.280	9.389
Hong Kong Dollar	HKD	9.682	9.147
Iranian Rial	IRR	11,153.417	10,725.800

Consolidation areas

The areas of the balance sheet to be consolidated include the balance sheets of the parent company, TREVI-Finanziaria Industriale S.p.A., of its controlled and associated companies with no exceptions. Controlled companies are those over which the parent company maintains control. Control is assumed when the parent company holds, directly or indirectly, over half the effective or potential voting rights to be exercised at a general shareholders' meeting on the accounting date. Associated companies are those over which the parent company exercises significant influence, this can be assumed when it holds 20% of the effective or potential voting rights on the accounting date.

Controlled and associated company balance sheets are consolidated from the date on which the parent company acquired control and deconsolidated from the date on which this control was relinquished.

Acquisition of controlled and associated companies is accounted for on the basis of the purchase method. The cost of acquisition corresponds to the fair market value of the acquired assets of the

controlled or associated companies, taking account of any shares issued or liabilities incurred on the date of acquisition, plus costs directly incurred in the acquisition. The excess of the cost of the acquisition, over the market value of the quota acquired by the Group, can be entered under net assets as goodwill for controlled companies, but for associated companies, this is included in the value of the associated company's quota. Any negative goodwill is entered directly into the profit and loss account at the date of acquisition.

The global integration method is used to consolidate the balance sheets of controlled companies, thus taking on the entire value of the assets, liabilities, revenue and costs while the effective percentage of the holding is set aside. The accountable value of the consolidated holding is thus eliminated from the relative net assets. Operations, payments, profits and losses, not the result of inter-Group transactions are removed. Shares of net assets and profit due to minority shareholders are shown as a dedicated entry under net assets and on a separate line of the consolidated profit and loss account.

After a holding has been acquired in an associated company, this is valued by the net asset method, showing the Group's share in the result and in reserve movements in respectively, the profit and loss account and assets/liabilities statement. Any profits and losses not generated by intra-Group operations are removed according their relative share. When the Group's share of losses from an associated company is equal to or greater than the value of that share itself, the Group does not register further losses unless the situation necessitates settling of loses or making payments on behalf of the associated company.
All the balance sheets of the Group are issued on the same day and refer to the same period of time.

The consolidation area has been subject to the following variations in respect of 31 December 2004:

1. During the business year the controlled company Trevi S.p.A. acquired 100% control of the company RCT S.r.L. from the associated company Sofitre S.r.L. for a fee of 1,240 thousand Euro.
2. The controlled company Trevi Icos Corporation set up a joint

venture in the United States, known as North West Lab J.V.; this 50% controlled joint venture has been consolidated by the proportional method.

3. The Company Foundations Canada Inc. was set up, 100% controlled by Trevi Icos Corporation.
4. The controlled company Trevi Construction Company Hong Kong set up a branch in New Zealand for carrying out the contracted works on the Arapuni dam.
5. The company Swissboring Gulf FZCO was set up in the United Arab Emirates, 90% controlled by Trevi S.p.A. and 10% by TREVI-Finanziaria Industriale S.p.A.

Associated companies in which the Group has a holding that, directly or indirectly, does not constitute a controlling share and non-operative joint ventures, in which the work for which they were set up is either almost completed or in the completion phase, are valued according to the net assets method. Attachment 1a shows the holding valued according to the net assets method. Valuation by net assets is done by taking the 31 December 2005 balance sheet as the point of reference. For conversion of balance sheets in other currencies, the current exchange method is used.

Minority holdings or holdings in minority or non-operative consortium partner companies are valued according to the cost adjustment method for lasting loss of value. In particular, limited liability consortium member companies and consortia formed solely for projects or work to be carried out as part of a consortium in existence for a temporary period, that present balance sheets without an operating profit, result since payment of costs is directly sustained by a corresponding debit for the entire collective, are valued according to the cost method. Attachment 1c shows the details of those holdings.

The companies Profuro International Lda, Trevi Park Plc , Hercules Trevi Foundation A.B., Trevi Spezialtiefbau Gmbh in which the Group's holding is respectively 47.5%, 26.5%, 49.5% e 99%, have been valued by the cost method since they are of such small size. These companies were set up during the last business year to carry out work in their respective countries. Once the work is completed, the Group retains these companies, even while absolutely inoperative, in case of future business opportunities.

The percentage holdings are as follows:

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 more details, see attachment 2, the Group organisational chart.

Valuation criteria

The most significant criteria adopted for drawing up the 31 December 2005 consolidated balance sheet are as follows:

NON-CURRENT ASSETS:

Tangible fixed assets

For some tangible fixed assets, on 1 January 2004 the IAS/IFRS transition date, the Group opted to enter "fair value" item as "deemed cost", as IFRS 1 allows. In particular, for some land, buildings and special plant, their value was calculated at current values on the basis of surveys carried out by independent professional valuers.

Instrumental tangible fixed assets, acquired after the IAS/IFRS transition date, are shown and valued using the cost method as set out in IAS 16 para 30. The use of these criteria for tangible fixed assets shows their value in the balance sheet at the purchase or manufacturing cost including directly attributable additional costs, subsequently adjusted for amortisements, eventual depreciation and consequent value adjustments.

Amortisements are calculated and included in the profit and loss account using the method that assigns a constant amortisement rate to the asset throughout its useful life.

The purchase or manufacturing cost of an asset is calculated as the equivalent cash price on the date it is shown in the balance sheet however, when payment is deferred beyond the normal credit extension limits, the difference between that and the equivalent cash price is entered as interest over the course of the credit term.

Financial costs, directly attributable to purchase, manufacture or construction of a tangible fixed asset are entered in the profit and loss account at the time these were incurred, as set out in the accounting principles given in IAS 23.

Capitalisation of costs incurred for enlarging, modernising or improving structural elements for the Group's own use or for that of third parties, is carried out exclusively within the limits for which these costs are necessary for separate classification as an asset or part of an asset.
The amortisable value of each significant component of a tangible fixed value, having a different useful life, is divided at a constant rate for the period this is in use. Taking into consideration the consistency of the items included in individual balance sheet categories, with the exception of special relevant cases, the useful life of the various categories is as follows:

Land	Indefinite useful life
Industrial buildings	Useful life of industrial buildings subject to professional valuation: • 20 years for the Gariga di Podenzano (PC) premises, Drillmec SpA headquarters; • 33 years for the Cesena premises, Soilmec SpA. Headquarters; Useful life of industrial buildings not subject to professional valuation: - 33 years.
Plant and machinery	10 years
Industrial and commercial equipment	13.5 years

The amortisement criteria used, the useful life calculations and residual values are re-examined and redefined at least at the end of every administrative period to take account of any possible significant variations.
Costs able to be capitalised to improve the property of third parties can be assigned to the category of assets in which they belong and be amortised for a shorter period, be it the length the rental contact still has to run or the remaining useful life of the item.
The accountable value of tangible fixed assets remains in the balance sheet for the length of time for which there is evidence that this value can be recovered through use.
Ordinary maintenance costs are debited in the profit and loss account. Those costs that are incremental in character, such that they prolong the useful life of a technical asset, are capitalised.

The rates applied by the Group are as follows:

Industrial buildings	3%
Light constructions	10%
Generic equipment and accessories	5%
Drilling equipment	7.5%
Assorted small equipment	20%
Motor vehicles	18.75% - 25%
Transport vehicles	10%
Excavators and power shovels	10%
Office furniture and fittings	12%
Electromechanical machinery for offices	20%
Watercraft	5%

Leasing

Financial lease contracts are accounted for according to the provisions of IAS 17 which state that:

- the cost of leased goods is entered under tangible fixed assets and is amortised at a constant rate on the basis their estimated useful life, it is also entered as financial debt against the lessor at a sum equal to the fair value of the leased items
- lease contract payments are divided between the financial element and the capital investment element, considered as repayment for the debit entered against the lessor.

Lease contracts in which the lessor retains most of the risks and rewards of the leased property are classified as operating leases and the lease payments are entered in the profit and loss account at a constant periodic rate according to the duration of the contract.

Intangible fixed assets

Intangible fixed assets acquired or produced internally are entered under assets, at the cost of acquisition or production, when it is probable that the use of the asset will generate 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.

Intangible fixed assets with a finite useful life are amortised at a constant rate on the basis of the estimated useful life, as follows:

Development costs	5 years
Industrial patent and intellectual property rights	5 years
Concessions, licences, brands	5 years
Other intangible fixed assets	5 years

Assets with an indefinite useful life are not amortised, but subject to examination to identify any possible loss of value, on an annual basis or more frequently, if there are any indications that the asset may have suffered a loss of value.

- *Development Costs:*
  Research costs are entered in the profit and loss account at the time they are incurred. Development costs that meet the requirements of IAS 38 for being shown as an asset (technical feasibility, the intention and capacity to complete, use or sell the asset, the availability of the necessary resources for completion, the ability to make a reliable estimate of the development costs incurred) are generally amortised over five years on the basis of their future economic profitability starting from the time such products are available for economic exploitation. The useful life of such an asset is re-examined and adjusted if its future profitability looks set to change.

- *Industrial patents and intellectual property rights, concessions, licenses and brands:*
  These are valued at the net cost of cumulative amortisement, determined on the basis of constant periodic rate for the expected period of use, provided that no significant loss of value is recognised. The amortisation criteria, useful life and residual value are re-examined and redefined at least at the end of every administrative period to take account of any significant adjustments in value.

Non instrumental fixed assets (investment property)

This balance sheet category reclassifies all fixed assets that, according to IAS 40, are defined as ("investment property"), and are not considered instrumental to the business activity.

These assets are recognised as property held for rental income and/or invested capital appreciation, provided that the cost of the property can be reliably determined and that the relative future economic benefits can be used by the business.

Investments

For the calculation of investment value in controlled, but not integrally consolidated, companies in associated companies and any other companies the Group has an interest in, please refer to the information in the section "consolidation area".

Available-for-sale financial assets

Financial assets are classified in the following categories:

- *Financial assets at fair value entered in the profit and loss account:* financial assets mainly acquired for trading with the aim of generating a profit from short term price fluctuations, (a period of not more than three months), or designated as such at inception.
- *Held-to-maturity financial assets designated as such at inception:* investments in assets with fixed maturity with fixed or determinable payments that the Group intends to and has the means to hold to maturity
- *Available-for-sale financial assets:* financial assets other than those listed above or designated as such at inception.

The Group determines the classification at the time of acquisition, the initial entry is made at cost, corresponding to fair value at the time of acquisition, taking account of transaction costs. The dates of acquisition and sale refer to the dates of settlement.

After the initial entry, the "financial assets at fair value through profit and loss" and the "available-for-sale assets are valued at fair value. Profits and losses on fair value financial assets generated by variations in fair value through profit and loss are entered in the relevant year's profit and loss account. Any unrealised profits and losses for assets designated as available-for-sale originating from variations in fair value are recognised in the net assets/liabilities statement.

Financial assets designated held-for-maturity and loans and other receivables are valued on the basis of amortised cost net of any possible loss of value if this can be objectively determined.

The fair value of a financial asset is determined on the basis of the quoted offer price or by the use of financial models. The fair value of unquoted assets is estimated using appropriate valuation techniques adapted to the particular situation of the issuer. Financial assets whose current value cannot be reliably determined are shown as a cost reduced by loss of value.

On each accounting date, indicators of loss of value are given and any depreciation entered in the profit and loss account. Loss of value previously discounted is up-valued if the circumstances leading to the depreciation have not materialised, except where the assets have been valued at cost.

Own shares

As laid down in IAS 32, whenever financial instruments representing the company's own capital are bought back, these instruments (own shares) are deducted directly from net assets under the heading "own shares". No gains or losses are shown in the profit and loss account as purchases, sales or write-offs of own shares.

The sums paid or received, including all costs directly incurred by the capital operation, net of any associated tax benefit, are shown directly as net asset movement.

Government Grants

Government grants are shown, independently of any formal notice of concession, when there is reasonable certainty that the company will comply with the conditions of the grant and that the grant will be received, as laid down in IAS 20: "Accounting for Government grants and disclosure of public assistance"

The grant is recognised as revenue in the profit and loss account on the basis of the useful life of the benefit for which it was awarded, by means of the technique of rediscounting in order calculate the net amortisement rate.

A cash grant payable for expenses and costs already incurred or with the aim of lending immediate financial assistance to the company without future connected costs is shown as revenue in the accounting period it is received.

Loss of value (Impairment):

Both tangible and intangible assets suffer loss of value, or impairment, when the accounting value attributed to the asset in the balance sheet cannot be recovered by use or sale. The aim of the impairment test, laid down in IAS 36 is to ensure that fixed tangible and intangible assets are not entered in the balance sheet at a value above their recoverable value, represented by the greater of either the net sale price or the value in use.

The value in use is the present value of the future cash flows expected to be derived from the asset or from the cash-generating unit to which the asset belongs. The expected cash flow is calculated using the pre-tax discount rate that reflects the current market estimate, taking account of the income it would generate over time against the risks associated with the asset. If the accounting value exceeds the recovery value, the asset or cash-generating unit to which it belongs is devalued in line with the recovery value. Such losses are entered in the profit and loss account.

The impairment test is carried out whenever internal or external

business conditions indicate that an asset has suffered impairment. In the case of goodwill or other intangible assets with an indefinite useful life, the impairment test is done al least annually.
If the conditions leading to the impairment have been reversed, the asset will be re-valued upwards, in proportion to the benefits previously de-valued, to reach a maximum value level of the of the benefits that it would have had, net of amortisements calculated on the historic cost.
According to international accounting principles, impaired goodwill values may not be reversed.

CURRENT ASSETS:

Inventories
Inventories is entered as the lesser of either the purchase cost and the net presumed realisable cost. Any devaluations entered as a result of loss of value can be reversed if, in successive business years, the conditions that led to the presumed devaluation no longer exist.
The cost is determined by taking the average cost weighted for prime, secondary, consumable and semi-finished materials and on the basis of the specific cost of the other items of the same type in stock.

Contracted work in progress
Construction contracts as defined in IAS 11, “Long term contracts”, as contracts specifically stipulated for the construction of a structure, or a combination of closely connected or interdependent structures, including planning, technology, function or final use. The costs of the contract are shown in the business year in which they are incurred. The contract revenue is shown according to the stage of completion of the contract activity on the balance sheet, referring to the date by which the outcome of the contract can be reliably estimated.
When the contract outcome cannot be reliably estimated the revenue is shown only to the extent of contract costs incurred and which can probably be recovered.
When it is likely that the total costs of the contract exceed the total revenue form the contract, the expected total loss is shown immediately as a cost.
Contract revenue is shown in relation to the stage of completion of the contract activity, using the “percentage of completion” criterion and cost to cost method, which is a ratio of the costs incurred for

work completed up to the date in question and the total estimated contract cost.
Contract works are shown in the net assets/liabilities statement as follows: the sum due from the contractor is entered as an asset, in the unsold stock section, when the costs incurred plus the relevant margin, minus any losses, exceed any payments on account received.

Trade receivables and other short term assets
Receivables that expire within normal commercial time limits or that earn interest at market values, are not discounted back and are entered at nominal value net of any devaluation, shown as a direct deduction of the same receivables to bring their value to the presumed realisation value.
Receivables are entered at their presumed realisation value that approximates the amortised cost, if this is expressed in another currency, the currency value is calculated at the end of the financial period.
The Group has also undertaken to relinquish some assets on a pro solvendo, with recourse, basis which are accountable according to Italian principles, but subsequently adjusted according to and for the effects of IAS 39 with reference to their elimination from the balance sheet.
Moreover, the quota of common costs and revenue shared between two or more years are entered in this balance sheet to reflect the time proportion principle correctly.
The operations of relinquishing credits, are both pro solvendo, with, or pro soluto, without recourse, the with recourse ones include deferred payment clauses. This type of operation does not satisfy the requisites of AIS 39 for eliminating assets form the balance sheet, until the relative risks and benefits have been transferred.
As a result of this, all credits relinquished with recourse that do not respect the IAS 39 elimination requirements remain entered on the Group balance sheet, even if they have, for legal purposes, been relinquished.

Liquid assets
Liquid assets are represented by short term investments, with an original maturity date of less than 3 months, easily convertible into considerable sums of money and not subject to a relevant risk of variation from fair value, other high liquidity short-term assets, with an original expiry date of less than 3 months and current account

overdrafts. These overdrafts, for the purposes of the financial statement, have been included as current financial liabilities.

NET LIABILITY STATEMENT:

- *Capital stock issued*
  This item is represented by the subscribed and paid-up capital stock, entered at nominal value. The buy-back of own shares, valued at cost inclusive of additional expenses is entered as an adjustment to net liabilities and the own share buy-back leads to a reduction, by nominal value, of the capital stock and a reduction of the reserve by an amount equal to the difference between the costs incurred in the buy-back and the nominal value.
- *Share premium:*
  This item recognises the issue premium attached to the shares over their nominal value, and this reserve also shows the differences arising from the conversion of bonds to shares
- *IAS Reserve*
  These items recognise fair value adjustments, net of tax, of the items accounted for in net assets.
- *Other reserves*
  These items include capital reserves with a specific destination within the parent company
- *Profits (losses) carried forward*
  These items include economic results from previous business years that have not been distributed as dividends, earmarked as reserve, in the case of profits, made good if losses, and transfers from other reserves when the commitment for which they were set aside no longer exists.

Financing
These items are initially entered at the cost on the day they were raised, which is equal to the fair value of the sum received net of any additional acquisition expenses. Subsequently financing items are valued according to the amortised value using the effective interest method.

Employee benefits
- *Short term benefits*
  Short term employee benefits are entered in the profit and loss account for the period in which the employees work for the company.

- *Defined benefit plans (Post-employment benefits)*
  The company pays its employees certain benefits after completion of employment: TFR (severance pay) for Italian companies and retirement pension for overseas companies. These benefits are designated defined benefit plans, being characterised by the existence and accumulation of certain sums whose eventual value is not certain. The liability is calculated, by a qualified actuary, using the IAS 19 "projected unit credit method" in which the current value of the benefit an employee will receive on the estimated date employment ceases, using demographic actuarial assumptions, such as death and staff turnover rates, and financial assumptions, such as discount rates and future salary increases, The total sum of an employer's defined benefit obligations are calculated annually by an independent external actuary. Actuarial gains and losses are entered in full in the profit and loss account for the business year in question. The Group has not resorted to using the "corridor method".
- *Defined contribution plans*
  The Group participates in defined contribution pension plans. Payment of the contributions absolves the Group from any further obligations to its employees. The contributions constitute costs for the period in which they are due.

Risk and expense funds, potential assets and liabilities

Risk and expense funds (provisions) represent potential liabilities whose amount and/or timing is uncertain, originating from past events, for which economic resources must be committed. Provisions apply exclusively to current, legal or implicit obligations originating from past events for which on the balance sheet closure date a reliable estimate can be made for amount required to meet the obligation. The sum shown as a provision is the best estimate of the expenditure required to settle the obligation on the balance sheet date. Provision funds are re-estimated at the end of every accountancy period within the year and adjusted according to the best estimate.

When the expenditure outlay relative to the obligation occurs beyond the normal payment period, the provision is represented as the total current value of expected future payments to settle the obligation.

Potential assets and liabilities are not entered in the balance sheet, but disclosure is still required.

Taxes

Current taxes are calculated on the basis of the yearly taxable income, taxed according to current legislation and rates on the balance sheet date.

Deferred tax is calculated for all the provisional differences that arise between the taxable value of an asset and its relative value in the balance sheet. Deferred tax is calculated using the tax rates estimated to apply for the business years in which the differences will be realised or paid off.

Current taxes are entered in the profit and loss account, with the exception of those that are directly debited or credited in the assets/ liabilities statement.

Assets taxable in advance, in terms of consolidation and the temporary differences between taxable results and the results drawn from company balance sheets used for consolidation, are recognised in terms of the likelihood that future taxable revenue will be available against that which they can be recovered.

Derivative Instruments

The Trevi Group has adopted a group derivatives policy. Variations in fair value differ according to the designation of the derivative instruments (speculative or cover) and the nature of the risk covered (fair value hedge or cash flow hedge).

The variations in fair value contracts are entered directly into the profit and loss account.

For fair value hedges, the fair value variations on the hedging instrument and the corresponding fair value variations on the hedged item, independently of the valuation criterion adopted for this, are entered in the profit and loss account.

In the case of cash flow hedges, the ineffective portion of the fair value variation, on the part of the hedging instrument that is effective, is removed from the net assets statement and transferred to the profit and loss account. Variations entered directly in net assets are transferred to the profit and loss account in the business year or years that hedged item affects profit and loss.

Risk Management

- *Credit risk:*
  The nature of the Group's activity, divided among different sectors, with production units spread out a variety of geographic areas, with plant and equipment products sold in a wide range (80) of very diverse countries does not present a concentration of credit

risk originating from a small number of clients or countries of sale, on the contrary, credit risk exposure is spread over a large number of businesses and clients. Credit risk associated with normal commercial operations is monitored both by the individual company involved and the Group financial management.
The mechanical engineering division of the group sells the majority of its products overseas and uses the financial instruments available on particular countries' markets to cover credit risk, in particular the letter of credit. The division dealing with foundation-laying and services for large civil engineering projects uses the instruments of payment in advance, letters of credit, SACE S.p.A works policies and buyer's credits.

- *Liquidity risks:*
  Liquidity risk is the risk that available financial resources may be insufficient to offer obligations due for settlement. At the present moment, the Group maintains that, with the cash flows generated, the wide diversification of sources of finance and the availability of lines of credit in the forms necessary to carry out its business activities, it has sufficient access to sources of funds to satisfy all its programmed financial needs. During the 2005 business year, the amount of medium and long term financial debt increased significantly, through the contracting of a number of different operations with different expiry dates, up to eight years, and with different banking partners.
- *Foreign Exchange Risks:*
  Foreign exchange risk is the risk that currency exchange rates may change for the negative in the intervening period between when the exchange rate was established, or at the time of a transaction when future payments will be made or received in foreign currency, and the date when those payments are due for receipt or payment, when the exchange rate change can affect both revenue and costs. The Group's exposure to foreign exchange rate risks originates from its operations in a large number of different countries using currencies other than the euro, in particular the US dollar. The measures taken to combat such risks are in the form of hedge accounting because they offer high levels of probability against future transactions. The Group regularly revises its exposure to such risks, by correlating cash flows in the same currency, but also contracting advance commercial financing in the same currency as the sales contract, making sales in the particular currency and using derivatives as financial instruments. The Group does not use speculative

instruments to cover foreign exchange risks for its own business activities, however, when derivative financial instruments are not sufficient to meet the predicted conditions for accounting for the instruments of cover required by IAS 39, their fair value variations are accounted for in the profit and loss account as financial costs/ revenue.

- *Interest rate risk:*
  The interest rate risk is the risk that financial costs will increase following the effect of raised of interest rates on variable rate payments. The aim of interest rate risk management is to limit and stabilise negative cash flows from the interest paid on financing. This is achieved by contracting operations in derivative financial instruments to cover specific medium and long term financing operations, over a time period not greater than the expiry date of the particular financing operation, using mainly rate swap and collar contracts. The Group does not use speculative instruments to cover interest rate risks for its own business activities, however, when derivative financial instruments are not sufficient to meet the predicted conditions for accounting for the instruments of cover required by IAS 39, their fair value variations are accounted for in the profit and loss account as financial costs/revenue.

Debts

Debts are entered at their presumed settlement value, approximate to the amortisation cost. If these are expressed in foreign currency they are expressed at the exchange rate for the end of the accounting period.

Guarantees and potential laibilities

Commitments taken on, guarantees offered, rewards received and deposited in various ways are entered at nominal value.

PROFIT AND LOSS ACCOUNT:

Revenue and costs

Revenue is recognised and entered according to the probable economic benefits it confers, provided the relevant sums can be reliably determined. Revenue from the sale of products is entered at the moment that risks are transferred, which normally happens with despatch. Revenue from contacted work is determined on the basis of the stage of completion, as previously explained.

Costs are assigned according to the same criteria as those for

income and always according to the time-proportion principle.

Financial revenue and costs

Financial revenue and costs are entered in the profit and loss account on the basis of the time proportion principle taking account of effective applicable interest.

Dividends

Dividends arise when shareholders are entitled to payments, normally decided when the general shareholders' meeting votes to distribute dividends.

When dividends are paid out to shareholders these are entered as a cost in the account during the period in which the shareholders' meeting decision was made.

Taxes on business revenue

Revenue taxes shown in the profit and loss account include deferred tax. Revenue taxes are normally shown in the profit and loss account, except where these are to be paid on an item accounted for in the net assets/liabilities statement. In this case the revenue tax is entered directly in the net assets/liabilities statement.

Current taxes are those that the company expects to pay during the business year, calculated on the basis of the yearly taxable income, taxed according to current legislation and rates on day the account was drawn up.

Deferred tax is calculated using the "liability method" based on the temporary differences between the value of the assets and liabilities in the consolidated balance sheet and the tax-base values attributed to them. Deferred taxes are calculated on the basis of the current legislation in force when the asset or the liability was settled.

Deferred tax assets are recognised as such only when subsequent business years will generate sufficient taxable revenue to settle the deferred tax.

Earnings by share

The earnings by share base is calculated by dividing the share of the Group profit attributable to ordinary shareholders by the average weighted average number of ordinary shares outstanding, excluding any own shares.

Criteria for conversion of foreign currency items

Credits and debits expressed in currencies other than the euro

are first converted into euro at the time the particular operations occurred.
Differences realised when the credited item is received or the cashed or the payment of a debit in foreign currency is paid, being entered in the profit and loss account at that time.
Assets and liabilities expressed in foreign currency, with the exception of tangible and intangible fixed assets and shareholdings, are adjusted for the exchange rate applicable at the end of the business year and any exchange-rate-related profits or losses must be entered in the profit and loss account.
Sales/purchasing contracts in foreign currency are established to cover the risks of currency fluctuations. For accounting purchases, overseas subsidiaries of the controlled company Trevi S.p.A. keep two separate sets of books one in the euro and one in the operating currency in a multiple currency system. At the end of the business year, the foreign currency accounts are converted into euro using the exchange rate applicable on 31 December, published in the Gazzetta Ufficiale della Repubblica and any differences are accounted for in the profit and loss account.

Exemptions and exceptions to IFRS 1
In order to present the current situation and the relevant comparative data, the accounting principles explained in the preceding paragraphs have been applied retroactively other than in cases where the IFRS permits exemptions and exceptions to the retroactive rule. The exceptions adopted by the Group are set out in the table below.

Permitted exemption	Group Choice
Business combinations, acquisition of interests in associated companies and joint ventures	The Group has decided to take up the retroactive exemption option for IFRS3 for business combinations and the acquisition of interests in associated companies and joint ventures when these occurred before 1 January 2004.
Fair value entry of tangible assets	The Group has decided to take up the option to use fair value as a substitute for cost for some land, and industrial equipment, to which a determined value has been assigned by independent experts with reference to the transition date.
Employee benefits	The Group has decided not to take up the "corridor" option for defined benefit plans therefore the actuarial gains/losses, independent of the exemption permitted by the IFRS, were entered in full on the transition date together with the entry in the net assets/liabilities statement.
Compound financial instruments	The Group has no compound financial instruments.
Transition from controlled/associated company to joint venture	Not applicable to this consolidated balance sheet
Adaptation of comparative information on financial assets and liabilities	The Group has decided to apply IAS 32 and 39 from the transition date.
Designation of financial instruments already shown	The Group has decided to apply IAS32 and 39 from the transition date.
Stock options	There are no stock option plans.
Insurance contracts	Not applicable to the Group.
Changes to liabilities through demolition, restoration and similar liabilities	The Group has no liabilities through demolition or restoration or similar liabilities.

The accounting principles applied to the assets/liabilities statement on the opening date 1 January 2004 have been uniformly applied to the assets/liability statements and profit and loss account for the 2005 business year and to the comparative data for 2004, including those relevant to the disclosure, classification and value calculations for assets and liabilities laid down in IAS 32 and IAS 39).
The effects of the adoption of the IFRS system are shown as in the initial asset/liability statement under the IAS reserve.

Clarification of methods used for estimates

Drawing up consolidated balance sheets requires accounts professionals to apply accounting principles and methods that, in some cases, are based on difficult and subjective valuations and estimates based on historical experience and assumptions that should at all times be considered reasonable and realistic according to their relative circumstances. The application of such estimates and assumptions influences the sums entered on balance sheets, affecting the values of assets, liabilities, profits, losses, items on the financial statements and disclosures. The final results in the balance sheet for which these estimates and assumptions were

used can differ from the sums originally entered because of the level of uncertainty inherent in assumptions and the conditions the estimates are based on.
As a consequence of this, those balance sheet items for which a great degree of subjectivity is involved when accountants are preparing estimates are listed below. These items, for which changes in the conditions underlying the assumptions can have a significant effect on the consolidated balance sheet of the group, are listed below.

- Devaluation of fixed assets
- Contract work in progress
- Development costs
- Deferred tax assets
- Provisions for credit risks
- Employee benefits
- Provisions for risks and costs

RECENTLY ISSUED ACCOUNTING PRINCIPLES

Regulations no. 1910/2005; 2106/2005 and 108/2006 issued by the European Commission over the period November 2005 - January 2006, ratified some modifications and additions to the international accounting principles The particular modifications/additions refer to the following principles.

IAS 19 EMPLOYEE BENEFITS

The modification to IAS 19 essentially confirms the option relating to recognition of actuarial gains and losses for the whole sum over the period in which these are shown as a specific reserve in the net assets/liabilities statement.

IAS 39 FINANCIAL INSTRUMENTS:
RECOGNITION AND MEASUREMENT

IAS 39 has been integrated for cash flow hedge operations for exchange risks to take account of its being able to qualify as a instrument to cover expected and highly probable transactions made within a single group, provided that these transactions:

- Are nominated as being a functional currency other than the functional currency of the company that instigated the operation.
- The effects of the exchange risk exposure is shown in the consolidated profit and loss account.

The IAS 39 modification also involves the criteria for recognition and measurement of financial guarantees. In particular, this states that financial guarantees should be recognised from their date of issue

as liabilities at market value and subsequently valued according to the risk of benefit of discussion arising, as the greater of:

- The best estimate of the costs to be sustained for settlement of the obligation
- The sum originally recognised reduced by the sum of the premiums received

IFRS 7 FINANCIAL INSTRUMENTS: OTHER ISSUES IAS 1 PRESENTATION OF FIANCIAL STATEMENTS:

L'IFRS 7 establishes the information to be provided in the accompanying notes on financial instruments and on the exposure to risk and the financial risk management objectives and policy of the company. The provisions of IFRS 7 include some information currently provided by IAS 32 "Financial instruments, disclosure and presentation".

Moreover, with the modification to IAS 1, the company is required to indicate the objectives, policy and procedures for the company's capital management..

IFRIC 4 DETERMINING WHETHER AN AGREEMENT CONTAINS A LEASE:

The provisions of IFRIC 4 indicate the criteria to adopt in order to determine whether an agreement, even if it does not take the explicit form of a lease, conveys a right to use an item for an activity in exchange for a payment, or series of payments.

In particular, to determine whether an agreement is, or contains a lease, the company must focus on the substance of the operation to see if the agreement:

- Provides explicitly or implicitly for the use of an item (or a collection of items) without which one of the parties to the agreement would be unable to fulfil the obligations of the contract;
- Transfers the right to use the said assets.

IFRIC 5 RIGHTS DERIVED FROM PROFITS IN FUNDS FOR DECOMMISSIONING, RESTORATION AND ENVIRONMENTAL REHABILITATION:

The provisions of IFRIC 5 define the criteria for accounting for and valuation of contributions to funds set up for decommissioning operations exhibiting the following features:

- The assets of the fund are owned and administered by a separate legal entity from the contributing company
- The contributing company has a limited right of access to the

fund's assets.
The contributing company accounts separately for its obligations to pay decommissioning costs and its own interest in the fund. In cases where the interest in the fund is such as to allow it to exercise control, significant influence or joint control of the fund, the profit from the fund is shown, respectively as a controlled, associated or joint venture.

The provisions of the modifications and additions to the international accounting principles take effect from 1 January 2006 and for IFRS 7 from 1 January 2007.
At the moment, the Trevi Group is analysing these principles and evaluating whether their adoption will have a significant impact of the balance sheet.

COMMENT ON THE PRINCIPAL ASSET CAPTION

NON-CURRENT ASSETS

(1) Tangible fixed assets:

Tangible fixed assets on 31 December 2005 amounted to 168,190 thousand euro, an increase of 13,930 thousand euro on the previous business year.
Movements relative to the 2004 and 2005 business years are summarised in the table below:

2004 Movements:

Description	Balance as of 12/31/03	Increases	Decreases	Depreciation	Decrease in the reserve	Other changes changes	Exchange differences differences	Balance as of 12/31/04	Accumulated deprec. as of 12/31/04
Lands	8,950		(695)			(356)		7,899	
Buildings	31,408	144	(659)	(799)	338	(367)	(184)	29,881	(6,159)
Plant and machinery	74,276	10,371	(3,232)	(9,172)	5,317	1,450	(2,712)	76,298	(51,264)
Industrial and commercial equipment	12,098	8,817	(2,861)	(2,369)	2,564	198	(222)	18,225	(13,460)
Other assets	23,383	4,376	(4,606)	(3,756)	2,781	(1,458)	(259)	20,461	(10,140)
Assets under construction and advance payments	215	1,561	(270)			6	(16)	1,496	
TOTAL	**150,330**	**25,269**	**(12,323)**	**(16,096)**	**11,000**	**(527)**	**(3,393)**	**154,260**	**(81,023)**

In the year 2004 the increase in tangible fixed assets could be attributed to the consolidation of the "Rodio Branch" on the basis of the provisions of IAS 27 and IFRS 3 and they were non consolidated in the official budget of Trevi S.p.A. because they did not meet the conditions. The purchase account was allocated provisionally, as set out in IFRS 3, for equipment at 5,046 thousand euro. The remaining investments in the 2004 business year, amounting to 19,863 thousand euro, refer to the acquisition of machinery and equipment functional to the contracts set up in the 2004 business year.

2005 Movements 2005:

Description	Balance as of 12/31/04	Increases	Decreases	Depreciation	Decrease in the reserve	Other changes	Exchange differences	Balance as of 12/31/05	Accumulated deprec. as of 12/31/05
Lands	7,899					48		7,947	0
Buildings	29,881	1,800	(1,015)	(1,461)	439	(527)	458	29,575	(8,069)
Plant and machinery	76,298	8,961	(1,204)	(9,599)	4,439	5,359	6,161	90,415	(64,187)
Industrial and commercial equipment	18,225	3,623	(5,034)	(2,886)	4,180	(4,928)	955	14,135	(14,703)
Other assets	20,461	3,685	(1,402)	(4,849)	1,868	2,675	1,873	24,311	(14,171)
Assets under construction and advance payments	1,496	1,906	(535)	0	0	(1,145)	85	1,807	0
TOTAL	**154,260**	**19,975**	**(9,190)**	**(18,795)**	**10,926**	**1,482**	**9,532**	**168,190**	**(101,130)**

The gross increase for the period, totalling 19,975 thousand euro, is partly attributable to the purchase of machinery functional to the contracts set up over the course of 2005, including notably, the start-up of major new construction sites in the United Arab Emirates, Italy, Africa and in Venezuela.
Reductions amounting to 9,190 thousand euro refer mainly (7,640 thousand euro) to the normal replacement of plant and machinery.
For some tangible fixed assets, the Group opted for the application of "fair value as deemed cost", as permitted under IFRS1. In particular for some specific land, buildings and plant, on the transition date, the current value was calculated by independent professional valuers, in order to divide the value of land previously included in "land and buildings" and subject to amortisement. The net effect on the year 2005 result was a negative impact of 683 thousand euro, principally due to amortisation calculated on the new higher valuations, partly compensated for by lower amortisements derived from the

modification of the amortisements plans, redefined in terms of the remaining useful life established by the valuers.
Among the other decreases in the buildings section, is the sum of 368 thousand euro, relative to the loss of value of the premises of the controlled company Far East Ltd which was entered in the profit and loss account among operating costs, the loss in value being the result of an independent professional valuer who stated that this asset had a current market value lower than the accountable value at which was entered in the balance sheet. A further decrease 769 thousand euro referred to the sale of part of the premises of the controlled company Soilmec Branham Inc.
Some fixed assets became the subject of mortgages following financing received and are shown in the entry.
Differences in conversion from historical rates to those applicable on 31 December 2005 generated profits from the conversion of the value of tangible fixed assets into euro.

(2) Intangible fixed assets:

Intangible assets on 31 December 2005 amounted to 4,055 thousand euro, an increase of 263 thousand euro on 31 2004 . Movements for the years 2004 and 2005 can be summarised as follows:

2004 Movements:

Description	Balance as of 12/31/2003	Increases	Decreases	Amortization	Exchange differences	Historical costs as of 12/31/2004	Accumulated amortiz.as of 12/31/2004	Balance as of 12/31/2004
Deferred development costs	1,378	751		(437)	26	3,653	(1,935)	1718
Industrial patents and intellectual	729	236		(366)	(19)	2,366	(1,786)	580
Concessions, licenses and trademarks	1	339		(9)	29	456	(96)	360
Goodwill	46			(46)				0
Consolidation differences								0
Deferred costs and payment on account	65	4				69		69
Other intangible fixed assests	588	896		(554)	135	2,974	(1,909)	1,065
TOTAL	**2,807**	**2,226**	**0**	**(1,412)**	**171**	**9,518**	**(5,726)**	**3,792**

Development costs on 31 December 2004 amounted to 1,718 thousand euro, increments equal to 751 thousand euro were incurred by the controlled company S.p.A. for the development of new technologies and equipment for the foundation-laying sector. These entries met the IAS 38 requirements and were capitalised and subsequently amortised from the beginning of production and for the average economic lifetime of related products. The change in this valuation criterion had a positive impact on the net of amortisements and a relative fiscal effect of 329 thousand euro.
Among the increases under the heading: Concessions, licenses, brands and similar rights, 300 thousand euro were attributable to the consolidation of the "Rodio Branch" which, during the 2004 business year, had not been consolidated in the balance sheet, drawn up according to the Italian Civil Code, of the controlled company Trevi S.p.A.. and which, on the basis of the accounting procedure followed in 2004, did not meet the conditions. The purchase account for the brand had been allocated on a temporary basis, as prescribed by IFRS 3.
Following definitive acquisition, the brand value was estimated at 500 thousand euro, the difference for the purchase account of 200 thousand euro was capitalised over the course of the 2005 business year.

2005 Movements:

Description	Balance as of 12/31/2004	Increases	Decreases	Amortization	Exchange differences	Historical costs as of 12/31/2005	Accumulated amortiz.as of 12/31/2005	Balance as of 12/31/2005
Deferred development costs	1,718	1,541	(72)	(771)	25	5,566	(3,125)	2,441
Industrial patents and intellectual	580	246		(343)	11	2,612	(2,118)	494
Concessions, licenses and trademarks	360	247		(66)		676	(135)	541
Goodwill	0							0
Consolidation differences	0							0
Deferred costs and payment on account	69		(69)					0
Other intangible fixed assests	1,065	499		(528)	93	3,655	(3,076)	579
TOTAL	**3,792**	**2,533**	**(141)**	**(1,708)**	**129**	**12,509**	**(8,454)**	**4,055**

The net value of development costs on 31 December 2005 amounted to 2,441 thousand euro, the increments equal to 1,541 thousand euro refer to the capitalisation costs for the development of technologies and equipment for the foundation-laying sector and for well drilling. The increases were apportioned as follows: for Soilmec S.p.A. 994 thousand euro and for the controlled company Drillmec S.p.A 547 thousand euro.
Those costs that met the IAS 38 requirements, were therefore capitalised and subsequently amortised from the beginning of production and for the average economic lifetime of related products.
The change in this valuation criterion had a positive impact on the net of amortisements and a relative fiscal effect of 508 thousand euro.
The total sum of recurring research and development costs sustained over the course of 2005 were debited to the profit and loss account at 3,979 thousand euro.

For patent costs, the net decrease amounted to 86 thousand euro, attributable to:

- Capitalisation of 246 thousand euro mainly due to user licences for technical design software programmes used by companies in the Soilmec Division (74 thousand euro), and to the costs incurred in 2005, for the purchase of new corporate software by the parent company to facilitiate management of the integrated payments system in the Trevi Group (83 thousand euro) and the controlled company Trevi S.p.A. at 89 thousand euro.
- Amortisements and exchange asset differences accounted for respectively 343 and 11 thousand euro.

The net increase in items under the heading concessions, licenses and brands amounting to 181 thousand euro is principally attributable to:

- Consolidation into the balance sheet of the controlled company Trevi S.p.A. of the “Rodio Branch” at 200 thousand euro and at 35 thousand euro, the above-mentioned software licences for the parent company for the integrated group payments management system.
- Amortisements equal to 66 thousand euro.

Other intangible fixed assets on 31 December 2005 amounted to 579 thousand euro, of which 524 thousand euro were accounted

for by the capitalisation of costs incurred for the new offices of the controlled company in Nigeria.

(3) Investment property:

These amounted to 183 thousand euro and there were no changes during the year. The Trevi S.p.A., arm of the Group holds property and buildings in Argentina that are valued at the amortised cost.

(4) Investments:

Shareholdings amounted to 984 thousand euro, a reduction of 78 thousand euro on the previous year.
There follows a summary of the shareholding operations carried out in 2005:

Description	Balance as of 12/31/04	Increases	Decreases	Revaluations	Write-downs	Other Move-ments	Balance as of 12/31/05
Associated companies	115				(110)	(3)	2
Other companies	947	32				3	982
TOTAL	**1,062**	**32**	**0**	**0**	**(110)**	**0**	**984**

The devaluation of 110 thousand euro refers to Trevi Contractors Singapore Ltd valued by the net asset method.
Attachment 1a gives the list of holdings in associated companies, attachment 1c lists the holdings in directly and indirectly owned companies, also indicating the registered offices, capital stock, quotas of capital possessed and the value of these entered in the balance sheet.

(5) Deferred income tax assets:

These items, on 31 December 2005, added up to 3,509 thousand euro, an increase of 631 thousand euro on the previous year, details for individual companies are as follows:

Description	31/12/05	31/12/04	Changes
TREVI-Finanziaria industriale S.p.A	443	86	357
Trevi S.p.A.	1,330	186	1,144
Trevi Foundations Nigeria	0	745	(745)
RCT SrL	78	0	78
Pilotes Trevi Sacims	0	61	(61)
Trevi Algeria Eurl	0	464	(464)
Trevi Filippine	104	21	83
Wagner LLC	0	100	(100)
Soilmec S.p.A.	889	633	256
Drillmec S.pA.	665	571	94
Altre	0	11	(11)
TOTAL	**3,509**	**2,878**	**631**

The balance for the year 2005 is made up mainly of receivables for indirect taxes due to temporary differences arising from the 2,361 thousand euro consolidation operation and the remaining 1,148 thousand euro relates to the controlled company Trevi S.p.A. at 550 thousand euro for deferred tax assets generated by the capital gains realised from lease-back operations entirely written off in consolidation, relating to the parent company at 348 thousand euro for non-tax-deductible losses on non realised exchange and finally, it relates to Drillmec S.p.A. at 123 thousand euro for non-tax-deductible losses on non-realised exchange.

(6) Other financial assets:

Credits against others on 31 December 2005 amounted to 1,757 thousand euro, mainly referring to credit against the state Revenue Agency for pre-payments of tax on severance pay (TFR) and cautionary deposits.

Description	12/31/05	12/31/04	Changes
Receivables from associates company	87	269	(182)
Tax authorities for advances on termination indemnities	213	293	(80)
Guarantee deposits	1,372	285	1,087
Other	85	89	(4)
TOTAL	**1,757**	**936**	**821**

The increase in cautionary deposits is mainly attributable to for Trevi S.p.A. against failure of Rodio, at 1,060 thousand euro. These

deposits do not attract interest and since they are recoverable in a short time, they have not been back discounted.

(7) Trade and other long-term receivables:

Commercial credits and other long-term assets on 31 December 2005 amounted to 7,644 thousand euro.

Description	12/31/2005	12/31/2004	Changes
Trade receivable	5,662	1,784	3,878
Other receivable	77		77
Accrued income and prepaid expenses	1,905	1,441	464
TOTAL	**7,644**	**3,225**	**4,419**

Credits against clients concern commercial credits with an expiry date of over one year, worth 1,744 thousand euro, related to the controlled company Swissboring Overseas Piling Corporation, and worth 3,918 thousand euro related to the controlled company Soilmec S.p.A.
The commercial credits in existence on the transition date and subsequent periods have been back discounted in order to represent the current value of future receipts and payments. The back-discount rate applied was 2.35%, equivalent to a triple A bond.

Credits against others worth 50 thousand euro relate to the parent company's credit against Central Bank of Nigeria, as a refund in the form of a re-entry plan with the appropriate accrual of interest.
The increase in accruals and payables worth 464 thousand euro refers to advance payments of rent by Trevi Foundations Nigeria for their premises at Port Harcourt., the remaining 47 thousand euro is for increased payments by Soilmec S.p.A. following the Sabatini Law.

Own shares:
Own shares were previously shown in the balance sheet drawn up according to Italian accountancy principles as a fixed asset valued at cost; according to the requirements of the Italian Civil Code (Article 2359) and the CNCDR principals, this item was entered under in net assets as a reserve for a sum equal to the value of the own shares acquired. The relative effects of the of the own share market transaction are shown in the profit and loss account.

	Number of own shares	Own share reserve pre-transition	Unit purchase price
Balance on 01/01/04	**1,338,726**	**1,773,041**	**1.324**
No. own shares purchased	52,600	59,950	1.140
No. own shares sold			
Balance on 31/12/04	**1,391,326**	**1,832,991**	**1.317**
No. own shares purchased			
No. own shares sold	(1,391,326)	(1,832,991)	
Balance on 31/12/05	**0**	**0**	**0.00**

In compliance with IAS32, the transition to international accounting standards requires the following:

- reclassification of the net asset reserve as "Reserve for own shares in portfolio", re-entering the "Share Premium Reserve", augmented by 2,125 thousand euro
- a reduction of the capital stock by 669 thousand euro, equal to the nominal value of the own shares in the portfolio
- the share premium, acknowledged by the vendor of the shares, should be entered as a reduction of the IAS Reserve, at a value of 1,456 thousand euro.

During 2005 all the Group's own shares held by the parent company and the controlled company Trevi S.p.A. were sold on the market, with the result that the net capital gains registered between the financial proceeds in the consolidated balance sheet were offset for 790 thousand euro (862 thousand as a capital gain and 72 thousand as a capital loss), creating a positive impact on the IAS reserve of 625 thousand in the IAS reserve and 472,000 euro in other reserves.

CURRENT ASSETS

(8) Inventories

This item that, on 31 December 2005, amounted to 120,282 thousand euro is made up as follows:

Description	12/31/2005	12/31/2004	Changes
Raw, ancillary and consumable materials	51,424	38,786	12,638
Work in process and semi-finished products	5,090	4,035	1,055
Contract work in progress	38,495	33,681	4,814
Finished products and goods for resale	22,319	15,016	7,303
Advances	2,954	406	2,548
TOTAL	**120,282**	**91,924**	**28,358**

The overall increase in unsold stock, compared with 31 December 2004, worth 28,358 thousand euro is largely due to the Mechanical Engineering Division following an increase in production of equipment to be despatched during 2005, the result of strong growth in the business volumes of Soilmec S.p.A. and in the drilling sector.
The stock turnover rate is as follows:

	2005	2004	2003
Stock turnover Ratio (expressed in days)	86.23	91.25	80.88

(9) Trade and other short-term receivables

The total sum on December 2005 was 192,961 thousand euro, made up as follows:

Descrizione	12/31/2005	12/31/2004	Changes
Due from customers	146,647	115,593	31,054
Due from associated companies	11,145	8,617	2,528
Due from the tax authorities	9,509	6,141	3,368
V.A.T receivable	12,246	3,829	8,417
Due from third parties	9,561	8,956	605
Accrued income and prepaid expenses	3,853	3,911	(58)
TOTAL	**192,961**	**147,047**	**45,914**

As described in the accounting principles, the item receivables against clients is net of any receivable given during factoring operations. On 31 December 2005 the group offered pro soluto (without recourse) receivable to factoring companies worth a total of 11,494 thousand euro; trade receivables and payables in existence on the transition date and in subsequent periods were back-discounted in order to represent the current value of future receipts and payments. The back-discount rate applied was 2.35% (equivalent to a triple A bond). The effect on net assets for 2005 was negative by 143 thousand euro.

The increase in I.V.A. (V.A.T.) receivables was principally attributable to the controlled company Drillmec S.p.A. at 5,135 thousand euro due to the fact that the major part of its active operations were not subject to IVA, to Trevi S.p.A. at 1,306 thousand euro, mainly due to notes of IVA variation from the consortium Porto di Messina S.c.a.r.l., due to the consortium Bordo Secco, at 936 thousand euro, and to Petreven Ute Argentina at 873 thousand euro, in connection with imports of plant and machinery.

Receivables against clients are net of the credit devaluation fund worth 9,170 thousand euro. The movements of that fund are as follows:

Description	Balance as of 31/12/04	Provisions	Utilizations	Other changes	Balance as of 31/12/05
Allowance for doubtful accounts – due from customers	7,848	2,088	(922)	74	9,088
Allowance for interest on arrears	154		(72)		82
TOTAL	**8,002**	**2,088**	**(994)**	**74**	**9,170**

The amortisement of 2,088 thousand euro is substantially in line with the relative provision of 2,189 thousand euro of the previous year.

Accruals and payables

This item consists mainly of accruals detailed as follows:

Description	12/31/2005	12/31/2004	Changes
Insurance	333	657	(324)
Lease installments on buildings and equipment	321	149	172
Discounts (Sabatini Law)	237	300	(63)
Other	2,962	2,805	157
TOTAL	**3,853**	**3,911**	**(58)**

(10) Fiscal assets for current taxes

Tax receivables against the Revenue Agency were largely represented by receivables for indirect taxes and tax receivables, the most significant sums are:

Description	12/31/2005	12/31/2004	Changes
Receivables from Income tax	9,187	5,873	3,314
Other receivables from Tax Authorities	322	268	54
TOTAL	**9,509**	**6,141**	**3,368**

The apportioning of receivables by geographic area on 31 December 2005 were as follows:

Descriptions	Italy	Europe (exluding Italy)	U.S.A. and Canada	South American countries	Africa	Middle East	Far East	Total
Due from customers	76,898	1,993	17,704	10,980	9,622	26,136	3,313	146,646
Due from associated companies	10,467		93	585				11,145
Due from the tax authorities	13,636	114	247	4,878	2,674		206	21,755
Deferred tax assets								0
Due from third parties	7,172	54	343	1,064	343	435	151	9,562
Accrued and deferred income	2,605	13	337	536	76	242	44	3,853
TOTAL	**110,778**	**2,174**	**18,724**	**18,043**	**12,715**	**26,813**	**3,714**	**192,961**

Receivables against associated companies were manly in the form of the commercial relationship between the controlled company Trevi S.p.A. and its own market-regulated consortia. The most significant sums on 31 December 2005 were as follows:

Description	12/31/05	12/31/04	Changes
Porto di Messina S.c.a.r.l.	578	309	269
Consorzio Principe Amedeo	387	387	0
Consorzio Trevi Adanti	339	735	(396)
Filippella S.c.a.r.l	1,863	0	1,863
Consorzio Saitre	0	24	(24)
Trevi S.G.F. Inc. S.c.a.r.l.	3,410	1,774	1.636
Bormida S.c.a.r.l.	358	2,035	(1,677)
Profuro Lda	264	196	68
Consorzio Massingir Dam	1,069	171	898
Trevi Insaat Ve Muend.	1,118	1,125	(7)
Arge Baugrube Q110	339	339	0
Trevi Park PLC	330	330	0
Other	1,090	1,192	(102)
TOTAL	**11,145**	**8,617**	**2,528**

The variation in increase is principally the result of the new consortium Filippella S.c.a.r.l. set up for the road widening scheme on the main Catania-Siracusa provincial highway; the increase for Trevi SGF Inc. S.c.a.r.l is due to the earth-freezing operation necessary for some stations in the Naples Underground extension; the Massingir Dam consortium was set up for restoration work on the dam of the same name in Southerm Mozambique.
The item; other receivables is detailed as follows:

Description	12/31/2005	12/31/2004	Changes
Due from employees	480	446	34
Advances to suppliers	2,922	1,360	1,562
Other	6,159	7,150	(991)
TOTAL	**9,561**	**8,956**	**605**

The increase in the item: down-payments to suppliers is mainly due to the controlled company Soilmec S.p.A., at 671 thousand euro, 122 thousand of which was for currency adjustments, 549 thousand euro was for down-payments to suppliers for semi-finished products and the controlled company Trevi S.p.A. accounted for 706 thousand euro.

(11) Liquid funds

Financial assets not held as fixed assets:

Description	12/31/2005	12/31/2004	Changes
Own shares	200	200	0
TOTAL	**200**	**200**	**0**

Bank and postal deposits, cash and cash equivalents:
This item is made up of:

Description	12/31/2005	12/31/2004	Changes
Bank and postal deposits	50,368	33,778	16,590
Cash and cash equivalents	1,008	711	297
TOTAL	**51,376**	**34,489**	**16,887**

For an analysis of the background situation to the net financial standing of the Trevi Group and the main companies coming within the consolidation area, please see the management performance report and the comment on the financial statement.
Regarding the liquidity available to overseas based companies, it

should be noted that there are no restraints on its repatriation with the following exceptions: Argentina and Venezuela introduced exchange control regimes in respectively, 2002 and 2003. In Argentina this regime is being progressively relaxed and it is expected to be lifted altogether very soon. In Venezuela, is possible that, alongside the economic recovery in this country, the next few months will see a gradual lifting of the restrictions.

(12) Derivative financial instruments

The sum amounting to 5 thousand euro relates to fair value assets of an IRS considered, according to IAS 39, as not effective.

LIABILITIES AND STOCKHOLDERS' EQUITY

(13) STOCKHOLDERS' EQUITY

Statement of changes in consolidated stockholders' equity.

Description	Capital Stock	Share premium reserve	Legal reserve	Other reserves	IAS reserve	Cumulative translation adjustment	Profit (Loss) brought forward	Net income for the year	P.N.
Balance as of 31/12/2003	**31,331**	**34,708**	**3,607**	**4,956**	**13,494**	**-14,348**	**4,735**	**1,102**	**79,585**
Net income allocation			51	33			78	(162)	-
Dividends distribuited								(940)	(940)
Dividends not distribuited									0
Translation differences						(3,505)			(3,505)
Change in the scope of consolidation and other changes					(233)		(237)		(470)
Increase in the Capital Stock	(27)								(27)
Allocation company own share reserve									0
Net income for the year								2,555	2,555
Balance as of 31/12/2004	**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)
Dividends not distribuited									0
Translation differences						6,946			6,946
Change in the scope of consolidation and other changes		(353)		471	528		(126)		520
Increase in the Capital Stock	696								696
Allocation company own share reserve									0
Net income for the year								12,824	12,824
Balance as of 31/12/2005	**32,000**	**34,355**	**3,711**	**5,511**	**13,789**	**(10,907)**	**5,941**	**12,824**	**97,224**

- *Capital Stock:*
  amounting to Euro 32,000 thousand as of December 31, 2005, is represented by 64,000, thousand ordinary shares, fully subscribed and paid-in, par value of Euro 0.50 each.

- *Share premium reserve:*
  amounting to Euro 34,355 thousand as of December 31, 2005, a decrease of Euro 353 thousand compared with December 31, 2004 due to the use for "Reserve for company own shares".

- *Legal reserve:*
  Legal reserve is the part of profits that according to article 2430 of the civil code can not be distributed as dividends. Compared to December 31, 2004 the legal reserve increased by Euro 53 thousand due to 5% of the parent company's profits being destined to reserves in the financial year 2004.

- *Other reserves:*
  The reserve for retained earnings in the course of the financial year went from Euro 4,989 thousand to Euro 5,511 thousand with an increase of Euro 522 thousand of which Euro 51 thousand went to parent company's profits for 2004 financial year, as approved by the shareholder's meeting on May 13, 2005 and the remaining Euro 471 thousand related to sales of all its own shareholdings.

- *IAS reserves*
  This item allows for variations of fair value, after taxes, of the items calculated at fair value with stockholders' equity counterpart.

- *Cumulative translation adjustment:*
  This reserve is made up by the exchange differences of translating balance sheets denominated in non-Euro currencies into Euros; the revaluation of the US dollar versus the Euro had a positive effect of Euro 6,946 thousand on this reserve.

- *Profit (Loss) brought forward:*
  This item includes the business results of preceding financial years, for the part that was neither distributed nor put to reserve (in case of profits) or balanced (in case of losses), transfers of other asset reserves when freed from the bonds they were subjected to.

Reconciliation of stockholders' equity and net income for the year of the parent company, TREVI-Finanziaria Industriale S.p.A and the corresponding consolidated values of the Group.
Reconciliation between stockholders' equity and net consolidated income and stockholders' equity and net income for the year of the Parent Company, TREVI-Finanziaria Industriale S.p.A is the following:

Description	Capital and reserves	Net income for the year	Stockholders' equity af of 12/31/2005
TREVI-Finanziaria Industriale S.p.A	75,106	2,024	77,130
Adjustments for consistency with accounting policies	51,845	809	52,655
Elimination of intraGroup net income and losses	6,746	827	7,573
Elimination of intraGroup dividends and writedowns	(5,271)	(3,062)	(8,332)
Elimination of consolidated investments	(15,523)	0	(15,523)
Share of results of group companies	0	13,768	13,768
Amortization of the consolidation difference	0	0	0
Effect of valuation using the equity method	0	0	0
Deferred taxes	(13,627)	(667)	(14,294)
Translation differences	(10,907)	0	(10,907)
Stockholders' equity and net income for the year	88,369	13,699	102,068
Minority interests	3,969	875	4,844
Group stockholders' equity and net income for year	**84,400**	**12,824**	**97,224**

(NON) - CURRENT LIABILITIES

(14) Bank loans and other financing

Description	12/31/05	12/31/04	Changes
Due to banks	76,848	66,900	9,948
Due to leasing companies	17,736	22,621	(4,885)
Due to other providers of finance	760	765	(5)
Derivative financial instruments	188	162	26
TOTAL	**95,532**	**90,448**	**5,084**

Amounts due to banks, broken down by maturity, can be summarized as follows:

Description	1- 5 years	> 5 years	Total
Due to banks	73,098	3,750	76,848
TOTAL	**73,098**	**3,750**	**76,848**

It should be mentioned that some loans are guaranteed with respect to certain covenant indexes calculated on the consolidated financial statement. As of December 31, 2005 these covenants have been fully respected.
Debts towards other financiers, essentially like those of the previous year, amount to Euro 760 thousand and are mainly owed by the subsidiary Soilmec S.p.A.
Financial derivatives were Euro 188 thousand, an increase of Euro 26 thousand on the previous year, are mainly attributable to the parent group (Euro 53 thousand) and the subsidiary RCT S.r.L. for the remaining Euro 135 thousand.

(15) Deferred income tax liabilities and long-term provisions

Reserves for risks and charges amount to Euro 28,796 thousand, an increase of 6,677 thousand compared to December 31, 2004. The composition and flow of these reserves is the following:

	Balance as of 12/12/2004	Reserves	Utilizations	Other Changes	Balance as of 31/12/2005
Deferred taxes	14,951	4,285		480	19,716
Other Reserves	7,168	4,018	(2,417)	311	9,080
TOTAL	**22,119**	**8,303**	**(2,417)**	**791**	**28,796**

The taxation reserve entirely relates to deferred taxes provided to cover timing differences between taxable income and that deriving from consolidated companies' financial statements and, where applicable, from consolidation adjustments.
Provisions represent a reasonable estimate of taxes to be paid in future accounting periods, applying regulations currently in force in the individual countries in which the consolidated companies operate. "Other reserves", Euro 9,080 thousand, comprises the following items:

Description	12/31/2005	12/31/2004	Changes
Contractual risks	4,899	3,629	1,270
Warranty reserve	1,438	1,004	434
Coverage of losses on investments	1,006	743	263
Investment writedowns fund	1,037	942	95
Legal disputes	699	715	(16)
Other reserves	0	135	(135)
TOTAL	**9,080**	**7,168**	**1,912**

The reserve for contractual risks, amounting to Euro 4,899 thousand, mainly refers to provisions made by Trevi S.p.A for Euro 4,600 thousand for contractual risks connected with jobs in progress and Euro 299 thousand to Swissboring Overseas Piling Corporation.

The warranty reserve of Euro 1,438 thousand is provided to cover technical assistance on products under warranty by the Group companies in the mechanical engineering sector, with Euro 871 thousand to Soilmec S.p.A., Euro 100 thousand to Drillmec S.p.A. and Euro 467 thousand to Soilmec Ltd (U.K.).

The reserve for charges to cover losses incurred by affiliates is Euro 1,006 thousand, with Euro 743 thousand to the Rodio-Trevi-Arab Contractor joint venture and Euro 263 thousand to Consorzio Saitre of the subsidiary Trevi S.p.A.

The reserve for the writedown of equity investments amounts to Euro 1,037 thousand as of December 31, 2005 and relates exclusively to the valuation at equity of the joint ventures in Argentina and Trevi Insaat Ve Muhedinslik A.S. (Turkey).

The reserve for legal disputes amounts to Euro 699 thousand and relates to the subsidiary Swissboring in the United Arab Emirates and for Euro 237 thousand to the subsidiary Pilotes Trevi Sacims in Argentina.

(16) Post-employment benefit

As of December 31, 2005 the reserve for employee termination benefits comes to a total of Euro 14,177 thousand and reflects indemnities accrued at the year-end by employees of the Italian companies in accordance with the law and provisions taken by foreign associated companies to cover liabilities accrued on the part of employees.
These were established as the current value of the obligation of services delivered as defined, adjusted to take into account “actuarial income and losses”. The result was calculated by an external, independent actuary based on the unit projection of credit method.

The flow over the course of the year was as follows:

Description	Balance as of 12/31/04	Reserves	Indemnities and advances paid during the year	Other movements	Balance as of 12/31/05
Reserve for employee termination indemnities	9,817	2,638	(749)		11,706
Pensions and similar commitments	2,812	2,038	(2,028)	(351)	2,471
TOTAL	**12,629**	**4,676**	**(2,777)**	**(351)**	**14,177**

Other flows regarding the reserve for pensions are due to the exchange rate effect of the foreign subsidiaries.
The effect of applying IAS 19 reduced the reserve for employee termination indemnities to Euro 291 thousand, and an effect net of the relative tax effect, increasing personnel costs to Euro 138 thousand.
The main economic-financial assumptions used by the actuary are:

	12/31/2005	12/31/2004
Actualisation technical yearly rate	4.0%	4.5%
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%

By applying the actuary's assumptions the following reconciliation between the statutory flows and flows according to International Accounting Standards was obtained:

Severance pay's balance as at 01/01/04	**8,905**
Changes on the increase	2,040
Changes on the decrease	(1,321)
Actualisation	193
Severance pay's balance as at 12/31/04	**9,817**
Changes on the increase	2,432
Changes on the decrease	(749)
Actualisation	206
Severance pay's balance as at 12/31/05	**11,706**

(17) Other long-term payables

Amount to Euro 1,870 thousand, with an increase of Euro 862 thousand compared to the previous year which includes mainly the part that is expiring after next year relative to deferred assets and partial payments received by customers relating to the subsidiary Petreven UTE Argentina.

CURRENT LIABILITIES

Amount to Euro 308,703 thousand, an increase of Euro 75,794 thousand compared to the previous year.
The composition of and movements in these accounts during the year are discussed below:

Description	12/31/05	12/31/04	Changes
Short-term loans (due to banks)	69,813	80,323	(10,510)
Sub-total Short-term loans	**69,813**	**80,323**	**(10,510)**
Due to other providers of finance (due to leasing companies)	12,001	11,653	348
Due to other providers of finance (due to other providers of finance)	243	259	(15)
Sub-total due to other short-term providers of finance	**12,244**	**11,912**	**333**
Due to suppliers	154,630	91,108	63,522
Advances	28,315	19,647	8,668
Due to associated companies	8,172	7,087	1,085
Due to social security institutions	2,553	2,342	211
Accrued expenses and Deferred income	5,024	3,869	1,155
Other payables	14,929	10,465	4,464
Debiti verso Erario per I.V.A	1,623	974	649
Sub-total other short-term liabilities	**215,246**	**135,492**	**79,754**
Current income tax liabilities	11,399	5,182	6,217
Sub-total Current income tax liabilities	11,399	5,182	6,217
TOTAL	**308,703**	**232,909**	**75,794**

The geographical breakdown of payables due to suppliers and short-term advance payments 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	123,207	593	5,536	4,493	2,929	16,253	1,619	154,630
Advances	12,578		4,473	2,860	220	2,385	5,799	28,315

The Report on Operations and the Financial Statement include comments on the net financial position.

(18) Trade and other short-term payables:

Amounts due to associated companies:

Amounts due to associated companies total Euro 8,172 thousand and relate almost entirely to amounts due by Trevi S.p.A. to consortiums.
The more significant amounts are as follows:

Description	12/31/05	12/31/04	Changes
Principe Amedeo	118	118	0
Filippella S.c.a.r.l.	1,640		1,640
Trevi Adanti	50	574	(524)
Consorzio Saitre	0	908	(908)
Bormida 2005 S.c.ar.l.	1,128	2,835	(1,707)
Porto di Messina S.c.a.rl.	1,917	652	1,265
Trevi S.G.F. Inc. S.c.a.r.l	1,096	873	223
Dach-Arghe Markt Leipzig	419	0	419
Trevi Park PLC	100	330	(230)
Consorzio Massingir Dam	839	171	668
Other	865	626	239
TOTAL	**8,172**	**7,087**	**1,085**

The increase is mainly due to the turn over of costs incurred by the various consortia.

Amounts due to tax authorities for VAT
The increase in amounts due to the tax authorities for VAT are mainly attributable to the subsidiary Trevi Algeria E.u.r.l. for Euro 422 thousand and Trevi Foundations Nigeria for Euro 411 thousand due to greater provisions for on-going projects.

Other payables:
Items under "Other payables" mainly include the following:

Description	12/31/05	12/31/04	Changes
Due to employees	6,780	5,899	881
Other	8,149	4,566	3,583
TOTAL	**14,929**	**10,465**	**4,464**

The increase in payables due to employees is mainly to Drillmec S.p.A. for Euro 344 thousand and to Soilmec S.p.A. for Euro 245 thousand, while the increase in the item "other payables" is mainly to Soilmec S.pA. for Euro 2,301 thousand and refers to goods invoiced and not yet delivered to CMC International Tendering Corporation, the subsidiary Swissboring Overseas Piling Corporation for Euro 594 thousand, and RCT S.r.L. for Euro 126 thousand.

Accrued expenses and deferred income:
Accrued expenses and deferred income amount to Euro 5,024 thousand as of December 31, 2005. This caption is analyzed as follows:

Accrued expenses:

Description	12/31/2005	12/31/2004	Changes
Insurance	363	383	(20)
Accrued interest expense	8	112	(104)
Other accrued expenses	2,449	1,892	557
TOTAL	**2,820**	**2,387**	**433**

The increase in other accrued expenses is mainly attributable to the subsidiary Wagner LLC for approximately Euro 357 thousand and to the subsidiary Swissboring Overseas Piling Corporation for Euro 200 thousand.

Deferred income

Description	12/31/2005	12/31/2004	Changes
Interest as per "Sabatini" and "Ossola" Laws	268	210	58
Hiring charges	0	494	(494)
Other	1,936	779	1,157
TOTAL	**2,204**	**1,483**	**721**

Deferred income includes contract work in progress invoiced by the foreign subsidiaries, but relating to future years.
The increase is mainly attributable to the new company Trevi Foundations Canada for Euro 650 thousand, the joint venture North West Labs , consolidated with the proportional method at 50%, for Euro 155 thousand and the subsidiary Trevi Icos Corporation for approximately Euro 327 thousand.

(19) Current income tax liabilities:

Amount due to tax authorities as of December 31, 2005 is Euro 11,399 thousand and comprises the following:

Descripion	12/31/05	12/31/04	Changes
Direct taxation	9,826	4,195	5,631
Other	1,573	987	586
TOTAL	**11,399**	**5,182**	**6,217**

Debts owed to the tax authorities for direct taxes increased by Euro 5,631 thousand mainly attributable to higher taxes that the subsidiaries Soilmec S.p.A., Drillmec S.p.A. and Trevi S.p.A. have to pay during 2006.

(20) Short-term borrowing:

Description	12/31/05	12/31/04	Changes
Bank overdraft, advance	12,753	12,035	718
Due to bank	57,060	68,288	(11,228)
TOTAL	**69,813**	**80,323**	**(10,510)**

Short-term financing consists of debts owed to banks; it includes some mortgages and loans that are backed by real guarantees. The details are as follows:

- The total amount of Euro 646 thousand due to Intesa Mediocredito S.p.A. as of December 31, 2005, originally of Euro 5,164 thousand, was obtained in 1996 at a floating interest rate and repayable in 16 six-month instalments starting from 1999. It is secured by a 1st degree mortgage on the company's building in Cesena;
- The loan of originally Euro 15,000 thousand for a period of 8 years granted by Interbanca S.p.A. to the parent company; on December 31, 2005 there was an outstanding amount to be

paid of Euro 11,250 thousand. It is secured by a second-degree mortgage on the Soilmec building in Cesena;

- The loan of Dirhams 9,138,060 (Dirhams 4,596,104 short-term and Dirhams 4,541,946 beyond the financial year) granted to Swissboring (Dubai) by Emirates Bank International as of December 31, 2005, is secured by a 1st degree mortgage on the company's equipment.

(21) Due to other providers of finance:

Descrizione	12/31/2005	12/31/2004	Variazioni
Due to leasing companies	12,001	11,653	348
Due to other providers of Finance	243	259	(16)
TOTALE	**12,244**	**11,912**	**332**

Amounts due to leasing companies relate to the outstanding principal included in instalments not yet due. As mentioned in the accounting policies, lease contracts are recorded in the consolidated financial statements in accordance with IAS 17.

MEMORANDUM ACCOUNTS:

Description	12/31/2005
Guarantees given	239,124
Recourse risks	18,463
Commitments	14,533
Guarantees received	688
Leases and rentals on deposit_	10,556
Companies' goods leased or rented out	307
TOTAL	**283,671**

PERSONAL GUARANTEES GIVEN

Guarantees to third parties

These include guarantees issued by group companies in favour of third parties on our behalf, to guarantee works performed by the Group as well as correct and timely equipment deliveries, for a total of Euro 239,124 thousand (Euro 116,095 thousand as of December 31, 2004).

COMMITMENTS AND OTHER MEMORANDUM ACCOUNTS

Recourse risks
As of December 31, 2005 this caption mainly includes commitments for discounted bills not yet due at the balance sheet date for a total of Euro 18,463 thousand.

Commitments to third parties
These guarantees amount to Euro 14,533 thousand, Euro 6,923 thousand of which refers to the subsidiary Drillmec S.p.A.'s commitment to not transfer its own participating share in Edra S.r.L. and for Euro 7,610 thousand to the parent group relative to the summation of future rents of the leasing contract with Caterpillar Financial Corporation Finanziaria S.A.

Guarantees received
The total of these guarantees was Euro 688 thousand.

Leases and rentals on deposit
Undelivered leased or rented goods at Gruppo Trevi's companies are valued at Euro 10,556 thousand.

Companies' goods leased or rented out
This amounts to Euro 307 thousand.

The increase in guarantees is due to the large increase in activities and earnings by the subsidiary companies, the large increase in medium- and long-term financing stipulated by the subsidiary companies and the increase in guarantees granted for specific projects. Among the main guarantees granted during the year are the following:

- Euro 25,393,500 on behalf of E.D.R.A. S.r.l. for Gruppo TREVI's minority share, as part of the USD 91.3 million work order for provision of four oil drilling rigs to E.N.T.P. (Gruppo Sonatrach) – Algeria;
- Euro 21,600,000 on behalf of Soilmec S.p.A. as part of a three-year loan, underwritten by a pool of banks led by Banca Nazionale del Lavoro;
- Euro 7,500,000 on behalf of Drillmec S.p.A. as part of a three-year loan, underwritten by a credit institute.

Furthermore we note a guarantee of USD 45,702,468 granted to a leading American insurer on behalf of Trevi Icos Corporation for the reconstruction of the Tuttle Creek dam in Missouri, equal to 100% of the lot already being carried out; these guarantees will decrease in proportion to the amount of works still to be carried out at the end of each year.

Comments on the principal statement of income captions

Further details and information on the consolidated statement of income as of December 31, 2005 as given below. The analysis of performance in the year is discussed in the Report on Operations.

VALUE OF PRODUCTION

(22) Revenues from sale of goods and services, changes in contract work in progress and other revenues.

This amounts to Euro 496,650 thousand compared to Euro 366,382 thousand in 2004 with an increase of Euro 130,268 thousand. The Group operates in various business sectors and geographical areas.
The breakdown of revenues from sale of goods and services, of changes in contract work in progress and of other revenues is the following:

AREA	12/31/2005	%	12/31/2004	%	Changes
Italy	99,652	20.1%	77,126	21.1%	22,526
Europe (excluding Italy)	53,828	10.8%	39,242	10.7%	14,586
U.S.A. and Canada	55,941	11.3%	48,232	13.2%	7,709
South American countries	48,577	9.8%	46,739	12.8%	1,838
Africa	89,147	17.9%	51,754	14.1%	37,393
Middle East	114,638	23.1%	76,097	20.8%	38,541
Far East	31,692	6.4%	24,669	6.7%	7,023
Rest of the world	3,175	0.6%	2,523	0.7%	652
TOTAL	**496,650**	**100%**	**366.382**	**100%**	**130,268**

The geographical breakdown of revenues shows a general recovery in all areas, above all in Africa and the Middle East due to numerous and significant projects carried out there by Swissboring Overseas Piling Corporation Ltd in the Persian Gulf.
Furthermore, orders in process increased from Euro 371 million as of December 31, 2004 to Euro 516 million, due to the most recent

large work orders awarded.

The breakdown of revenues between the principal sectors of the Group's activities is shown below:

MANUFACTURING SECTOR	12/31/2005	%	12/31/2004	%	Changes
Manufacture of machines for special					
foundation work	127,626	25.7%	89,308	24.4%	38,318
Manufacture of machinery for oil, gas and					
Water drilling	78,725	15.9%	40,761	11.1%	37,964
Oil drilling	18,302	3.7%	12,197	3.3%	6,105
Special foundation works	269,689	54.3%	221,854	60.6%	47,835
Parking facilities	2,309	0.5%	2,262	0.6%	47
TOTAL	**496,650**	**100%**	**366,382**	**100%**	**130,268**

There were three key events in the first half of 2005:

- Expansion of the "core business" connected to the strong increase in revenues from sales of specialized machinery for foundations produced by Soilmec S.p.A..
- Strong recovery in the drilling sector, taken over from the beginning of 2004 by a separate company, Drillmec S.p.A., resulting in an increase in revenues in the production of machinery for drilling water, oil and geothermal wells and oil drilling services.
- Continued growth in sector of special foundation works and specifically on the part of Swissboring Overseas Piling Corporation in the Persian Gulf.

Other income and revenues

"Other income and revenues" amount to Euro 13,974 thousand and have increased by 234 thousand compared with the previous year. This caption comprises the following:

Description	12/31/2005	12/31/2004	Changes
Operating contributions	114	6	108
Expense recoveries and recharges to consortiums	3,546	1,473	2,073
Sales of spare-parts	2,637	2,684	(47)
Gains on disposal of fixed assets	1,113	2,499	(1,386)
Reimbursement of damages	254	1	253
Rents received	263	477	(214)
out-of-period income	1,047	2,314	(1,267)
Other	5,000	4,286	714
TOTAL	**13,974**	**13,740**	**234**

During 2005 there were mainly expense recoveries and recharges to consortiums of Euro 3,546 thousand due mainly to activities carried out by Trevi S.p.A., rents received for Euro 263 thousand, sales of spare parts for Euro 2,637 thousand mainly in line with the previous year; gains on disposal of fixed assets amount to Euro 1,113 thousand compared to Euro 2,499 thousand the previous year, with the decrease of Euro 1,386 thousand mainly due to Soilmec S.pA for Euro 501 thousand and Trevi S.p.A. owing to the elimination of intercompany capital gains of Euro 595 thousand; out-of-period income amounts to Euro 1,047 thousand against Euro 2,314 thousand from the previous year, and the decrease of Euro 1,267 thousand is mainly due to Trevi S.p.A. for Euro 485 thousand, Soilmec S.p.A. for Euro 277 thousand and IDT SA RSM for Euro 250 thousand.

PRODUCTION COSTS

Production costs amount to Euro 478,055 thousand compared with Euro 354,043 thousand in the previous year. The principal items are analyzed as follows.

(23) Salaries and employee benefits:

These amount to Euro 94,038 thousand, an increase of Euro 12,531

versus the previous year.

Description	12/31/2005	12/31/2004	Changes
Wages and salaries	68,968	61,786	7,182
Social security charges	18,933	15,260	3,673
Employee termination indemnities	2,638	2,244	394
Pension and similar commitments	2,038	1,567	471
Other	1,461	650	811
TOTAL	**94,038**	**81,507**	**12,531**

The rise in payroll costs is mainly attributable to Trevi S.p.A., which passed from total personnel costs in 2004 of Euro 21,953 thousand to Euro 30,131 thousand in the course of 2005 with an increase of Euro 8,178 thousand due mainly to the acquisition of a "branch of the Rodio company", the acquisition over the course of 2005 of the company RCT S.r.L. for Euro 2,000 thousand, and Pilotes Trevi Sacims for approximately Euro 1,000 thousand following the recovery of business activities in Argentina.

Changes in the number of employees are as follows:

Description	12/31/2005	12/31/2004	Variazioni	Media
Managers	47	51	(4)	47
Clerical staff	799	751	48	771
Blue-collar workers	2,731	2,436	295	2,646
TOTAL	**3,577**	**3,238**	**339**	**3,464**

The rise in number of employees compared to December 31, 2004 is attributable to the need for more people for the numerous jobs taken on in the Middle East by Swissboring in the United Arab Emirates, in Italy for the High Speed Railway projects and the acquisition of the Rodio Division and to a certain extent for work being performed by the subsidiaries in Africa.

(24) Other operating expenses

Description	12/31/2005	12/31/2004	Changes
Services received	110,558	89,649	20,909
Leases and rental	21,002	15,859	5,143
Other operating expenses	5,770	5,997	(227)
TOTAL	**137,330**	**111,505**	**25,825**

These amount to Euro 137,330 thousand, an increase of Euro 25,825 thousand compared to the previous year. For more details please see the following descriptions.

Services received:
These amount to Euro 110,558 compared with Euro 89,649 thousand on December 31, 2004. This caption mainly comprises:

Description	12/31/2005	12/31/2004	Changes
Third party processing	24,579	20,583	3,996
Subcontract work	20,073	19,304	769
Consulting	13,063	9,724	3,339
Maintenance and repairs	7,279	6,765	514
Insurance	4,764	3,973	791
Shipping and customs duties	12,939	8,948	3,991
Utilities	2,878	2,535	343
Commissions and bonuses	7,615	4,686	2,929
Travel and subsistence expenses	9,365	7,706	1,659
Promotion and advertising fees	1,630	1,499	131
Bank charges	1,264	1,043	221
Other	5,109	2,883	2,226
TOTAL	**110,558**	**89,649**	**20,909**

The general increase in services received is due mainly to the increase in the value of production, passing from Euro 372,468 thousand in 2004 to Euro 506,752 thousand in 2005, an increase of Euro 134,284 thousand.
The companies that experienced the greatest increases were Trevi S.p.A., passing from Euro 40,424 thousand in 2004 to Euro 46,616 thousand in 2005, an increase of Euro 5,678 thousand, Swissboring Overseas Piling Corporation, passing from Euro 12,668 thousand in 2004 to Euro 19,250 thousand in 2005, an increase of Euro 6,582 thousand, Drillmec S.p.A., passing from Euro 5,554 thousand in 2004 to Euro 8,906 thousand in 2005, an increase of Euro 3,352 thousand, Soilmec S.p.A., passing from Euro 13.337 thousand in 2004 to Euro 16,171 thousand in 2005, an increase of Euro 2,834 thousand, and the acquisition over the course of 2005 of the company RCT S.r.L. which balances out to approximately Euro 2,500 thousand.

Leases and rentals:
These amount to Euro 21,002 thousand, an increase of Euro 5,143 thousand versus the previous year. This caption principally refers to:

Description	12/31/2005	12/31/2004	Changes
Hiring charges	17,767	13,029	4,738
Rental expense	3,235	2,830	405
TOTAL	**21,002**	**15,859**	**5,143**

During the year, a policy of limiting investments in machinery and equipment was pursued in favour of operating leases for short-term contracts.
The largest increase was due to the effect of rental of two HH 102 oil drilling rigs, rented out by the parent company to the subsidiary company Petreven UTE in Argentina, to the subsidiary Trevi S.p.A. following acquisition of the "branch of the Rodio company" and to Swissboring Overseas Piling Corporation for carrying works in progress.

Other operating expenses:
These amount to Euro 5,769 thousand, a decrease of Euro 228 thousand compared with the previous year. This caption is analyzed as follows:

Description	12/31/2005	12/31/2004	Changes
Taxes other than income taxes	1,674	996	678
Losses on the disposal of assets	1,795	1,429	366
Prior year taxes	312	1,181	(869)
Non-ordinary expenses	0	161	(161)
Out of period expenses	1,091	1,350	(259)
Other	898	880	18
TOTAL	**5,770**	**5,997**	**(227)**

We point out losses on the disposal of assets for the writedown of buildings of the subsidiary Soilmec Far East Pte Ltd (Singapore) for an amount of Euro 348 thousand.

(25) Writedowns and provisions:

Description	12/31/2005	12/31/2004	Changes
Provision for risks	4,017	3,433	584
Commercial receivables devaluation	2,088	2,189	(101)
TOTAL	**6,105**	**5,622**	**483**

Provisions for risks:
These amount to Euro 4,017 thousand and refer mainly to the

subsidiary Trevi S.pA. for Euro 2,873 thousand relating to contractual risks, to Swissboring in the United Arab Emirates for provisions for legal disputes underway for the amount of Euro 288 thousand and Euro 273 thousand for contractual risks, to Pilotes Trevi Sacims for Euro 96 thousand for ongoing legal disputes, to Soilmec S.p.A. for provisions for a product guarantee fund for Euro 372 thousand and to Drillmec S.pA. for provisions for the same fund for Euro 50 thousand.

Writedown of receivables included among current assets:
The amount relates solely to provisions for doubtful accounts made by the individual subsidiary companies for a total of Euro 2,088 thousand, in particular owed to Soilmec S.p.A. for Euro 509 thousand, to Trevi Foundations Nigeria for Euro 588 thousand, to Swissboring Overseas Piling Corporation for Euro 386 thousand and to Trevi Construction Co. Hong Kong for Euro 456 thousand.

(26) Financial income:

This caption comprises the following:

Description	12/31/2005	12/31/2004	Changes
Bank interest income	450	144	306
Interest charged to customers	934	752	182
Other	192	122	70
TOTAL	**1,576**	**1,018**	**558**

Based on IAS 32 the fair value assessment of derivative instruments as of December 31, 2005 had a positive effect of Euro 114 thousand, Euro 109 thousand of which was from the parent group and Euro 5 thousand from the subsidiary Trevi S.pA.

(27) Financial expenses:

This caption comprises the following:

Description	12/31/2005	12/31/2004	Changes
Bank interest expense	5,698	4,354	1,344
Bank commission and expense	585	388	197
Loan-related interest expense	726	805	(79)
Leasing companies interest	1,240	1,455	(215)
Bank discounting charges	738	346	392
Other interest expense	1,458	974	484
TOTAL	**10,445**	**8,322**	**2,123**

The increase in financial charges of Euro 2,123 thousand refers to the subsidiary company Trevi S.p.A. for Euro 640 thousand, of which approximately Euro 200 thousand relates to the application of IAS 18, the subsidiary RCT S.r.L., which became part of the consolidation area during the course of 2005 for approximately Euro 276 thousand, of which on the basis of IAS 32 the fair value assessment of derivate instruments as of December 31, 2005 had a negative effect of Euro 135 thousand, the subsidiary Swissboring Overseas Piling Corporation for Euro 120 thousand, the subsidiary Soilmec S.p.A. for Euro 303 thousand related mainly to the increase in bank discounts and Drillmec S.p.A. for Euro 167 thousand.

(28) Net difference from exchange:

As of December 31, 2005 the net exchange rate differences amount to a positive figure of Euro 5,557 thousand and are calculated from the payment and receipt of debts and credits in foreign currency and the positive trends in the dollar. Following is the analysis of this caption:

Descriptions	12/31/2005
Realized exchange gains	3,828
Unrealized exchange gains	7,433
Realized exchange losses	(2,016)
Unrealized exchange losses	(3,688)
TOTAL	**5,557**

(29) Adjustments to financial assets:

The writedown shown for Euro 100 thousand refers to Trevi Contractors Singapore Ltd consolidated with the equity method.

(30) Income taxes for the year:

Net income taxes for the year report a net negative balance of Euro 11,577 thousand, made up as follows:

Description	12/31/2005	12/31/2004	Changes
Current taxes:			
- I.R.A.P.	2,950	2,348	602
- Other	7,112	1,699	5,413
Deferred taxes	4,281	2,947	1,334
Pre-paid taxes	(2,766)	(571)	(2,195)
TOTAL	**11,577**	**6,423**	**5,154**

Income taxes for the year reflect an estimate of direct taxes due for the year, calculated on the basis of the taxable income of the individual Group companies, net of tax credits on dividends.
Deferred taxes are on income that is deferred for tax purposes and on timing differences between taxable income of the consolidated companies and income for consolidation purposes.
Taxes paid in advance are on income that is deferred for tax purposes.

The theoretical rate used to calculate income tax on Italian companies is 33% of the year's taxable income. Taxes on foreign companies are calculated according to rates in force in the respective countries.

Income tax reconciliation:

	Local tax rate (A)	**Profit/(Loss) before taxation (B)**	**Taxes amount calculated by applying the local fiscal rate (C)=(A)X(B)**	**Taxes amount calculated by applying the actual fiscal rate (D)**	**Difference (D)-(C).**
Algeria	30%	3,274	982	982	(0)
Argentina	41%	485	199	211	13
Canada	35.6%	113	40	0	(40)
U.A.E.	0%	5,351	0	83	83
Philippines	32%	201	64	0	(64)
Japan	10%	138	14	13	(1)
Hong Kong	17.5%	851	149	164	15
United Kingdom	30%	1,817	545	579	35
Italy	33%	11,682	3,855	6,119	2,264
Nigeria	30%	1.673	502	281	(221)
Holland		(235)	0	25	25
Perù		(9)	0	0	0
Portugal	0%	0	0	0	0
Rep. San Marino		(75)	0	0	0
Singapore	27%	(204)	(55)	46	101
U.S.A.	39%	1,613	629	121	(508)
Venezuela		(1399)	0	0	0
Total		**25,276**	**6,924**	**8,627**	**1,702**

Reconciliation between theoretical taxation and the amount actually registered Statement of Income:

	Consolidated results before taxation	Theoretical tax liability	Tax effects on permanent differences	Yearly net effect regarding deferred income taxes not calculated on temporary differences	Actual tax burden on incomes	IRAP actual tax burden (for Italian Companies)	Actual tax burden entered on the profit/ (loss) as at 31 december 2005.
Algeria	3,274	982	(0)		982		982
Argentina	485	199	13		211		211
Canada	113	40	(40)		0		0
U.A.E.	5,351	0	83		83		83
Philippines	201	64	(64)		0		0
Japan	138	14	(1)		13		13
Hong Kong	851	149	15		164		164
United Kingdom	1,817	545	35		579		579
Italy	11,682	3,855	5,030	(2,766)	6,119	2,950	9,069
Nigeria	1,673	502	(221)		281		281
Holland	(235)	0	25		25		25
Perù	(9)	0	0		0		0
Portugal	0	0	0		0		0
Rep. San Marino	(75)	0	0		0		0
Singapore	(204)	(55)	101		46		46
U.S.A.	1,613	629	(508)		121		121
Venezuela	(1,399)	0	0		0		0
Total	**25,276**	**6,924**	**4,468**	**(2,766)**	**8,627**	**2,950**	**11,577**

(31) Dividend per Share

	Description	12/31/2005	12/31/2004
A	Net result (in thousands of Euro)	12,824	2,555
B	Nr. of Share	64,000,000	64,000,000
C	Dividend per Share : (A*100)/B	0.200	0.04

Other information

Gruppo Trevi has eight exchange rate hedging contracts which are exclusively to protect outstanding transactions, with no speculative intent, namely:

- (*) Euro 3,500,000 “Interest Rate swap” for three years, with maturity 08/25/06;
- (*)Euro 3,500,000 “Interest Rate swap” for five years, with maturity 08/25/08;
- (*) Euro 2,500,000 “Interest Rate swap” for three years, with maturity 04/23/06;
- (**) Euro 10,000,000 “Interest Rate Swap” for three years, with maturity 07/19/2007;
- (**)Euro 10,000,000 “Interest Rate Swap” for three years, with maturity 07/19/2007;
- (**)Euro 10,000,000 “Interest Rate Swap” for three years, with maturity 07/20/2007;
- (**)Euro 8,179,323 (originally Euro 9,775,196) “Interest Rate Swap” on the depreciation plan of a five year leasing contract with maturity 12/22/2009.

Operations concluded in 2005:

- (*)Euro 1,139,320 (originally Euro 1,380,801) “Interest Rate Swap” on the depreciation plan of a three year loan maturing 03/22/2008.

Following the acquisition by Trevi S.p.A. in 2005 of the subsidiary RCT S.r.L we note the following operation:

- (*)Euro 2,000,000 “Interest Rate Swap” for three years, with maturity 07/27/2008;

(*) assessed at fair value as IAS 39 criteria were not effective.

(**) calculated with cash-flow hedge criteria as set out by IAS39.

To cover interest rate risk on debt (regarding the Group’s financing operations) certain coverage contracts were stipulated that are not specifically correlated to existing financing. In accordance with Italian Accounting Principles coverage charges (interest differentials, commissions) were noted in the income statement. In accordance with IAS 32 and 39, during transition these contracts were noted at fair value as counter-items to the reserve “new profit/loss”. The effects of fair value variations on 2005 total up to Euro 21 thousand.

The operations covering interest rate risk generated a passive interest debit of Euro 280,642.

Emoluments due to Directors and Statutory Auditors

The following are emoluments due to the directors and statutory auditors of the Parent Company for carrying out their duties in other companies included in consolidation:

Descrizione	12/31/2005	12/31/2004	Changes
Emoluments of directors	787	748	39
Emoluments of statutory auditors	66	62	4
TOTAL	**853**	**810**	**43**

As for the emoluments due to Directors and Statutory Auditors, please refer to the explanatory notes of the financial statements of TREVI-Finanziaria Industriale S.p.A.

ATTACHMENTS TO THE EXPLANATORY NOTES

The following attachments supplement the information contained in the explanatory notes, of which they form an integral part.

1 Companies consolidated line-by-line

1a Companies carried at equity

1b Companies consolidated on a proportional basis

1c Companies and consortiums carried at cost

1d Relationships with related companies

1e Reconciliation of Italian Accounting Principles and I.F.R.S.

2 Group organization chart

Attachment 1

COMPANIES INCLUDED IN THE FINANCIAL STATEMENT AS OF DECEMBER 31, 2005 CONSOLIDATED ON A LINE-BY-LINE BASIS

COMPANY NAME	HEAD QUARTERS	CURRENCY	CAPITAL STOCK	TOTAL % GROUP SHARE
TREVI- Finanziaria Industriale S.p.A.	Italia	Euro	32,000,000	100%
Soilmec S.p.A.	Italia	Euro	5,160,000	97%
Soilmec U.K. Ltd	Regno Unito	Sterlina inglese	150,000	78%
Soilmec Japan Co. Ltd	Giappone	Yen	45,000,000	90.2%
Soilmec Far East Pte Ltd	Singapore	Dollaro di Sing.	4,500,000	67.9%
Soilmec International B.V.	Olanda	Euro	18,151.29	97%
Drillmec S.p.A.	Italia	Euro	5,000,000	99.9%
Soilmec H.K. Ltd	Hong Kong	Dollari di H.K.	500,000	97%
Soilmec Branham Inc.	U.S.A.	Dollaro U.S.A.	5,000,000	95%
I.D.T. SA R.S.M.	Repubblica di San Marino	Euro	258,000	97%
Pilotes Trevi S.a.c.i.m.s.	Argentina	Peso	1,650,000	99.3%
Cifuven C.A.	Venezuela	Bolivares	300,000,000	99.8%
Petreven C.A.	Venezuela	Bolivares	10,664,200,000	99.9%
Trevi S.p.A.	Italia	Euro	26,300,000	99.8%
R.C.T. S.r.L.	Italia	Euro	565,951	99.8%
Treviicos Corporation	U.S.A.	Dollaro U.S.A.	20,000,000	99.8%
Trevi Foundations Canada Inc.	Canada	Dollaro Canadese		99.8%
Trevi Cimentaciones C.A.	Venezuela	Bolivares	14,676,000,000	99.8%
Trevi Construction Co. Ltd	Hong Kong	Dollaro U.S.A.	2,051,667.87	99.8%
Trevi Foundations Nigeria Ltd	Nigeria	Naira	167,731,200	59.9%
Trevi Contractors B.V.	Olanda	Euro	907,560	99.8%
Trevi Foundations Philippines Inc.	Filippine	Pesos Filippino	27,300,000	99.8%
Swissboring Overseas Piling Corporation	Svizzera	Franco Svizzero	100,000	99.8%
Swissboring & Co. LLC.	Oman	Rials Oman	150,000	99.8%
Swissboring Gulf FZCO	Emirati Arabi Uniti	Dirhams	1,000,000	99.8%
Treviicos South Inc.	U.S.A.	Dollaro U.S.A.	500,000	99.8%
Wagner Constructions Joint Venture	U.S.A.	Dollaro U.S.A.	-	98.8%
Wagner Constructions L.L.C.	U.S.A.	Dollaro U.S.A.	200,000	99.8%
Trevi Algerie E.U.R.L.	Algeria	Dinaro	53,000,000	99.8%
Borde Seco	Venezuela	Bolivares	-	94.9%
Petreven - UTE -Argentina	Argentina	Peso		99.8%
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%	-
Trevi Insaat Ve Muhendislik A.S.	Turchia	Lira Turca	777,600,000,000	89.8%	-
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					**2**

(*) For consortiums located in Argentina, the amount indicated corresponds to stock-holders' equity.
(**) The book value and the estimated value of Econ-Trevi Sdn Bhd is included in Trevi Contractors Singapore Ltd as it is fully owned by

Attachment 1b

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

this company.

(***) Under liquidation.

COMPANY NAME	HEAD QUARTERS	CURRENCY	CAPITAL STOCK	TOTAL % GROUP SHARE
Trevi/Rodio J.V.	U.S.A.	Dollaro U.S.A.	133,048	65%
North West Labs J.V.	U.S.A.	Dollaro U.S.A.	975,765	50%
Limix J.V.	U.S.A.	Dollaro U.S.A.	(218,266)	49,7%

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	TOTAL % GROUP SHARE	BOOK VALUE (thousands of euro)
- CONSORTIUMS					
Consorzio SAITRE	Italia	Euro	51,646	48.51%	25
Consorzio Intesa Lecco	Italia	Euro	25,823	42.57%	0
Bormida 2005 s.c.a.r.l.	Italia	Euro	10,000	54.4%	5
Consorzio Progetto Torre di Pisa	Italia	Euro	30,987	24.7%	8
Consorzio Canale Candiano	Italia	Euro	30,987	0.5%	0
Consorzio Massingir Dam	Italia	Euro	30,000	33%	10
Consorzio Romagna Iniziative	Italia	Euro	41,317	12%	5
Consorzio Trevi Adanti	Italia	Euro	10,329	48.6%	5
Nuovo scalo s.c.a.r..l	Italia	Euro	10,329	49.5%	5
Trevi S.G.F s.c.a.r.l.	Italia	Euro	51,646	54.4%	28
Seli Trevi s.c.a.r.l.	Italia	Euro	1,710	49.5%	1
Trevi S.G.F Inc. s.c.a.r.l.	Italia	Euro		54.4%	5
Pescara Park s.r.l.	Italia	Euro		24.7%	3
Consorzio Fondav	Italia	Euro	25,823	25.7%	10
Principe Amedeo s.c.a.r.l.	Italia	Euro	10,329	49.50%	0
Filippella s.c.a.r.l.	Italia	Euro	10,000	59.9%	6
Porto di Messina s.c.a.r.l.	Italia	Euro	10,329	79.2%	8
Trevi Spezial. Gmbh	Germania	Euro	50,000	99%	50
Cermet	Italia	Euro	420,396	0.46%	2
Centuria S.c.a.rl.	Italia	Euro	308,000	1.58%	5
Smartec S.r.L.	Italia	Euro	50,000	19.4%	10
Idroenergia s.c.a.rl.	Italia	Euro			1
- OTHER COMPANIES					
Comex S.p.A.	Italia	Euro	2,606,427	0.82%	23
Banca di Cesena S.p.A.	Italia	Euro			1
Bologna Park S.r.L.	Italia	Euro			15
Profuro Intern. L.d.a.	Mozambico	Metical	4,496,415,000	47.5%	423
Trevi Park P.l.c.	Regno Unito	Sterlina U.K.	4,236,98	29.7%	0
Italthai Trevi	Thailandia	Bath	35,000,000	4.9%	135
Edra S.r.L.	Repubblica di San Marino	Euro	26,100	34%	39
Hercules Trevi Foundation A.B.	Svezia	Corona	100,000	49.5%	76
Japan Foundations	Giappone	Yen	5,907,978,000	0.001%	83

Attachment 1d

I.F.C.	Hong Kong	Dollaro U.S.A.	18,933	0.10%	0
TOTAL					**982**

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.	Total
Trade receivables	2	75	509	369	710	**1,665**
Trade payables		84	105	18		**207**
Revenues from sales of goods and services		48	359	5		**412**
Purchases of goods and services			55			**55**
Guarantees		279	1,669	1,782		**3,730**

All transactions carried out with correlated parties are concluded pursuant to the standard market conditions; there are no relations between the holding company and the parent company TREVI Holding APS.

Allegato 1e

Reconciliation of Italian Accounting Principles and I.F.R.S.

Following are the reconciliations of net equity and the results determined according to Italian Accounting Principles, and the corresponding values determined on the basis of the IFRS, acknowledged by the European Commission, provided with comments. These reconciliations were carried out according to the IFRS1 method.
All numerical data illustrated in the following paragraphs are in thousands of Euros, unless otherwise indicated.

Opening statement of assets and liabilities (January 1, 2004):
(in thousands of Euros)

ASSETS	Italian Accounting Principles	Transition effect I.A.S./ I.F.R.S.	Notes	I.A.S. / I.F.R.S. principles
Non-current Assets				
Tangible fixed assets				
Lands		8,950		8,950
Buildings	17,524	13,884		31,408
Plant and machinery	73,908	368		74,276
Industrial and commercial equipment	11,665	433		12,098
Other assets	23,383	-		23,383
Assets under construction and advance payments	215	-		215
Total tangible fixed assets	**126,695**	**23,635**	**(1)**	**150,330**
Intangible fixed assets				
Goodwill	46	-		46
Deferred development costs	675	703		1,378
Industrial patents and intellectual	729	-		729
Concessions, licenses and trademarks	1	-		1
Deferred costs and payment on account	65	-		65
Other intangible fixed assests	1,621	(1,033)		588
Total intangible fixed assets	**3,137**	**(330)**	**(2)**	**2,807**
Property investments		183	(1)	183
Investments	1,031	-		1,031
Investments in subsidiaries		-		-
Avaiable for sale financial assets	2,125	(2,125)	(3)	-
Deferred income tax assets	1,426	471	(4)	1,897

ASSETS	Italian Accounting Principles	Transition effect I.A.S./ I.F.R.S.	Notes	I.A.S. / I.F.R.S. principles
Derivative financial instruments		-		-
Other financial assets	962	(5)		957
Other financial assets from subsidiaries		-		-
Trade and other receivables	3,782	-		3,782
Trade and other receivables from subsidiaries		-		-
Total non-current assets	139,158	21,829		160,987
Non-current assets avaiable for sale				
Assets avaiable for sale		**-**		**-**
Current Assets				
Inventories	81,382	(51)		81,331
Trade and other receivables	106,673	23,402	(5)	130,075
Trade and other receivables from subsidiaries		-		-
Current income tax receivables	6,630	-		6,630
Other financial assets receivables		-		-
Other financial assets receivables from subsidiaries		-		-
Avaiable for sale financial assets		-		-
Derivative financial instruments		-		-
Other financial assets at fair value through profit or loss		-		-
Liquid funds	47,146	-		47,146
Total current-assets	**241,831**	**23,352**		**265,183**
TOTAL ASSETS	**380,989**	**45,180**		**426,169**

LIABILITIES AND STOCKHOLDERS' EQUITY	Italian Accounting Principles	Transition effect I.A.S./ I.F.R.S.	Notes	I.A.S. / I.F.R.S. principles
Stockholders' equity				
Capital Stock	32,000	(669)	(3)	31,331
Share premium reserve	32,583	2,125	(3)	34,708
Own Shares	2,125	(2,125)	(3)	-
Other reserves	8,563	-		8,563
I.A.S reserve		13,494		13,494
Cumulative translation adjustment	(14,348)	-		(14,348)

Consolidation reserve	4,735	-		4,735
Profit (Loss) brought forward		-		-
Net income (loss) for the year	1,102	-		1,102
Total	**66,760**	**12,825**		**79,585**
Minority interests in capital and reserves	**3,478**	**-**		**3,478**
Total Stockholders' Equity	**70,238**	**12,825**		**83,063**
Non-current liabilities				
Long term borrowings	73,537	23,471	(5)	97,008
Long term borrowings to subsidiaries		-		-
Due to other providers of finance	29,423	-		29,423
Derivative financial instruments		106	(6)	106
Deferred income tax liabilities	3,227	9,469	(7)	12,696
Post-employment benefit	12,312	(691)	(8)	11,621
Long term provisions		-		-
Other payables	5,431	-		5,431
Other payables to subsidiaries		-		-
Total non-current liabilities	**123,930**	**32,355**		**156,285**
Current Liabilities				
Trade and other payables	122,317	-		122,317
Trade and other payables to subsidiaries		-		-
Passività fiscali per imposte correnti	6,891	-		6,891
Short term borrowing	45,029	-		45,029
Short term borrowing to subsidiaries		-		-
Due to other providers of finance	12,584	-		12,584
Derivative financial instruments		-		-
Short term provisions		-		-
Total current liabilities	**186,821**	**-**		**186,821**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**380,989**	**45,180**		**426,169**

NET FINANCIAL POSITION	**(113,427)**	**(23,577)**		**(137,004)**
DEBT EQUITY	**1.61**	**1.84**		**1.65**

BALANCE SHEET AND PROFIT AND LOSS AS OF DECEMBER, 31 2004 *(In thousands of Euro)*

ASSETS	Italian Accounting Principles	Transition effect I.A.S./ I.F.R.S.	Notes	I.A.S. / I.F.R.S. principles
Non-current Assets				
Tangible fixed assets				
Lands		7,899		7,899
Buildings	16,365	13,516		29,881
Plant and machinery	76,110	188		76,298
Industrial and commercial equipment	12,167	6,058		18,225
Other assets	20,461	-		20,461
Assets under construction and advance payments	1,496	-		1,496
Total tangible fixed assets	**126,599**	**27,661**	**(1)**	**154,260**
Intangible fixed assets				
Goodwill	-	-		-
Deferred development costs	489	1,229	(2)	1,718
Industrial patents and intellectual	580	-		580
Concessions, licenses and trademarks	60	300	(1)	360
Deferred costs and payment on account	69	-		69
Other intangible fixed assests	1,186	(121)	(3)	1,065
Total intangible fixed assets	2,384	1,408		3,792
Investment property		183		183
Investments	1,062	-		1,062
Investments in subsidiaries		-		-
Avaiable for sale financial	2,185	(2,185)	(4)	-
Deferred income tax assets	2,228	650	(5)	2,878
Derivative financial instruments		-		-
Other financial assets	941	(5)		936
Other financial assets from subsidiaries		-		-
Trade and other receivables	3,225	-		3,225
Trade and other receivables from subsidiaries		-		-
Total non-current assets	**138,624**	**27,712**		**166,336**
Non-current assets avaiable for sale				
Assets avaiable for sale		-		-

Current Assets				
Inventories	91,682	242	(6)	91,924
Trade and other receivables	100,791	36,286	(7)	137,077
Trade and other receivables from subsidiaries		-		-
Current income tax receivables	9,970	-		9,970
Other financial assets receivables		-		-
Other financial assets receivables from subsidiaries		-		-
Avaiable for sale financial assets		-		-
Derivative financial instruments		-		-
Other financial assets at fair value through profit or loss		-		-
Liquid funds	34,688	-		34,688
Total current-assets	**237,131**	**36,529**		**273,660**
TOTAL ASSETS	**375,755**	**64,241**		**439,996**

LIABILITIES AND STOCKHOLDERS' EQUITY	**Italian Accounting Principles**	**Transition effect I.A.S./ I.F.R.S.**	**Notes**	**I.A.S. / I.F.R.S. principles**
Stockholders' equity				
Capital Stock	32,000	(696)	(4)	31,304
Share premium reserve	32,523	2,185	(4)	34,708
Own Shares	2,185	(2,185)	(4)	-
Other reserves	8,647	-		8,647
I.A.S reserve		13,261		13,261
Cumulative translation adjustment	(17,853)	-		(17,853)
Consolidation reserve	4,576	-		4,576
Profit (Loss) brought forward		-		-
Net income (loss) for the year	2,365	190		2,555
Total	**64,443**	**12,755**		**77,198**
Minority interests in capital and reserves	**3,685**	**-**		**3,685**
Total Stockholders' Equity	**68,128**	**12,755**		**80,883**
Non-current liabilities				
Long term borrowings	30,545	36,355	(7)	66,900
Long term borrowings to subsidiaries		-		-
Due to other providers of finance	23,386	-		23,386

Derivative financial instruments		162	(8)	162
Deferred income tax liabilities	5,190	9,761	(9)	14,951
Post-employment benefit	13,127	(498)	(10)	12,629
Long term provisions		-		-
Other payables	8,176	-		8,176
Other payables to subsidiaries		-		-
Total non-current liabilities	**80,424**	**45,780**		**126,204**
Current Liabilities				
Trade and other payables	128,812	5,706	(1)	134,518
Trade and other payables to subsidiaries		-		-
Passività fiscali per imposte correnti	6,156	-		6,156
Short term borrowing	80,323	-		80,323
Short term borrowing to subsidiaries		-		-
Due to other providers of finance	11,912	-		11,912
Derivative financial instruments		-		-
Short term provisions		-		-
Total current liabilities	227,203	5,706		232,909
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**375,755**	**64,241**		**439,996**
NET FINANCIAL POSITION	**(111,478)**	**(36,517)**		**(147,995)**
DEBT EQUITY	**1.64**	**2.86**		**1.83**

PROFIT AND LOSS AS AT DECEMBER 31, 2004

(In thousands of Euro)

	Italian Accounting Principles	Transition effect I.A.S./ I.F.R.S.	Notes	I.A.S. / I.F.R.S. principles
Revenues from sales and services	352,569	-		352,569
Additions to fixed assets by internal production	3,352	-		3,352
Other income	13,350	390		13,740
Changes in inventories of work in progress and finished products	(227)	(390)		(617)
Changes in contract work in progress	3,521	(97)	(6)	3,424
Costs of goods	(141,628)	-		(141,628)
Changes in inventories of raw, ancillary and consumable materials	3,823	-		3,823
Salaries and employee benefits	(81,304)	(203)	(10)	(81,507)
Other operating expenses	(112,088)	583		(111,505)

Amortization, depreciation	(17,608)	4		(17,604)
Writedowns and provisions	(5,622)	-		(5,622)
E.B.I.T.	**18,138**	**287**		**18,425**
Financial income	1,018	-		1,018
Financial expenses	(8,266)	(56)	(8)	(8,322)
Net difference from exchange	(1,502)	72		(1,430)
Adjustments to financial assets using the equity method	(86)	-		(86)
Gain (losses) on disposal of intangible-tangible assets		-		-
Results before taxation	**9,302**	**303**		**9,605**
Income taxes for the year	(6,310)	(113)		(6,423)
Net income (loss) for the year	**2,992**	**190**		**3,182**
Minority interests	(627)	-		(627)
Group net income for the year	**2,365**	**190**		**2,555**

Factors influencing the capital, economic and financial situation

The situation portrayed below reflects the factors highlighted and commented on in the reconciliation of stockholders' equity and the results presented in the previous paragraphs. In particular:

- All assets and liabilities that are requested to be registered by the IFRS, including those not required by the Italian Accounting Principles, have been noted according to IFRS;
- All assets and liabilities that are requested to be registered by the Italian Accounting Principles but not recognized by the IFRS have been eliminated;
- All assets and liabilities have been assessed in conformity with the IFRS;
- Some captions have been reclassified in conformity with the IFRS.

The notes on individual adjustments are not repeated if identifiable in the reconciliations of net equity and income. The reclassifications and some details useful for understanding the net effects have been noted.
The forms for net equity and income statements used starting

on December 31, 2004 have been changed according to IAS1 ("Presentation of annual balance sheet"). Therefore the first column on the following form has been properly adapted to make it comparable with the third column.

		Stockholders' Equity 01/01/04	Year-end profit and loss result 2004	Other flows 2004	Stockholders' Equity 12/31/04	Notes
	Amounts according to prior principles:	**70,238**	**2,365**	**(4,475)**	**68,128**	
IAS 11	Construction contracts	(216)	0	0	(216)	(1)
IAS 16	Tangible assets (separation of property, useful life of goods)	23,819	(665)	(210)	22.943	(2)
IAS 18	Revenues	(223)	0	0	(223)	(3)
IAS 19	Employee benefits	691	(203)	10	498	(4)
IAS 38	Intangible assets (capitalization of development costs and elimination of plant and expansion costs)	(17)	1,228	0	1.211	(5)
IAS 32	Own shares	(2,125)	0	(60)	(2.185)	(6)
IAS 39	Financial instruments (own shares and fair value derivative instruments)	(105)	(56)	0	(161)	(7)
	Total adjustments:	21,823	304	(260)	21,866	
IAS 12	Fiscal effects of adjustments	(8,997)	(114)	0	(9.112)	(8)
	Total adjustments net of fiscal effect:	12,825	190	(260)	12,755	
	Amounts according to I.F.R.S.:	**83,063**	**2,555**	**(4,735)**	**80,883**	
	Dividend per Share:		0.041			
	Debt equity according to prior principles	1.61			1.64	
	Debt equity I.A.S./ I.F.R.S.	1.65			1.83	

The most significant impact on Trevi Group's opening stockholders' equity as of 01/01/04, for 2004 and on December 31, 2004 are briefly summarized:

Note 1: IAS 11 Construction contracts.
The costs that can not be attributable to work orders or cannot be ascribed to a work order have been reimbursed and thus caused a decrease in opening reserve; this had a negative effect on the opening equity of Euro 216 thousand, including the tax effect with no impact on the year end result.

Note 2: IAS 16- Tangible assets:
For some tangible fixed assets the Group opted for applying "fair value as deemed cost" as allowed by the IFRS1. In particular, some specific land, buildings and plants were assessed on the transition date at current values based on independent experts' appraisals, in order to be able to separate the value of land previously included in the category "land and buildings" and subject to amortization. The effects on the balance sheet on the transition date and on December 31, 2004 as requested by the IFRS 1 are provided in the following table:

Description	Net value As of 01-01-04	Adjustment	Fair value As of 01-01-04	Amortization	Other flows net	Fair value As of 12/31/04
Land and property	17,524	23,017	40,541	(57)	(1,419)	39,065
Specific plants	109,171	801	109,972	(609)	1.208	110,571
Total	**126,695**	**23,818**	**150,513**	**(666)**	**(211)**	**149,636**

The effect on the 2004 result is due to amortization calculated on the greater revalued values, and the amount is Euro 666 thousand; the net effect indicated in the other flows is Euro 211 thousand and refers to sales and acquisitions carried out by the Group, specifically in regard to sales we note the sale of land that became suitable for building by the subsidiary Soilmec S.p.A. to Gruppo Sofitre.

Note 3: Revenues.
Commercial credits and debts existing at the time of the transition and subsequently were discounted back in order to represent the actual value of future proceeds and payments. A discount rate of 2.35% was used (equivalent to triple A bond). The effect on net

equity is negative at Euro 223 thousand.

Note 4: Employee benefits

The plans for benefits, represented by Italian companies' severance indemnity and retirement plan, were determined at the date of transition as the actual value of the job as defined, adjusted to take into account "actuarial income and losses". The effect was calculated by an external actuary on the basis of the unit projection of credit. As allowed by IFRS1, accumulated actuarial income and losses at the date of transition have been noted in full.

Note 5: Intangible fixed assets.

The adjustment consists of the following matters:

- plant and expansion costs and other plurennial charges capitalized as "intangible fixed assets" in accordance with Italian Accounting Principles, were eliminated from the IFRS opening statement of assets and liabilities since they failed to meet the required requisites of capitalization by the latter (the effect on net equity as of January 1, 2004 and December 31, 2004 is negative at Euro 720 thousand and Euro 18 thousand respectively, while they had a positive effect on the income statement of Euro 702 thousand including the tax effect).
- development expenses for realizing new products or improving existing products were capitalized according to IAS 38. These costs include internal and external project design costs (including personnel and materials costs) and a share of the indirect costs reasonably ascribable to the projects. These expenses are amortized in relation to the period of obtaining economic benefit derived from them, in five years. The effect on the result for 2004 is Euro 526 thousand and Euro 1,232 thousand on net equity as of December 31, 2004, including the tax effect.

Note 6: Own shares.

The company's own shares were noted in the balance sheet according to Italian Accounting Principles in fixed assets assessed at cost; as required by law, a reserve equal to the value of the company's own shares acquired was registered in net equity; the effects of the transactions carried out on the company's own shares were noted in the income statement. In accordance with IAS32, during transition, the following steps have been taken:

- reclassifying the reserve of net equity as "reserve for own shares in portfolio" and increasing the reserve "share premium" for Euro

2,125 thousand, restoring it;

- reducing the share capital to Euro 669 thousand, the nominal value of the company's own shares in portfolio;
- registering the share premium acknowledged to sellers of these share to reduce the "IAS reserve" to a value of Euro 1,456 thousand.

Other flows referring to 2004 relate to the acquisition of further company shares on the market for a total value of Euro 60 thousand (nominal value of Euro 26 thousand and share premium of Euro 34 thousand.)

Note 7: Financial instruments.

To cover the risk of the rate of indebtedness (on financing operations established by the Group) some coverage contracts were stipulated that are not specifically correlated to the existing loans. In accordance with Italian Accounting Principles coverage charges, (interest rate differentials, commissions) were noted in the income statement. In conformity with IAS 32 and 39, during transition these contracts were noted at fair value in counterpart of the reserve "new income/losses" for Euro 105 thousand. The effects of the fair value variations were noted in the 2004 income statement for Euro 56 thousand.

Note 8: Calculation of deferred taxes.

This caption includes the effect of the net impact of deferred taxes on the IFRS adjustments, detailed in the following table:

IAS 12	Tax effects of adjustments on:	Opening net equity	2004 result	Net equity 12/31/04
IAS 11	Construction contracts	80	0	80
IAS 16	Tangible assets (separation of property, useful life of goods)	(8,970)	248	(8,721)
IAS 18	Revenues	74	0	74
IAS 19	Employee benefits	(228)	68	(160)
IAS 38	Intangible assets (capitalization of development costs and elimination of plant and expansion costs)	7	(451)	(445)
IAS 39	Financial instruments (own shares and fair value derivative instruments)	39	21	60
	TOTAL IAS 12	**(8,997)**	**(114)**	**(9,112)**

TREVI DIVISION - Summary Balance Sheet

(In thousands of Euro)

		2005, December	2004, December	Changes
A)	**Fixed assets**	**113,580**	**105,428**	**8,152**
B)	**Net working capital**			
	- Inventories	42,441	47,093	(4,652)
	- Trade receivables	110,653	84,072	26,581
	- Trade payables (-)	(89,174)	(72,000)	(17,174)
	- Advances (-)	(17,579)	(18,879)	1,300
	- Others assets (liabilities)	(16,472)	(11,269)	(5,203)
		29,869	29,017	852
C)	**Invested capital minus current liabilities (A+B)**	**143,449**	**134,445**	**9,004**
D)	**Employee termination indemnities (-)**	**(7,930)**	**(7,149)**	**(781)**
E)	**NET INVESTED CAPITAL (C+D)**	**135,519**	**127,296**	**8,223**
	Financed by:			
F)	**Group stockholders' equity**	**36,682**	**24,270**	**12,412**
G)	**Minority interests in capital and reserves**	**2,962**	**2,155**	**807**
H)	**Net financial position**	**95,875**	**100,871**	**(4,996)**
I)	**TOTAL SOURCES OF FUNDS (F+G+H)**	**135,519**	**127,296**	**8,223**

TREVI DIVISION - Key figures of the Group

(In thousands of Euro)

	2005, December	2004, December	Changes
TOTAL REVENUES	282,077	237,650	44,427
Changes in inventories of work in progress, semifinished and finished products	80	(1,471)	1,551
Additions to fixed assets by internal production	2,434	2,466	(32)
Other operating revenues	762	1,793	(1,031)
VALUE OF PRODUCTION	**285,353**	**240,438**	**44,915**
Use of raw materials and outside services	186,642	150,911	35,731
Other operating expenses	4,302	5,015	(713)
VALUE ADDED	**94,409**	**84,512**	**9,897**
Payroll and related contributions	65,374	56,899	8,475
E.B.I.T.D.A.	**29,035**	**27,613**	**1,422**
Amortization, depreciation	12,696	11,761	935
Writedowns and provisions	5,163	5,000	163
E.B.I.T.	**11,176**	**10,852**	**324**

SOILMEC DIVISION - Summary Balance Sheet

(In thousands of Euro)

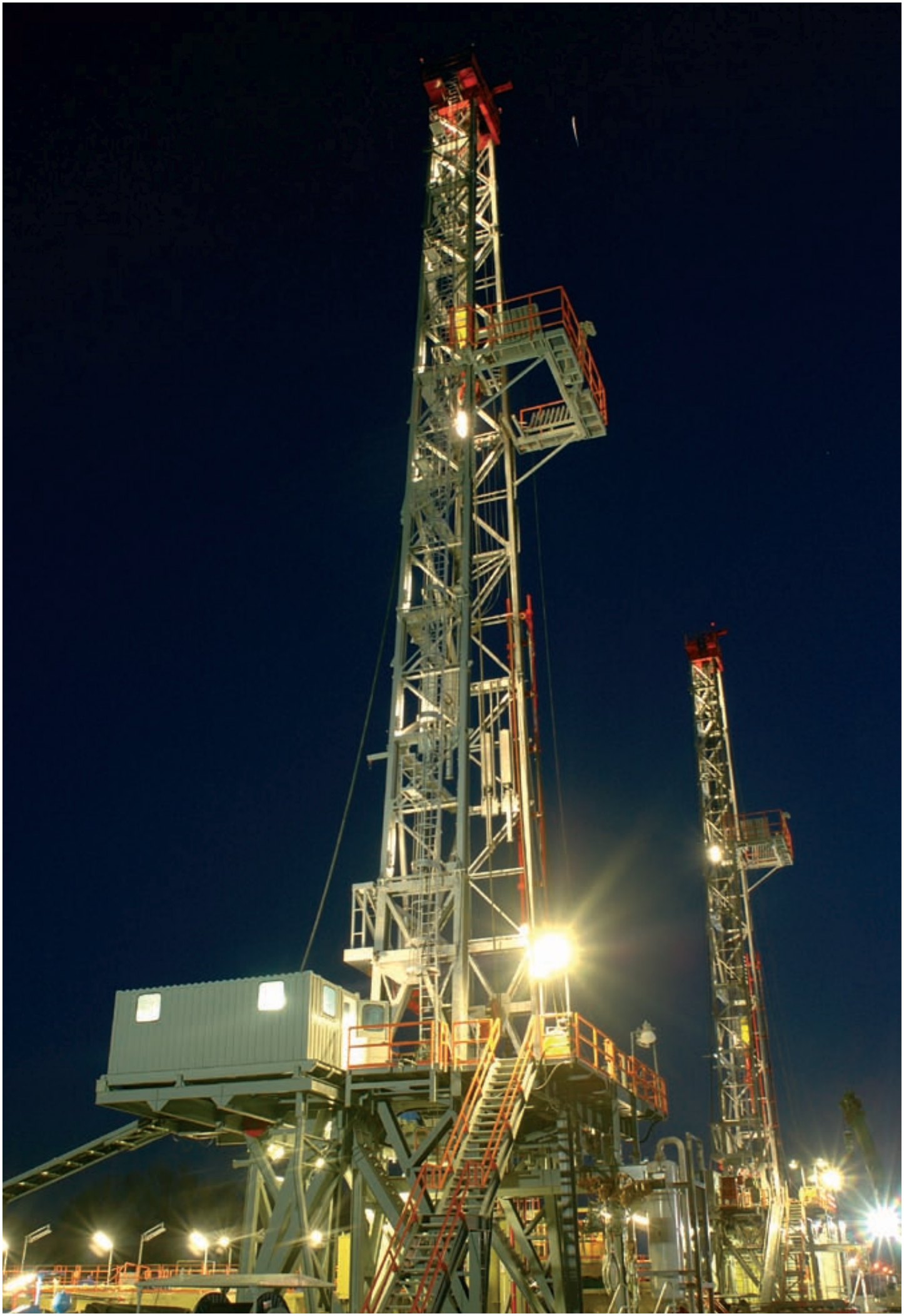
		2005, December	2004, December	Changes
A)	**Fixed assets**	**47,624**	**48,340**	**(716)**
B)	**Net working capital**			
	- Inventories	75,929	44,832	31,097
	- Trade receivables	62,643	51,225	11,418
	- Trade payables (-)	(94,122)	(43,835)	(50,287)
	- Advances (-)	(10,485)	(768)	(9,717)
	- Others assets (liabilities)	(10,888)	(11,180)	292
		23,077	40,274	(17,197)
C)	**Invested capital minus current liabilities (A+B)**	**70,701**	**88,614**	**(17,913)**
D)	**Employee termination indemnities (-)**	**(5,518)**	**(4,952)**	**(566)**
E)	**NET INVESTED CAPITAL (C+D)**	**65,183**	**83,662**	**(18,479)**
	Financed by:			
F)	**Group stockholders' equity**	**32,002**	**26,186**	**5,816**
G)	**Minority interests in capital and reserves**	**1,328**	**1,130**	**198**
H)	**Net financial position**	**31,853**	**56,346**	**(24,493)**
I)	**TOTAL SOURCES OF FUNDS (F+G+H)**	**65,183**	**83,662**	**(18,479)**

SOILMEC DIVISION - Key figures of the Group

(In thousands of Euro)

	2005, December	2004, December	Changes
TOTAL REVENUES	207,889	139,764	68,125
Changes in inventories of work in progress, semifinished and finished products	5,503	855	4,648
Additions to fixed assets by internal production	976	886	90
Other operating revenues	283	1,556	(1,273)
VALUE OF PRODUCTION	**214,651**	**143,061**	**71,590**
Use of raw materials and outside services	167,042	106,732	60,310
Other operating expenses	1,240	797	443
VALUE ADDED	**46,369**	**35,532**	**10,837**
Payroll and related contributions	23,512	22,976	536
E.B.I.T.D.A.	**22,857**	**12,556**	**10,301**
Amortization, depreciation	6,033	5,306	727
Writedowns and provisions	942	622	320
E.B.I.T.	**15,882**	**6,628**	**9,254**

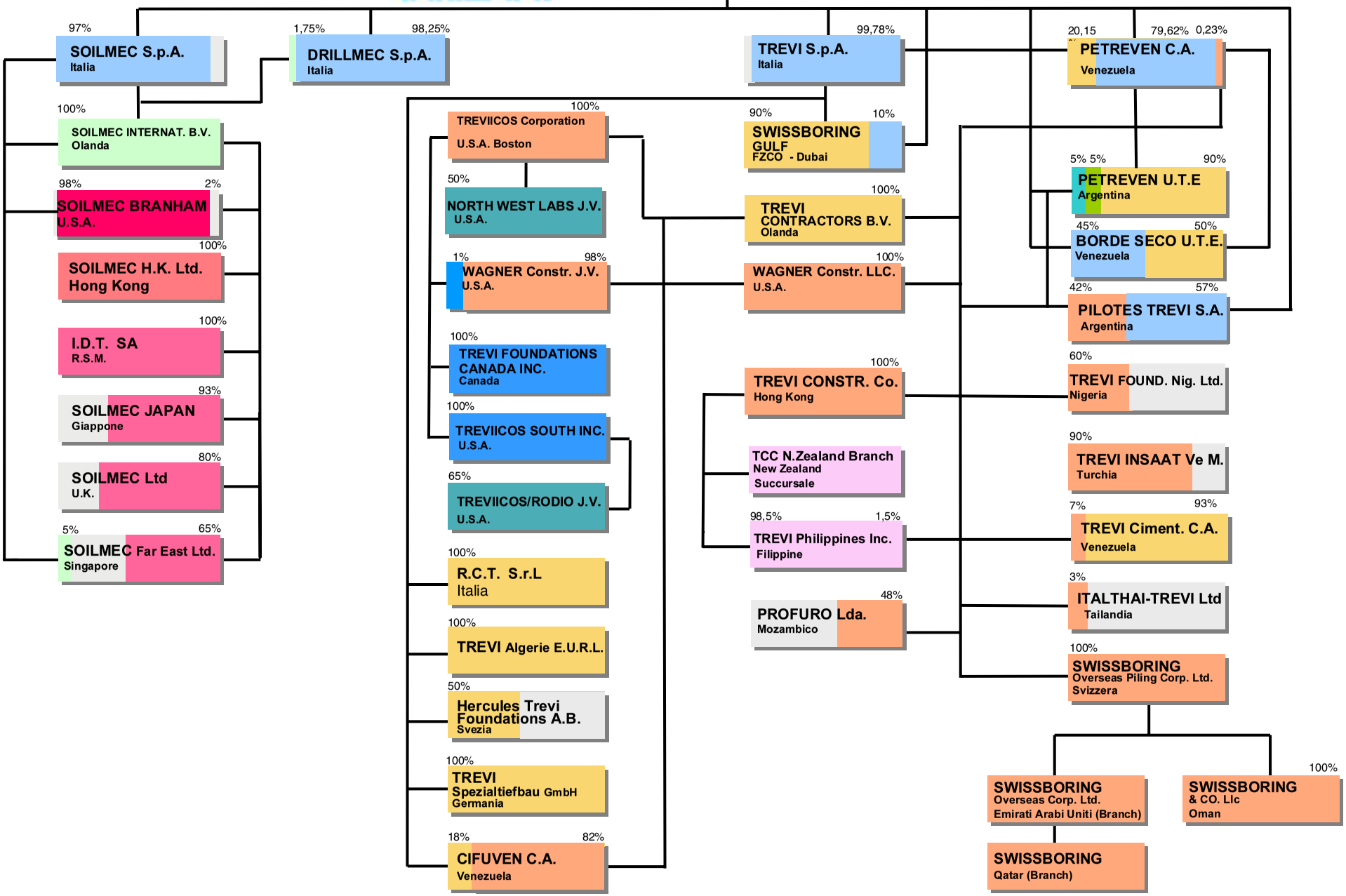
We believe that the primary sector for identifying the Group's activities is the subdivision by type of activity, while the secondary segment refers to geographic area; please refer to the report on management for comments on the economic summaries provided by segment information.



Impianti di perforazione petrolifero convenzionali / *Conventional oil drilling rigs*

TREVI Finanziaria Industriale S.p.A.

12/31/2005



PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31st DECEMBER 2005

AUDITORS' REPORT IN ACCORDANCE WITH ARTICLE 156 OF THE LAW DECREE N° 58 DATED 24th FEBRUARY 1998

To the Shareholders of
TREVI-Finanziaria Industriale SpA

1 We have audited the consolidated financial statements made of the statements of assets and liabilities, the profit and loss account, the statement of the movements of the net worth, the financial report and relevant explanatory notes of TREVI-Finanziaria Industriale SpA (the "Trevi Group") for the year ended 31st December 2005. These consolidated financial statements are the responsibility of TREVI-Finanziaria Industriale's Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The above-mentioned consolidated financial statements have been prepared for the first time in conformity with the International Reporting Standards adopted by the European Union.

2 We conducted our audit in accordance with the auditing standards and criteria recommended by CONSOB. Those standards and criteria require that we plan and perform the audit to obtain the necessary assurance about whether the consolidated financial statements are free of material misstatement and, taken as a whole, are presented fairly. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

The liability relating to the audit of the financial statements of some subsidiaries, representing 37% of total consolidated assets and 40% of total consolidated revenues, is up to other auditors.

PRICEWATERHOUSECOOPERS

For comparative purposes, the consolidated financial statements present the data corresponding to the previous period and arranged in conformity with the same accounting principles. Moreover, the explanatory note nr.1) depicts the effects of the transition to the International Financial Reporting Standards adopted by the European Union and includes the information concerning the reconciliation statement prescribed by the international accounting principle IFRS 1, previously approved by the Board of Directors and printed as an appendix in the six-month financial report as at 30th June 2005, which we audited, and to which we refer in our auditing report dated 28th September 2005.

1. In our opinion, the consolidated financial statements of TREVI-Finanziaria Industriale SpA as at 31st December 2005 comply with the International Financial Reporting Standards adopted by the European Union; therefore they give a true and fair view of the financial position, the profit and loss result, the changes in the net assets and the cash-flow of the Trevi Group with regard to the accounting period closed as at said date.

Bologna, 13th April 2006

PricewaterhouseCoopers SpA

Roberto Megna
(Partner)

This report has been translated from the original.

REPORT OF THE STATUTORY AUDITORS ON THE ORDINARY SHAREHOLDERS' MEETING
In compliance with Article 153 of D.Lgs. no 58/1998 and Article 2429 paragraph 3 C.C.

Over the course of the financial year ending 31 December 2005 we have undertaken our duties of surveillance and supervision required by the law, adopting the code of practice recommended by the Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri (Italian national accountancy body).

In particular, in compliance with the instructions issued by Consob (the Italian stock market regulator), in its memo of 06/04/2001, we wish to report that:

- We have overseen observance of the law and of the company charter.
- We have obtained, at three monthly intervals, from the management, adequate information about the activities undertaken, and the operations of major import to the economic and financial standing and equity position of the company and its controlled companies, ensuring that any actions decided upon and implemented were in compliance with the law, did not give rise to potential conflicts of interest or were in contravention of resolutions passed at general shareholder meetings, nor was there any clearly imprudent or hazardous behaviour, or behaviour likely to compromise the integrity of corporate assets.
- Within the limits of our remit, we have gained knowledge of the adequacy of the organisational structure of the company and its accounting and administrative procedures, and verified that these are being correctly applied, by observing operations directly, gathering information from management personnel and holding meetings with the independent audit company for reciprocal exchange of data and information. On the basis of the above, we do not have any particular observations to make.
- We have ascertained that the company has given its controlled companies adequate instructions with regard to Article 114, paragraph 2, of D.Lgs. (Legislative Decree) 58/1998.
- We have evaluated and monitored the adequacy of internal control systems, in particular the activities of the person responsible for managing internal control.
- We have evaluated and monitored the accounting system, verifying that it can be relied upon to deliver reliable information about the way this is managed, by obtaining information from the personnel in charge of the various functions, by examining corporate documents and analysing the results of the independent audit company.
- With regard to the provisions of Art. 3 of D.Lgs. 6/2/2004 no. 37 that introduced a series of modifications to D.Lgs. 58/1998, including

the provision in paragraph 2 of Art. 151, allowing members of the board of auditors of the controlling company to exchange information with their counterparts in controlled companies, the board of auditors have, over the course of the financial year, ensured that the internal auditors of controlled companies have been adhering closely to the code of practice set out by the Italian accountancy body, with the aim of instigating a consistent set of supervision procedures to be adopted at Group level by all internal auditors. In this context, the importance must be emphasised, for the quoted companies and the companies controlled by quoted companies, of the board of auditors' continuing vigilance over, in particular, the adequacy of the organisational structure and internal control systems, the adequacy of the administrative and accounting systems and the adequacy of the instructions given to controlled companies. In this regard, no relevant data or information have emerged that deserve mention in this report.

- We have held meetings with the personnel of the independent audit company, as required by Art. 150, paragraph 2, D.Lgs. 58/1998, and no relevant data or information have emerged that deserev mention in this report.
- We have verified the absence of any atypical or unusual operations including those conducted between group-member companies and associated parties;
- We have evaluated the adequacy of the information provided in the management report from the board of directors, with regard to the absence of any atypical or unusual operations including those conducted between group-member companies and associated parties. Attachment 1d of the notes accompanying the consolidated balance sheet gives details of the operations carried out by the company with associated parties during the financial year.
- We have checked the ordinary and repeated operations with associated parties and/or between member companies of the group.
- Operations between member companies of the group, both commercial and financial, by both the controlling company and controlled companies have all been regulated by market conditions on the basis of contractual agreement.
- A statement is attached to the balance sheet giving details of the type and amount of remuneration received by each member of the board of directors and the board of auditors, in compliance with D.Lgs. 24/02/1998 no. 58, adopted by Consob as resolution

no 11971 of 14/05/1999. The management performance report contains a statement giving details of the name of the companies and number of shares retained by each member of the board of directors and board of auditors, in compliance with Regulation 11520 of 2 July 1998.

- We have ascertained that for the financial year 2005 TREVI - Finanziaria Industriale S.p.A., individually and with some controlled company has taken part in the Consolidato Fiscale Nazionale (a new business tax regime). The conditions for companies that have subscribed to this regime are set out in an appropriate regulatory contract.
- We have ascertained that, as acknowledgement the international accounting principles that have now been incorporated into Italian national regulations, and following completion of the project specifically instigated on this issue in the previous financial year by the Trevi Group, the consolidated balance sheet closed on 31 December 2005 was drawn up by the parent company TREVI - Finanziaria Industriale S.p.A. according to Art. 2 & 3 of D. Lgs. 38/2005, on the basis of the International Financial Reporting Standards (IFRS) issued by the International Accounting Standard Board (IASB), in force on 31 December 2005. Because this was the first IFRS-compliant balance sheet, IFRS 1 was applied and moreover, in order to facilitate comparative analysis, the data of the previous period were also made available in IFRS-compliant form.
- The accounts were subject to the controls prescribed by the regulations by the audit company PricewaterhouseCoopers S.p.A. which, in the course of regular meetings with this board of auditors did not indicate any important matters in this regard.
- We have ascertained that no charges have been presented under Art. 2408 of the Italian Civil Code, nor have any complaints of any type been made
- We have recorded that the company has incorporated the principles of the self regulatory code of practice for quoted companies laid down by Borsa Italiana S.p.A. (the Italian stock exchange). A new version of the self-regulatory code of practice was published in March 2006, to be adopted by the company during the 2006 financial year. Furthermore, the company has approved a new code of conduct on the issue of internal dealing, drawn up in compliance with Italy's acknowledgement of the directives on market abuse and with the associated implementation regulations issued by CONSOB.

- We have recorded that the company has prepared a statement entitled “Report on Corporate Governance”, made available to shareholders and published on the company website.
- We have recorded that the company, while it is has not yet drawn up its own cope of ethics, has adopted the code of ethics prepared by SACE S.p.A.;
- We have received precise information from the relevant company department that the further duties assigned in the course of 2005 to the audit company and the relative fees for these are as follows:

for realising the project directed at presenting the consolidated balance sheet in compliance with the International Reporting Standards - IFRS, the total fee for the financial year 2005 , excluding IVA (VAT), is 53,940 euro.

The board of auditors has not offered any legally required advice over the course of the year.

We have examined the operating balance sheet for the financial year ending on 31 December 2005, the consolidated balance sheet and the management performance report, concerning all of which we can report the following:

- Since we were not required to perform an analytical audit of the content of the balance sheet, we oversaw and supervised the general formulation of the operating and consolidated balance sheets, their compliance with the law in terms of their formulation and structure and, on that regard we have no particular observations to report.
- We have verified that the management performance report was formulated according to the law and, in that regard, we have no particular observation to report.
- As far as we are aware, the board of directors, in drawing up the balance sheet, have not deviated from the provisions of Art. 2423, paragraph 4, of the Italian Civil Code.
- We have verified that the balance sheet corresponds to the facts and the information we have gathered in carrying out our duties and we have no observations to make in this regard.
- Also taking into account the outcome of the activities performed by the company responsible for the financial audit, whose findings are set out in the reports, issued on the 13 April 2006, accompanying the operating and consolidated balance sheets closed on 31 December 31, we recommend the general shareholder’s meeting approve the operating balance sheet closed on 31 December 2005, as drawn up by the board of directors.

The surveillance and supervision activities described above, were carried out over 12 meetings of the board of auditors who were also present at the 9 meetings of the board of directors, and the Chairman of the board of auditors or another delegated auditor took part in the 3 meetings of the Internal Control Committee.
During the course of our surveillance and supervision activities and on the basis of the information obtained from the independent audit company, we are aware of no omissions, actions open to censure, irregularities or any other significant facts needing to brought to the attention of the controlling bodies.

From the registered offices, 13 April 2006.

The Board of Statutory Auditors
Adolfo Leonardi
Giacinto Alessandri
Giancarlo Poletti

FINANCIAL STATEMENTS

as of December 31, 2005

BALANCE SHEET
STATO

ASSETS	12.31.2005	12.31.2004
A) Amounts due from stockholders	**-**	**-**
B) Fixed assets:		
I - Intangible fixed assets:		
1) start-up and expansion costs	0	799
3) industrial patents and intellectual property rights	148,031	206,168
4) concessions, licenses, trademarks & similar rights	47,586	24,460
6) assets under construction and advance payments	0	69,815
7) other intangible fixed assets	63,222	107,057
Total intangible fixed assets	**258,839**	**408,299**
II - Tangible fixed assets:		
2) plant and machinery	159,818	120,150
4) other assets	3,250	3,865
5) assets under construction and advance payments	171,171	171,171
Total tangible fixed assets	**334,239**	**295,186**
III - Financial fixed assets:		
1) equity investments in:		
a) subsidiary companies	44,835,938	44,814,061
d) other companies	23,632	23,632
Total	44,859,570	44,837,693
2) accounts receivable:		
a) Subsidiary companies:		
- due within 12 months	69,085,446	62,353,866
- due beyond 12 months	-	-
Total	69,085,446	62,353,866
4) company's own shares	0	1,832,991
Total financial fixed assets	**113,945,016**	**109,024,550**
Total fixed assets (B)	**114,538,094**	**109,728,035**

AS OF DECEMBER 31, 2005

PATRIMONIALE *(Thousands of Euro)*

ASSETS			12.31.2005	12.31.2004
C)	**Current assets:**			
	II -	**Accounts receivable :**		
		1) due from customers:		
		- within 12 months	28,273	35,319
		- beyond 12 months	-	-
		Total	28,273	35,319
		2) due subsidiary companies	15,972,103	11,878,962
		- within 12 months		
		- beyond 12 months		
		Total	0	0
		3) due from associated companies	0	232
		4 BIS) due from the tax authorities	52,615	1,698,480
		4 TER) deferred tax assets	358,330	451
		5) due from third parties:		
		- within 12 months	57,036	25,247
		- beyond 12 months	49,593	77,138
		Total	106,629	102,385
	Total accounts receivable		**16,517,950**	**13,715,829**
	IV -	**Liquid funds:**		
		1) bank and postal deposits	1,393,566	57,869
		3) cash and cash equivalents	3,165	4,051
	Total liquid funds		**1,396,731**	**61,920**
Total current assets (C)			**17,914,681**	**13,777,749**
D)	**Accrued income and prepaid expenses**			
		2) prepaid expenses		
		- within 12 months	930,710	961,159
		- beyond 12 months	2,147,169	2,463,970
Total accrued income and prepaid expenses (D)			**3,077,879**	**3,425,129**
TOTAL ASSETS			**135,530,654**	**126,930,913**

BALANCE SHEET
STATO

LIABILITIES AND STOCKHOLDERS' EQUITY			12.31.2005	12.31.2005
A)	**Stockholders' equity**			
I	**-**	**Capital stock**	**32,000,000**	**32,000,000**
II	**-**	**Share premium reserve**	**34,355,654**	**35,522,662**
IV	**-**	**Legal reserve**	**3,711,072**	**3,657,985**
V	**-**	**Company own share reserve**	**0**	**1,832,991**
VII	**-**	**Other reserves:**		
		- extraordinary reserve	5,039,535	4,988,776
		Total other reserves	**5,039,535**	**4,988,776**
IX	**-**	**Net income (loss) for the year**	**2,023,643**	**1,061,748**
Total stockholders' equity			**77,129,904**	**76,064,162**
B)	**Reserves for risks and charges:**			
	2)	taxation	283,882	15
	3)	other	0	0
Total reserves for risks and charges			**283,882**	**15**
C)	**Reserve for employee termination indemnities**		**598,815**	**508,950**
D)	**Payables:**			
	4)	due to banks:		
		- within 12 months	19,364,605	25,311,897
		- beyond 12 months	23,750,000	20,925,467
		Total	43,114,605	46,237,364
	7)	due to suppliers		
		- within 12 months	1,503,912	959,957
		- beyond 12 months	9,266	46,329
		Total	1,513,178	1,006,286
	9)	due to subsidiary companies	10,573,913	2,538,329
	12)	due to tax authorities:	1,738,534	89,785

AS OF DECEMBER 31, 2005

PATRIMONIALE *(Thousands of Euro)*

LIABILITIES AND STOCKHOLDERS' EQUITY	12.31.2005	12.31.2005
13) due to social security institutions	84,812	73,208
14) other payables	135,908	156,861
Total payables	**57,160,950**	**50,101,833**
E) Accrued expenses and deferred income		
1) accrued expenses		
- due within 12 months	270,353	167,970
- due beyond 12 months	-	-
Total	270,353	167,970
2) deferred income		
- due within 12 months	86,750	87,983
Total accrued expenses and deferred income	**357,103**	**255,953**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**135,530,654**	**126,930,913**

MEMORANDUM ACCOUNTS	12.31.2005	12.31.2004
GUARANTEES GIVEN	**202,491,185**	**82,863,258**
RECOURSE RISKS	**434,223**	**434,223**
OUTSTANDING LEASE INSTALMENTS	**12,163,012**	**15,234,230**
TOTAL MEMORANDUM ACCOUNTS	**215,088,420**	**98,531,711**

INCOME STATEMENT

(Thousands of Euro)

				12.31.2005	12.31.2004
A)	**Value of production:**				
	1)	revenues from sales and services		9,615,360	8,393,081
	5)	other income		1,205,108	1,081,672
	Total value of production (A)			**10,820,468**	**9,474,753**
B)	**Production costs:**				
	6)	raw, ancillary and consumable materials and goods for resale		9,660	8,357
	7)	services received		1,867,495	1,812,261
	8)	leases and rentals		7,305,902	5,710,517
	9)	personnel:			
		a)	wages and salaries	1,345,416	1,139,091
		b)	social security charges	460,025	391,968
		c)	employee termination indemnities	106,249	91,312
		Total		1,911,690	1,622,371
	10)	amortization, depreciation and writedowns:			
		a)	amortization of intangible fixed assets	197,311	802,060
		b)	depreciation of tangible fixed assets	36,391	20,070
		Total		233,702	822,130
	12)	provisions for risks and charges		0	0
	14)	other operating expenses		1,361,238	173,860
	Total production costs (B)			**12,689,687**	**10,149,496**
Difference between value and cost of production				**-1,869,219**	**-674,743**
C)	**Financial income and expense**				
	15)	income from equity investments:			
		a)	subsidiary companies	1,940,000	649,900
		b)	third parties	26	0
		Total		1,940,026	649,900
	16)	other financial income:			
		a)	from receivables held as fixed assets		
			subsidiary companies	3,471,926	3,391,411
		Total		3,471,926	3,391,411

AS OF DECEMBER 31, 2005

			12.31.2005	12.31.2004
	d)	income other than the above:		
		third parties	567,383	43,230
17)	interest and other financial charges:			
	a)	subsidiary companies	-19,455	0
	d)	third parties	-2,188,509	-1,877,366
17 Bis)		net differences from exchange	99,588	-224,558
Total financial income and expense			**3,870,959**	**1,982,617**
E)	**Extraordinary income and expense**			
20)	income:			
	b)	other income	166,909	979
	Total		166,909	979
21)	expense:			
	b)	taxes relating to prior years	0	-47,680
	c)	other expense	-114,854	-446
	Total		-114,854	-47,147
Total extraordinary items			**52,055**	**-47,147**
Results before taxation			**2,053,795**	**1,260,727**
22)	income taxes for the year			
	Current		-104,164	-216,716
	Deferred		-283,867	17,586
	Pre-paid		357,879	151
Net income/(loss) for the year			**2,023,643**	**1,061,748**

Attrezzatura idraulica di perforazione SOILMEC R-1240 (Las Vegas- USA) / *Hydraulic Rotary Rig SOILMEC R-1240 (Las Vegas-USA)*

Group profile and activities

The company is an industrial shareholding of a Group which carries out its main activity through the Trevi Division (coordinated by the subsidiary TREVI S.p.A.), operating in the area of foundation engineering contracts and services for civil works and infrastructures, the Soilmec Division (coordinated by the subsidiary Soilmec S.p.A.), which manufactures rigs and equipment for special foundations, gallery excavation, the subsidiary DRILLMEC S.p.A. which manufactures and develops equipment for well drilling for hydrocarbon extraction and water search and the company Petreven C.A. dealing with oil drilling services.

Financial Statement Structure

The financial statement as at 31 December 2005 was drafted in compliance with the standards of articles 2423 and following of the Italian Civil Code. More specifically, the general provisions for financial statement structuring (art. 2423 C.C.), its drafting standards (art. 2423 bis C.C.) as well as the evaluation criteria contained in art. 2426 del C.C. were respected, duly integrated and interpreted according to the accounting principles set out and recommended by the Italian National Council of Chartered Accountants, without applying any of the derogations listed in art. 2423 par. 4 of the C.C..

The Balance Sheet and Profit and Loss Account were drafted following the compulsory diagrams included in the Civil Code, based on the changes introduced by Law Decree 17 January 2003 n. 6.

In compliance with the provisions of art. 2423 ter C.C., each item in the balance sheet and profit and loss account includes the amount of the same item for the previous fiscal year.

The note of financial statements contains the analysis and in some cases the integration of balance sheet data with the information required by art. 2427 e 2427 bis C.C., by law decree n. 127/1991, by the provisions of CONSOB (Italian National Commission for Listed Companies and the Stock Exchange) regulation n. 11.520/98, as well as some special laws. It also contains complementary information regarded as necessary for the purpose of giving a truthful representation of the company, though this may not be required by specific legal standards.

The financial statement as at 31 December 2005 is drafted in Euro units.

The company Financial Statement is subject to auditing by PricewaterhouseCoopers S.p.A..

Adoption of the IAS / IFRS accounting standards

The financial statement as at 31 December 2005, using the possibilities provided for by law decree n. 38/2005, which regulates the use of IAS / IFRS principles as defined in European Regulation n. 1606/2002 of 19 July 2002, will be drafted using the national accounting principles set out and recommended by the Italian National Council of Chartered Accountants; starting from the fiscal year as at 31 December 2006 the financial statement will be drafted based on the IAS / IFRS accounting standards.

The TREVI Group consolidated Financial Statement as at 31 December 2005 was already drafted in compliance with European Regulation n. 1606/2002 of 19 July 2002, following the new IAS / IFRS accounting principles.

Evaluation criteria

The financial statement items are assessed on the basis of general standards of prudence and accrual, with a view to continuing the company's activity and taking into account the business purpose of each asset and liability.

The evaluation criteria adopted to draft the financial statement as at 31 December 2005 comply with the provisions of art. 2426 C.C., in line with those applied for the previous fiscal year.

INTANGIBLE FIXED ASSETS

Intangible fixed assets are subject to direct depreciation.

As for the intangible fixed assets consisting of plant and expansion costs, completely written off in the financial statement as at 31 December 2005 (including the expenses sustained for the company's stock exchange listing), patent rights, trade marks, user licences and costs attributable to more than one year, the depreciation shares were calculated based on an estimated useful life of five years.

The incremental costs on third party goods, sustained for goods purchased with leasing contracts, have been depreciated directly with shares corresponding to the duration of the said leasing contracts.

The item "current fixed assets and advances" includes the costs sustained for the implementation of software programmes and modules for integrated management, which at the end of the fiscal year were not yet completed and in use.

TANGIBILE FIXED ASSETS

The tangible fixed assets are entered based on their cost, including the accessory charges for direct allocation and listed after the relevant depreciation funds. The depreciation rates are calculated for constant shares. Details of the rates applied are provided in the comment to the Balance Sheet items, with the aim of representing the technical-economic useful life of the asset, also in compliance with Ministerial Decree 31/12/88.

The item "Current fixed assets and accounts" refers to the sum paid for the transfer of finance leasing contracts as advance on the future redemption of the asset at the end of the relevant contract, with a view to acquiring its ownership.

LONG-TERM INVESTMENTS

The shareholdings are entered at their purchase or subscription cost, the latter value having been reduced only in the presence of losses regarded as durable, in compliance with art. 2426 n.3 of the Italian Civil Code.

The payments made in the future capital increases of subsidiary companies' account were entered directly as increase of the shareholding item.

The other long-term investments, consisting of credits to subsidiary companies and advance deposits are entered at the nominal value, considered as corresponding to the collection value.

The company's own shares, included in the previous fiscal year's statement, were entered under item B III 4 of the Balance Sheet Diagram, "Own Shares". The evaluation criterion, in compliance with art. 2426 of the Italian Civil Code, is therefore based on cost.

Moreover, the Net Worth items include an unavailable reserve related to the cost sustained for the purchase of the company's own shares in compliance with art. 2357 – ter of the Civil Code, with accounting standard n. 28 and the decision of the Milan Count of Appeal dated 18/09/1986, using the share-premium reserve.

CREDITS

The credits are entered at their nominal value, regarded as corresponding to the collection value.

The financial statement includes foreign currency credits, mainly in US dollars, evaluated at the exchange rate at the end of the fiscal year. The difference compared to the original entering amount was allocated to profit / losses on exchanges, under item C 17 bis of the Profit and Loss Account.

DEBTS
Debts are entered at their nominal value.
The financial statement includes foreign currency debts, mainly in US dollars, evaluated at the exchange rate at the end of the fiscal year. The difference compared to the original entering amount was allocated to profit / losses on exchanges, under item C 17 bis of the Profit and Loss Account.

ACCRUALS AND PAYABLES
They are calculated according to the principle of economic and time competence following the principle of cost and earning correlation to the fiscal year.

TAXES
They are entered based on the taxable income estimate, in compliance with current provisions, taking into consideration applicable exemptions and tax credits due.
Deferred taxes are listed in the profit and loss account in the relevant sub-item to item 22 and allocated to the tax Fund. Advance taxes are entered in the same profit and loss account item with a minus sign, as loans to others among the floating assets.

OTHER PROVISION ACCOUNTS
The risks which are likely to become a liability are allocated following consistency criteria in the risk fund.
When there is only a possibility that the risks might become a liability, these are listed in the Note to Financial Statements and not allocated to the risk fund. Risks of a remote nature are not taken into account.

EMPLOYEE RETIREMENT INDEMNITY
The fund is calculated in compliance with the current legislation and collective working and integration company agreements. This liability is adjusted annually based on revaluation indices laid down by the Law.

CONTRA ACCOUNTS
These include commitments made, guarantees given, as well as the goods received and entrusted for various reasons. They are entered at their nominal value.

COSTS AND EARNINGS
They are listed in the financial statements and calculated according on the basis of accrual, inherence and prudence.

DIVIDENDS
The dividends distributed by participated companies are entered on an accrual basis. If the subsidiary company is subject to a dominant influence, the dividend, in compliance with accounting standards and communication CONSOB DAC/RM/95002194 of 16 March 1995, is entered with value on the profits made during the fiscal year even though these are distributed during the following fiscal year, provided that the Board of Directors of TREVI – Finanziaria Industriale S.p.A. has approved the financial statement project and that the subsidiary companies' Boards of Directors have approved the financial statement projects.

FINANCE LEASING
The finance leasing fees related to tangible fixed assets are entered in the fiscal year of accrual with reference to the contract clauses, in compliance with current norms. When the contract expires, the redemption value is entered among tangible fixed assets.
The note to financial statements contains information required according to art. 2427 paragraph 1 n. 22 of the C.C..

Other information

DEROGATIONS IN COMPLIANCE WITH PAR. 4, ART. 2423 C.C.
This financial statement does not contain derogations in compliance with the fourth paragraph of art. 2423 C.C..

CONSOLIDATED FINANCIAL STATEMENTS
The company has to draft its consolidated financial statements in compliance with D.L. 127/91.
A copy of the Consolidated Financial Statements, of the report by the management and board of control, shall be kept in the company offices, at Borsa Italiana S.p.A. and at the Trade Register in compliance with the Law.

REFORM OF THE TAXATION ON CORPORATE INCOME AND GROUP TAXATION SYSTEM
The Law Decree of 12 December 2003, n. 344, concerning the "Reform of the taxation on corporate income", replaced, starting from

the taxation periods beginning on 1st January 2004, the corporate income tax (IRPEG) with tax on companies' income (IRES).
As part of the new tax on companies' income, a new taxation system known as "Consolidato Nazionale", which is described in Section II, Heading II of Title II, articles from 117 to 129 of the Consolidated Law on income taxes approved by D.P.R. of 22 December 1986, n. 917 ("TUIR"), subsequently modified and integrated in the decree of the Minister for the Economy and Finance dated 9 June 2004, published in the Italian Official Journal n. 138 of 15 June 2004, (the "Implementation Decree"), also known as "Group Taxation System".
The company TREVI – Finanziaria Industriale S.p.A. has opted for the Group Taxation System, which means that a single taxable income is calculated for the group for IRES purposes (the "Group Taxable Income"), taking over the role of consolidating company, with the following consolidated companies:
- TREVI S.p.A., with a direct shareholding of 99.78%;
- SOILMEC S.p.A., with a direct shareholding of 97.00%;
- DRILLMEC S.p.A., with a direct shareholding of 98.25%.

The financial statements for the fiscal year include the creditor and debtor relations with controlled companies as a consequence of the Group taxation system.

COMPANY DIRECTION AND COORDINATION
In compliance with art. 2497 of the C.C., the company is in charge of the direction and coordination of the following companies:
- TREVI S.p.A., with a direct shareholding of 99.78%;
- 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 an indirect shareholding of 99.78% (controlled 100% by TREVI S.p.A.)

ASSETS

B – FIXED ASSETS

As for intangible and tangible fixed assets, the following diagrams show, item by item, the historical costs, the depreciations recorded, the movements during the fiscal year, the final balances and the total revaluations and the end of the fiscal year under examination.

B I – INTANGIBLE FIXED ASSETS

As at 31 December 2005, the intangible fixed assets amount to 258,839 Euro compared to 408,299 Euro in the previous fiscal year, with a decrease by 149,460 Euro, detailed as follows:

Description	HISTORICAL COST				AMORTIZATION				Net book value 12/31/05
	Balance as of 12/31/04	Increases	Decreases	Balance as of 12/31/05	Balance as of 12/31/04	Amortization for the year	Utilization	Balance as of 12/31/05	
Start-up and expansion costs	5,763,937			5,763,937	5,763,138	799		5,763,937	0
Patents	682,500	82,945		765,445	476,332	141,082		617,414	148,031
Licenses and trademarks	40,026	34,721		74,747	15,566	11,595		27,161	47586
Assets in progress and advances	69,815		69,815	0					0
Other	298,576			298,576	191,519	43,835		235,354	63,222
TOTAL	**6,854,854**	**117,666**	**69,815**	**6,902,705**	**6,446,555**	**197,311**	**0**	**6,643,866**	**258,839**

The writing off of the plant and expansion costs, including the patent and user licences and the brands is calculated applying a 20% rate.

The item “Industrial patent rights and use of original work” amounts to 148,031 Euro compared to 206,168 Euro in the previous fiscal year, with a decrease by 58,137 Euro due to the application of normal yearly depreciation rates.

The item “current fixed assets and advances” during the previous fiscal year included the costs related to the implementation of a software for treasury management and additional modules for the software and management programmes which were activated in the course of the year 2005.

The item “Other fixed assets” includes the incremental costs on third party goods, written off based on the duration of the relevant leasing contracts, for a residual amount of 63,222 Euro.

B II – TANGIBLE FIXED ASSETS

As at 31 December 2005 tangible fixed assets amount to 334,239 Euro compared to 295,186 Euro in the previous fiscal year, with an increase by 39,053 Euro.

Tangible fixed assets were not subject to any devaluation or revaluation.

The item "Plants and Machinery" during the year 2005 registered a net increase by 39,668 Euro; the main new elements of the fiscal year under examination were the strengthening of the company computer network and the purchasing of three computer servers aimed at expanding the Group's information service.

The item "Current fixed assets and advances" includes the purchase from the subsidiary Soilmec S.p.A. of future pre-emptive rights for the redemption of equipment at the end of the finance leasing contract, following the transfer of the latter.

Description	Balance as of 12/31/04	Increases	Decreases	Depreciation for the year	Utilization	Net book value 12/31/05	Accumulated deprec. As of 12/31/05
Plant and machinery	120,150	102,366	30,389	35,716	3,407	91,320	159,818
Other assets	3,865	60	0	675	0	7,629	3,250
Fixed assets in progress and accounts	171,171		0	0	0	0	171,171
TOTAL	**295,186**	**102,426**	**30,386**	**36,391**	**3,407**	**98,949**	**334,239**

The depreciations were calculated on all assets which could be written off as at 31 December 2005. The rates applied were regarded as consistent with the technical-economic useful life of the assets listed below:

ASSET CATEGORY	Rate %
Fittings and furniture	12
Electronic machines	20
Perforation and foundation equipment	7,5
Generic equipment	10

B III - LONG-TERM INVESTMENT

1) SHAREHOLDINGS

As at 31 December 2005 the shareholdings amount to 44,859,570 Euro compared to 44,837,693 Euro in the previous fiscal year with an increase by 21,877 Euro.

The company has no shareholdings which involve unlimited liability. The shareholdings are listed in detail in the following tables:

Description	Balance as of 12/31/04	Increases	Decreases	Revaluation	Writedowns	Other movements	Balance as of 12/31/05
Subsidiary companies	44,814,061	21,877					44,835,938
Other companies	23,632	0					23,632
TOTAL	**44,387,693**	**21,877**	**0**	**0**	**0**	**0**	**44,859,570**

More specifically, the item Shareholdings shows that:

Description	Balance as of 12/31/04	Increases	Decreases	Revaluation	Writedowns	Other movements	Balance as of 12/31/05
Subsidiary companies							
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						3,557,057
SWISSBORING GULF FZCO	0	21,877					21,877
Total "Subsidiary companies"	**44,814,061**	**21,877**					**44,835,938**
Other companies							
COMEX S.p.A.	22,496						22,946
Banca di Cesena S.p.A.	1,136						1,136
Total "Other companies"	23,632						23,632
TOTAL	**44,837,693**	**21,877**					**44,859,570**

The increase in the item by 21,877 Euro is due to the subscription of a 10% share in the newly-established company Swissboring Gulf FZCO (with 90% being held by the subsidiary TREVI S.p.A.), a company based in Dubai (U.A.E.) whose corporate purpose is the hiring out of equipment; at the end of the fiscal year the company was not yet operational.
The trend of the subsidiaries during the fiscal year is illustrated in detail in the management report.
The shareholdings are entered at their purchase or subscription cost, the latter value having been reduced only in the presence of losses regarded as durable, in compliance with art. 2426 n.3 of the Italian Civil Code.
As regards Comex S.p.A., a company in which the Group has a

shareholding, which operates in the assembly sector of hardware products (personal computer, notebooks and servers) with its own brand name, to date the 2005 financial statements have not been approved; based on preliminary balance sheet 2005 data provided by the Board of Directors, the fiscal year earnings are expected to amount to about 10.5 million Euro, a slight reduction compared to the previous accounting period; profitability, is on the increase thanks to production improvements and new products, with an expected profit before taxes of about 187,000 Euro. Earnings in the fiscal year 2006 are expected to grow about 10%.

The company owns forty shares in Banca di Cesena S.c.a.r.l. with a nominal value of 25.82 Euro each, equivalent to 0.04% of the company.

This is a list of shareholdings as at 31 December 2005:
(value in Euro units, unless otherwise specified) (2)

	Headquarters	Capital stock	Book stockholers' equity(1)	Net income for year	% Held	Book value	Our portion of stockholders' equity
SUBSIDIARIES							
TREVI S.p.A.	CESENA	26,300,000	24,772,285	(4,239,701)	99,78	26,732,503	24,717,786
SOILMEC S.p.A.	CESENA	5,160,000	15,711,001	7,086,476	97,00	9,324,671	15,359,671
DRILLMEC S.p.A.	CESENA	5,000,000	5,225,359	575,938	98,25	4,915,985	5,133,915
PILOTES TREVI S.a.c.i.m.s.	BUENOS AIRES	1.977 (in Pesos)	3.209.053 (3) (4)	209,053 (3) (4)	57,00	283,845	1,829,379 (3) (4)
PETREVEN C.A.	CARACAS	12,373,702 (in Bolivares)	4,100,125	(12,186) (4)	79,62	3,557,057 (4)	2,959,667 (4)
SWISSBORING GULF FZCO		1,000 (in Dirham)	218,000	(12,000)	10	21,877	21,800
TOTAL SUBSIDIARIES						**44,835,938**	**50,022,218**
OTHER COMPANIES							
COMEX S.p.A.	RAVENNA	2,647,080 (4)	2.827.946 (4)	(138,190) (4)	0,81	22,496	22,750 (4)
Banca di cesena	CESENA	2.080.705	47.435.000(4)	2,248,885 (4)	0,04	1,136	19,815 (4)
TOTAL OTHER COMPANIES						**23,632**	**42,565**

Notes

1. The net worth includes the operating result as at 31/12/2005; for the subsidiary Soilmec S.p.A. it includes a 4 million Euro payment in the future stock capital increase account.
2. values in foreign currencies are expressed in thousands.
3. the counter-value in Euro was obtained by applying the exchange rate at the end of the fiscal year:

Currency	Average change	Average exchange rate during the fiscal year on the financial statement date
Argentine Pesos	3,6377	3,57272
Venezuelan Bolivar	2,619.93	2,533.17
Dirham (U.A.E.)	4,5720	4,33312

4. Data as at 31 December 2004.

There are no constraints on the free availability (including the right to vote) on the shares owned. For a detailed description of companies the Group has a shareholding in, its subsidiary and associated companies, both directly and indirectly, please refer to the Note of Consolidated Financial Statements.

2) COMPANY'S OWN SHARES, INCLUDING AN INDICATION OF THEIR OVERALL NOMINAL VALUE

The item, not included in the fiscal year ending on 31 December 2005, in the previous fiscal year amounted to 1,832,991 Euro, with a reduction by the same value; during the fiscal year 2005 the company, considering that the reasons leading to their purchase were no longer valid (trade-in of shareholdings in subsidiaries and/or acquisitions of stable and lasting third company shareholdings) decided to sell its own shares purchased during the previous period, following authorisations issued by the Shareholders' Meetings on 30 April 2001, 30 April 2002, 30 April 2003 and 30 April 2004.

The company sold 1,251,326 shares (corresponding to 1.96% of the stock capital), with an overall historical cost of 1,832,991 Euro, obtaining a net surplus of 472,304 Euro.

The shareholders' meeting of 13 May 2005 authorised the purchase of a maximum of 3,000,000 (three million), with a nominal value of 0.50 Euro, owned directly and/or indirectly, corresponding to 4.6875% of the stock capital which consists of 64,000,000 (sixty-four million) ordinary shares.

The authorisation has been granted until 30 April 2006.

2) CREDITS

a) Loans to subsidiaries

These amount to 69,085,446 Euro overall, compared to 62,353,866 Euro in previous fiscal year, with an increase by 6,731,580 Euro.

The increase can be mainly attributed to financing granted to the subsidiary Petreven C.A of 5 million Euro, to support the industrial development plan in the drilling sector and the new credit openings to Trevi S.p.A..

The loans to subsidiaries are financial in nature, concluded under normal market conditions and due within twelve months.

C – FLOATING ASSETS

C II – CREDITS

1) Accounts receivable

These amount to 28,273 Euro (35,319 Euro in the previous fiscal year), with a decrease by 7,046 Euro and consist of loans to customers outside the Group for services rendered, due within the next fiscal year.

2) Loans to subsidiaries

The loans to subsidiaries amount to 15,972,103 Euro (11,878,962 Euro in the previous fiscal year), with an increase by 4,093,141 and are due within the next fiscal year. This item consists of:

- credits originating from business operations, concluded under normal market conditions, amounting to 10,530,530 Euro;
- credits for dividends accrued to be cashed on behalf of the subsidiary SOILMEC S.p.A. amounting to 1,940,000 Euro, entered on an accrual basis.
- credits due within the fiscal year because of relations ensuing as a consequence of the Group taxation system, amounting to 3,501,573 Euro.

4) bis Tax Credits

These amount to 52,615 Euro (1,698,480 Euro in the previous fiscal year), with a decrease by 1,645,865 Euro.

These are due from:

Description	12/31/05	12/31/04	Changes
Due from tax authorities for corporate income tax	0	1,420,646	(1,420,646)
Receivables requested for reimbursement from tax authorities	0	91,506	(91,506)
Credits due to taxes abroad	50	50	0
VAT credit	52,380	186,099	(133,719)
Other	185	179	6
TOTAL	**52,615**	**1,698,480**	**(1,645,865)**

The main variation concerns the reduction of credits due to direct taxation as a consequence of the Group taxation system.

4) ter Advanced taxes
These amount to 358,330 Euro (451 Euro in the previous fiscal year), with an increase by 357,879 Euro. The increase is mainly due to the non-deductibility of fiscal losses on exchanges not made; it will result in a reduction of IRES / IRAP taxes for the following fiscal years amounting to 264,694 Euro. The fiscal income deficit for the fiscal year 2005, will lead to a reduction of the IRES tax by 92,625 Euro.

5) Loans to others
These amount to 106,629 Euro (102,385 Euro in the previous fiscal year), with an increase by 4,244 Euro.

These are due from:

Description	12/31/05	12/31/04	Changes
Receivables from the Central Bank of Nigeria	73,873	77,138	(3,265)
Advances to suppliers	0	2,148	(2,148)
Other	32,756	23,099	9,657
TOTAL	**106,629**	**102,385**	**4,244**

The following is the informative report required by art. 2427 par. 1 n. 6 of the C.C. related to the division of credits based on geographical areas:

Description	Italy	Rest of Europe	U.S.A. and Canada	Latin America	Africa	Far East	TOTAL
Credits with customers	25,278	0	0	0	2,814	181	28,273
Credits with controlled companies	11,377,013	240,827	126,240	3,709,084	0	518,939	15,972,103
Credits with related companies	0						0
Tax credits	52,615						52,615
Advanced taxes							358,330
Credits with others	32,756				73,873		106,629
TOTAL	**11,845,992**	**240,827**	**126,240**	**3,709,084**	**76,687**	**519,120**	**16,517,950**

C IV – CASH AVAILABILITY

This amount is 1,396,731 Euro (61,920 Euro in the previous fiscal year) with an increase by 1,334,811 Euro, made up as follows:

Description	12/31/05	12/31/04	Changes
Bank and post office accounts	1,393,566	57,869	1,335,697
Cash and cash equivalents	3,165	4,051	(886)
TOTAL	**1,396,731**	**61,920**	**1,334,811**

There are no constraints on the full availability of the entries made under this item.
The overall variation of the financial situation is analysed in the financial report (Annex 1).

ACCRUALS AND PAYABLES

The accruals and payables amounting to 3,077,879 Euro (3,425,129 Euro in the previous fiscal year), with a decrease by 347,250 Euro, are made up as follows:

Description	12/31/05	12/31/04	Changes
Insurance premiums paid in advance	8,320	5,507	2,813
Lease installments	2,459,934	2,827,542	(367,608)
Deferment on leasing fee	455,566	411,102	44,464
Commission on bank guarantees	24,405	11,722	12,683
Other	129,654	169,256	(39,602)
TOTAL	**3,077,879**	**3,425,129**	**(347,250)**

The most substantial variation is due to the reduction of the deferred liabilities because of the advanced invoicing of finance leasing fees

with respect to their economic accrual period; more specifically this applied to the property leasing contract underwritten for the in factory in Gariga di Podenzano (Piacenza).
Within deferred liabilities, a total of 2,147,169 Euro has a duration longer than twelve months and refers to the advanced invoicing of finance leasing fees for the real-estate leasing contract mentioned above, as well as for expenses and commissions on long-term financing; within this sum, a total of 873,241 Euro refers to deferred liabilities with a duration longer than five years.

LIABILITIES
A – NET WORTH

In the fiscal year 2005 and in the two previous periods, in compliance with OIC document n. 1, the following variations took place:

	Capital stock	Share premium reserve	Legal reserve	Peserve for tresury shares	Extraordinary reserve	Net income	Total stockholders' equity
Balance as of 12/31/02	**32,000,000**	**32,681,950**	**3,575,299**	**1,673,704**	**4,357,664**	**630**	**74,918,245**
Net income allocation			31,481		598,147	(629,628)	0
Dividends distributed							0
Dividends not distributed							0
Allocation company own share reserve		(99,337)		99,337			0
Net income for the year						1,024,088	1,024,088
Balance as of 12/31/03	**32,000,000**	**32,582,613**	**3,606,780**	**1,773,041**	**4,955,811**	**1,024,088**	**75,942,333**
Net income allocation			51,205		32,965	(84,170)	0
Dividends distributed						(939,918)	(939,918)
Dividends not distributed							
Allocation company own share reserve		(59,951)		59,951			0
Translation differences				(1)			(1)
Net income for the year						1,061,748	1,061,748
Balance as of 12/31/04	**32,000,000**	**32,522,662**	**3,657,985**	**1,832,991**	**4,988,776**	**1,061,748**	**76,064,162**
Net income allocation			53,087		50,761	(103,848)	0
Dividends distributed						(957,900)	(957,900)
Dividends not distributed							
Allocation company own share reserve		1,832,991		(1,832,991)			0
Translation differences		1			(2)		(1)
Net income for the year						2,023,643	2,023,643
Balance as of 12/31/05	**32,000,000**	**34,355,654**	**3,711,072**	**0**	**5,039,535**	**2,023,643**	**77,129,904**

In compliance with art. 2427 par. 1 n. 7 bis, the following is a detailed list of net worth items according to their origin, possibility of use and distribution:
A) as capital increase
B) as loss coverage
C) for distribution among shareholders

Within the legal reserve, a total of 2,788,867 constitutes the capital reserve derived from the share-premium approved by the shareholders' meeting of 7 May 2000, another 922,205 Euro constitute the accumulated profit reserve.
The share-premium reserve cannot be distributed to shareholders because the legal reserve did not reach the limit of one fifth of the stock capital, as required by art. 2430 of the Italian Civil Code.

A I – STOCK CAPITAL
The stock capital as at 31 December 2005 amounted to 32,000,000 Euro, divided into 64,000,000 ordinary shares with a nominal unit value of 0.50 Euro.
The company has not issued financial instruments other than shares.

A II – SHARE-PREMIUM RESERVE
This item amounts to 34,355,654 Euro and refers to the premium for shares placed on the stock market on 15 July 1999. During the fiscal year the amount of this reserve changed because of the following operations:
- allocation of the reserve for purchase of company's own shares amounting to 1,832,991 Euro, as a consequence of the sale of own shares held and entered in the Balance Sheet, authorised by the Meeting on 30 April 2001, 30 April 2002 and 30 April 2003, of 30 April 2004 and 13 May 2005, in compliance with art. 2357-ter of the Italian Civil Code.

Nature and description	Balance	Possibility of use	Possibility of distribution	Summary of use over the past three years	
				Losses' cover	Reserve from own shares
Stock capital	32,000,000				
Capital Reserves					
Reserves due to shares' overprice	32,522,662	A B			774,913
Legal reserve	2,788,867	B			
Reserve due t own shares in portfolio	1,832,991	--			
Reserve from profits					
Legal reserve	869,118	B			
Extraordinary reserve	4,988,776	A B C	4,988,776		
TOTAL	**75,002,414**		**4,988,776**	**0**	**774,913**

A IV – LEGAL RESERVE

This was increased by Euro 53.087 through the allocation of 5% of the profits in the previous fiscal year, as approved by the Shareholders' Meeting of 13 May 2005. The item amounts to 3,711,072 Euro.

A VI – EXTRAORDINARY RESERVE

The extraordinary reserve during the fiscal year increased from 4,988,776 Euro to 5,039,535 Euro, with an increase by 50,761 Euro as a consequence of the allocation of the operating profit for the year 2004, as approved by the Shareholders' Meeting on 13 May 2005.

A IX – OPERATING PROFIT

The 2005 operating profit amounts to 2,023,643 Euro (in the previous fiscal year it was 1,061,748 Euro), with an increase by 961,895 Euro.

B – PROVISION ACCOUNTS

2) Tax fund

The item, amounting to 283,882 Euro, Euro 15 in the previous fiscal year, increased by 283,867 Euro, divided as follows:

	Deferred tax liabilities	Taxation reserve
Balance as of 12/31/04	(15)	(15)
2004 deferred tax liabilities accruing in 2005	15	15
Other deferred taxes for the year 2005	(283,882)	(283,882)
Balance as of 12/31/05	**(283,882)**	**(283,882)**

The item "deferred taxes" mainly consists of profits on exchanges

not made, which have led to a tax reduction in the current fiscal year and an increase in the IRES / IRAP tax for the future periods, amounting to 282,997 Euro.

C – EMPLOYEE RETIREMENT INDEMNITY

The balance of this item at the end of the fiscal year amounts to 598,815 Euro, with an increase compared to the previous period of 89,865 Euro. The following movements took place in the fiscal year:

Balance as of 12/31/04	**508,950**
Amount accrued and charged to the statement of income	98,010
Indemnities transferred from another companies	35,300
Indemnities transferred to another companies	(26,680)
Other movements in respect of supplementary pension funds	(16,765)
Balance as of 12/31/05	**598,815**

Apart from an increase by 98,010 Euro due to indemnities accrued during the fiscal year, there was an amount of 35,300 Euro related to the transfer of staff from subsidiaries, from which a sum amounting to 26,680 Euro paid to employees should be deducted; a sum amounting to 16,765 Euro is related to the transfer of indemnities to supplementary pension funds.
The amount presented above is the residual sum due to twenty-nine employees as at 31 December 2005.

D – DEBTS

The debts consist of:
4) Bank debts
The total amount due to banks is 43,114,605 Euro (46,237,364 Euro in the previous fiscal year) with a decrease by 3,122,759 Euro.
This Item is made up as follows:

Description	12/31/05	12/31/04	Changes
Current account overdrafts	0	83,972	(83,972)
Efibanca S.p.A. loan pool	8,333,334	25,000,000	(16,666,666)
Interbanca S.p.A. mortgage loan	11,250,000	13,125,000	(1,875,000)
Banca delle Marche loan	1,342,134	3,923,539	(2,581,405)
Cassa di Risparmio di Cesena loan	5,000,000	0	5,000,000
Interbanca S.p.A. loan	5,000,000	0	5,000,000
Financing in currency within 18 months	5,170,806	4,104,853	1,065,953
Financing in Euro within 18 months	7,018,331	0	7,018,331
TOTAL	**43,114,605**	**46,237,364**	**(3,122,759)**

The original financing amounting to 25,000,000 Euro, granted by a pool of banks, led by Efibanca S.p.A., for a period of three years with partial reimbursements on the 18th, 24th and 36th month, has a residual balance of 8,333,334 Euro due on 22/05/06.
The mortgage loan granted by Interbanca S.p.A., originally of 15,000,000 Euro, amounts to a residual Euro 11,250,000; it is due in sixteen monthly instalments starting on 30/06/04 (total duration eight years). The junior mortgage was granted by the subsidiary Soilmec S.p.A., with value on the production establishment in Cesena.
The variable-rate financing from Banca delle Marche was given on 27 July 2001 and shall be reimbursed in four six-monthly instalments starting from 1 October 2004, expiring on 10 April 2006.
During the fiscal year, two new financing operations were agreed on with an expiry date of more than eighteen months:

- financing from Cassa di Risparmio di Cesena amounting to 5,000,000 Euro, with variable rate, expiring on 31/05/08 and reimbursement in three instalments.
- financing from Interbanca S.p.A. amounting to 5,000,000 Euro, with variable rate, expiring on 31/07/2013 and reimbursement in sixteen six-monthly instalments.

The item “foreign currency financing” refers exclusively to operations in US dollars and consists of several operations amounting to 6,100,000 USD.
As at 31 December 2005, the company has on-going financial operations in Euro, with due date within eighteen months, amounting to a total of 7,018,331 Euro.

As a consequence, the bank debts are structured as follows:

Description	Current portion	Between 1 and 5 years	Beyond 5 years	Total
Current account overdrafts	0	0	0	0
Efibanca S.p.A. loan pool	8,333,334	0	0	8,333,334
Interbanca S.p.A. mortgage loan	1,875,000	7,500,000	1,875,000	11,250,000
Banca delle Marche loan	1,342,134	0	0	1,342,134
Cassa di Risparmio di Cesena loan	0	5,000,000	0	5,000,000
Interbanca S.p.A. loan	625,000	2,500,000	1,875,000	5,000,000
Financing in currency within 18 months	5,170,806	0		5,170,806
Financing in Euro within 18 months	2,018,331	5,000,000		7,018,331
TOTAL	**19,364,605**	**20,000,000**	**3,750,000**	**43,114,605**

The presence of medium and long-term financing should be seen as part of the financial policy of the Group, aimed at supporting its financial exposure to support industrial development.
The overall variation of the financial situation is analysed in the financial report (Annex 1).

7) Due to suppliers
The entered amount due to suppliers is 1,513,178 Euro, including invoices and after credit notes to be received; this is an increase by 506,892 Euro compared to the previous fiscal year. Such increase is mainly due to the increase in company's activities.
After the end of the fiscal year, but no later than five years, an amount of 9,266 Euro is due.

9) Amounts owed to subsidiaries
These amount to 10,573,913 Euro (2,538,329 Euro in the previous fiscal year), with an increase by 8,035,584 Euro and consist of:
- a total 1,968,118 Euro in commercial debts due no later than the following fiscal year; the main amount is related to invoicing by the subsidiary SOILMEC S.p.A. of rental fees for some drilling equipment;
- a total 1,269,804 Euro in debts related to the operating profit share of UTE TREVI S.p.A. TREVI – Finanziaria Industriale S.p.A. Sembenelli S.r.l. for the "Borde Seco" work order.
- a total 335,991 Euro in debts to subsidiaries, due within the fiscal year, related to debts ensuing as a consequence of the Group taxation system;
- a total 7,000,000 Euro in financial debts to the subsidiary SOILMEC S.p.A., due within the following fiscal year and related to the optimisation of the Group treasury following the company's positive cash flow; this debt has already been reimbursed on the date of the financial statement approval.

12) Fiscal debts
The fiscal debts amount to 1,738,534 Euro (89,785 Euro in the previous fiscal year, an increase by 1,648,749 Euro), all due within the following fiscal year.

Their composition is as follows:

Description	31/12/05	31/12/04	Changes
National Revenue for direct taxes	1,642,793	0	1,642,793
Debts with the National Revenue for withholding taxes	95,599	89,565	6,034
Debts with the National Revenue for IRES tax on the severance indemnity	142	220	(78)
TOTAL	**1,738,534**	**89,785**	**1,648,749**

The item due to the Inland Revenue for IRES amounting to 1,642,793 Euro is calculated as follows:

Description	31/12/2005
Tax credit of the controlling company for the year 2005	56,452
Use of the IRES credit as compensation	0
Tax debt for the 2004 working period of the controlling company	(56,362)
Tax credit for the 2004 working period of the controlled companies under a Group taxation system	1,353,403
Tax debt for the 2004 working period of the controlled companies under a Group taxation system.	(2,996,286)
TOTAL	**(1,642,793)**

The withholding taxes to be paid refer to employees' salaries, payments to collaborators in long-term projects and professional fees paid in December 2005.
The last fiscal year settled with the tax administration is the one ending on 31 December 1999 for direct taxes and on 31 December 2000 for indirect taxes.

13) Social Security debts
The Social Security debts amount to 84,812 Euro (73,208 Euro in the previous fiscal year, with an increase by 11,604 Euro) and their composition is as follows:

Description	12/31/05	12/31/04	Changes
Due to INAIL (workplace accident insurance)	1,333	2,717	(1,384)
Due to INPS (social security organization)	81,339	68,653	12,685
Debts with Personal Pension Funds	2,140	1,838	302
TOTAL	**84,812**	**73,208**	**11,604**

The increase in this item is due to the staff increase.

13) Other debts

These amount to 135,908 Euro (156,861 Euro in the previous fiscal year, with a decrease by 20,953 Euro) and are made up as follows:

Description	12/31/05	12/31/04	Changes
Due to employees	133,949	99,481	34,468
Other	1,958	57,380	(55,422)
TOTAL	**135,908**	**156,861**	**(20,953)**

The item “due to employees” refers exclusively to the value of holidays accrued but not taken.
The item “others” includes debts to shareholders amounting to 60 Euro related to dividends not requested as payment by the shareholders.

The following is the information report required by art. 2427 par. 1 n. 6 of the C.C. for the division of debts according to the geographical areas:

Descriptions	Italy	Rest of Europe	Latin America	Far East	TOTAL
Debts with customers	43,114,605	0	0		43,114,605
Debts with suppliers	1,486,494	25,903	782		1,513,179
Debts with controlled companies	9,304,109		1,269,803		10,573,912
Tax debts	1,738,534				1,738,534
Debts with Social Security Institutions	84,812				84,812
Other debts	135,908				135,908
TOTAL	**55,864,462**	**25,903**	**1,270,585**		**57,160,950**

E – ACCRUED LIABILITIES

The accrued liabilities amount to 270,353 Euro (167,970 Euro in the previous fiscal year, with an increase by 102,383 Euro) and their composition is as follows:

Description	12/31/05	12/31/04	Changes
Accrued emoluments and employee contributions	40,873	32,842	8,031
Accrued interest expense	152,726	135,128	17,598
Accruals on cover ratio operations	76,754	0	76,754
TOTAL	**270,353**	**197,970**	**102,383**

The most substantial amount is related to the accrual on the share of interest paid in the fiscal year, on regularly expiring financing postponed after 31 December 2005. The item accrued liabilities on operations to cover the interest rate risk refers to instalments due in the fiscal year, whose due date has been postponed after 31 December 2005.

The deferred income amounts to 86,750 Euro (87,983 Euro in the previous fiscal year, with a decrease by 1,233 Euro) and its composition is as follows:

Description	12/31/05	12/31/04	Changes
Deferments for leasing fees	86,750	86,750	0
Deferments for commissions on issued sureties	0	1,233	(1,233)
TOTAL	**86,750**	**87,983**	**(1,233)**

The item rediscount on hiring fees, like last year, refers to the hiring fees invoiced in advance to the subsidiary Petreven UTE, with offices in Argentina, for 2 oil drilling rigs known as HH 102, which are operated for the customer Petrobras.

CONTRA ACCOUNTS

The contra accounts amount to 215,088,420 Euro (98,531,711 Euro in the previous fiscal year, with an increase by 116,556,709 Euro) and their composition is as follows:

Description	12/31/05	12/31/04	Changes
Guarantees given			
- to banks	136,434,627	54,148,988	82,285,639
- to insurance companies	45,017,108	12,631,518	32,385,590
- to third parties	21,039,450	16,082,752	4,956,698
Impegni a favore di terzi	434,223	434,223	0
Outstanding lease installments	12,163,012	15,234,230	(3,071,218)
TOTAL	**215,088,420**	**98,531,711**	**116,556,709**

The increase in guarantees granted to credit institutes is associated with the marked increase in activities and earnings as regards the subsidiaries, with the substantial increase in medium and long-term financing underwritten by the subsidiaries and with the increase in guarantees issued for specific projects. Among the main guarantees issued in the fiscal year, mention should be made of:

- the amount of 25,393,500 Euro to E.D.R.A. S.r.l. for the TREVI Group share, in support of the 91.3 million USD work order for the supply of four oil drilling rigs to ENTP (Sonatrach Group) – Algeria;
- the amount of 21,600,000 Euro to Soilmec S.p.A. to support the three-year financing, underwritten by a pool of banks led by Banca Nazionale del Lavoro;
- the amount of 7,500,00 to Drillmec S.p.A. in support of the three-year financing underwritten with a credit institute.

The increase in guarantees granted to insurance companies is mainly related to the guarantee issued in the amount of 45.702.468 USD to a leading American insurance company, in the interest of the sub - subsidiary Trevi Icos Corporation, in relation to the work order for the reclamation of the dam in Tuttle Creek, Missouri, amounting to 100% of the lot already under construction; such guarantees are reduced pro rata to the residual amount of work still to be done at the end of each fiscal year.
The commitments for expiring finance leasing fees amounting to 12,163,012 Euro, 15,234,230 Euro in the previous fiscal year, a decrease by 3,071,218 Euro, represent the overall value of expiring fees to be paid to hiring companies, including the final redemption value mentioned in the contract and excluding the instalments already paid.
The decrease in this item is due to the reduction caused by the normal payment of leasing fees during the fiscal year.
The item commitments to third parties, as in the previous fiscal year, refers exclusively to the commitment issued to the subsidiary Soilmec S.p.A. to purchase the residual 1.75% share still held in DRILLMEC S.p.A.

Companies outside the TREVI Group (mainly banks and insurance companies) gave guarantees to third parties in the interest of TREVI - Finanziaria Industriale S.p.A. amounting to 10,407,496 Euro, 5.398.046 Euro in the previous fiscal year, with an increase by 5,009,450 Euro; the variation is related to the strong increase in the activities and earnings of the TREVI Group.

For the mortgage loan from Interbanca S.p.A. amounting to 11,250,000 Euro (original amount 15,000,000 Euro), the subsidiary Soilmec S.p.A. granted to the bank a 30,000,000 Euro junior mortgage on its Cesena production establishment.

ANALYSIS OF PROFIT AND LOSS ACCOUNT ITEMS

Before analysing the individual items, it should be pointed out that comments on the management trend are presented, according to the 1st paragraph of 2428 C.C., as part of the management report.
By means of introduction, it is worth mentioning that the profit and loss account diagram outlined in art. 2425 C.C. does not allow for a presentation of the really significant business elements to assess our company's profitability. As a matter of fact, its business purpose includes both the carrying out of a normal industrial activity and the management of industrial shareholdings as a group, and in rendering administrative and financial services to the group's companies. It therefore seems relevant to underline the grouping under item A) "Production value", which includes the business components typical of the industrial sector and the issuing of guarantees on behalf of subsidiaries; on the other hand this level of analysis does non include financial proceeds which are listed under item C) 15 and 16.
By the same token, in order to express the own management costs, it would be appropriate to add to production costs listed under item B), the financial expenses listed in compliance with the law under item C) 17.

A) PRODUCTION VALUE

This grouping includes the following positive components:
1) Revenues from sales and services rendered

These amount to 9,615,360 Euro (8,393,081 Euro in the previous fiscal year) with an increase by 1.222.279 Euro; their composition is as follows:

Description	12/31/05	12/31/04	Changes
Revenues from hiring out equipment	6,109,915	5,267,498	842,417
Commission on guarantees	262,692	260,969	1,723
Services and consulting	3,242,753	2,864,614	378,139
TOTAL	**9,615,360**	**8,393,081**	**1,222,279**

The division of the item by geographical area is as follows:

Description	12/31/05	%	12/31/04	%	Changes
Italy	2,526,473	30,00%	2,517,056	38,10%	9,417
Europe (excluding Italy)	94,849	1,10%	92,547	1,40%	2,302
U.S.A. and Canada	85,066	1,40%	117,025	2,60%	(31,959)
South America	5,072,085	50,20%	4,212,251	50,80%	859,834
Africa	15,341	0,10%	10,579	0,00%	4,762
Asia	1,821,546	17,20%	1,443,623	7,10%	377,923
TOTAL	**9,615,360**	**100%**	**8,393,081**	**100%**	**1,222,279**

The revenues were obtained almost exclusively with Group companies.
The increase compared to the previous fiscal year was mainly generated by the increase in equipment and management, information and administrative assistance service hiring activities rendered to Group companies.
The hiring equipment activity increased mainly with respect to foreign subsidiaries; more specifically the contract which involved hiring out two HH 102 oil drilling rigs to the subsidiary Petreven UTE in Argentina which started in December 2004 was fully operation for the whole fiscal year.
The increase in activities for services and consultancies rendered is due to the invoicing to Venezuelan U.T.E. Trevi S.p.A – Trevi

- Finanziaria Industriale S.p.A - S C Sembenelli Srl of technical, administrative and financial assistance for the management and execution of the maintenance contract of the dam called “Borde Seco” with the energy agency CADAFE and to the invoicing to subsidiaries of administrative, information service, personnel and human resources and research and development services.

5) Other revenues and proceeds

These amount to 1,205,108 Euro (1,081,672 Euro in the previous fiscal year), with an increase by 123.436 Euro.
The item composition is as follows:

Decription	12/31/05	12/31/04	Changes
Recharged	273,805	206,811	66,994
Other	931,303	874,861	56,443
TOTAL	**1,205,108**	**1,081,672**	**123,436**

The item “Others” mainly refers to the charging to the subsidiary Drillmec S.p.A. of the rental fee for the factory in Podenzano (Piacenza).

B) PRODUCTION COSTS

6) The costs for raw, subsidiary, expendable materials and goods amount to 9,660 Euro (8,357 Euro in the previous fiscal year, with an increase by 1,303 Euro); the item mainly refers to printed matters.

7) Costs for services

The costs for services amount to 1,867,495 Euro, compared to 1,812,261 Euro in the previous fiscal year, with an increase by 55,234 Euro.

The item composition is as follows:

Description	12/31/05	12/31/04	Changes
Emoluments of directors	350,322	343,655	6,667
Emoluments of statutory auditors	38,081	37,033	1,048
Post, telegraph and telephone	25,810	33,097	(7,287)
Legal and administrative fees	826,801	844,022	(17,221)
Computer system management and maintenance fees	198,423	192,783	5,640
Travelling and subsistence expenses	90,487	80,390	10,097
Insurance	173,674	131,880	41,794
Transport	4,275	2,494	1,781
Publicity, classified advertisements and comunications	30,636	11,681	18,955
Company social security contributions for freelance workers	21,270	30,883	(9,613)
Bank commission and expense	81,486	84,422	(2,936)
Other	26,229	19,921	6,308
TOTAL	**1,867,495**	**1,812,261**	**55,234**

The expenditure for CED (Data Processing Centre) fees and maintenance refers to the activity carried out by suppliers for the maintenance and development of the Group’s Information Service which is centralised in the hands of TREVI – Finanziaria Industriale S.p.A..

8) Costs for the use of third party goods

These amount to 7,305,902 Euro (5,710,517 Euro in the previous fiscal year, with an increase by 1,595,385 Euro) and their composition is as follows:

Description	12/31/05	12/31/04	Changes
Leases installments	3,526,614	3,342,810	183,804
Equipment hire	3,752,981	2,344,160	1,408,821
Rental expense	16,700	16,501	199
Other	9,607	7,046	2,561
TOTAL	**7,305,902**	**5,710,517**	**1,595,385**

The most substantial increase concerns the item "Equipment hiring", as a consequence of the hiring of the two oil drilling rigs HH 102, which as specified under the item "Revenues from sales and services rendered" are sub – hired to the subsidiary Petreven UTE in Argentina; the item also includes the hiring from the subsidiary SOILMEC S.p.A. of an oil drilling rig hired to the sub – subsidiary Petreven C.A. in Venezuela.

9) Personnel costs
The overall personnel costs amount to 1,911,690 Euro (1,622,371 Euro in the previous fiscal year, with an increase by 289,319 Euro) and their composition is as follows:

Description	12/31/05	12/31/04	Changes
Wages and salaries	1,345,416	1,139,091	206,325
Social security charges	460,025	391,968	68,057
Employee termination indemnities	106,249	91,312	14,937
TOTAL	**1,911,690**	**1,622,371**	**289,319**

The staff employed by the Company as at 31/12/2005 consists of 29 people, which includes three executives and twenty-six employees. The average number of staff employed by the company during the fiscal year was 28 people. The following is a diagram of movements in the course of the fiscal year:

Description	12/31/04	Increase	Decrease	12/31/05
Managers	4	0	1	3
Clerical staff	21	5		26
TOTAL	**25**			**29**

10) Depreciations and devaluations
a) Depreciations of intangible fixed assets:
The amounts in the fiscal year were 197,311 Euro (802,060 Euro in the previous fiscal year), with a decrease by 604,749 Euro, mainly due to the completion during the previous fiscal year of the writing-

off of “Plant expenditures” sustained for the listing of the company on the Stock Exchange.
Further details are included in the comment to the asset item B I) Intangible fixed assets.

b) Depreciation of tangible fixed assets:
The depreciations amount to 36,391 Euro (20,070 Euro in the previous fiscal year, with an increase by 16,321 Euro) as illustrated in the asset item BII) Tangible fixed assets.

14) Other management costs
The other management costs amount to 1,361,238 Euro (173,860 Euro in the previous fiscal year, with an increase by 1,187,378 Euro).
These costs are related to:

Description	12/31/05	12/31/04	Changes
Taxes other than income taxes	124,586	132,302	(7,717)
Other charges	3,977	4,428	(451)
UTE, TREVI S.p.A. - TREVI Fin. Ind. - Sembenelli - Venezuela result	1,232,675	37,130	1,195,545
TOTAL	**1,361,238**	**173,860**	**1,187,378**

The item “Duties and taxes not on income” includes the VAT which cannot be deducted following the division of general expenditures and the pro – rata calculation between exempt financial activities and the total VAT activity and the payment of council taxes on property for the factory in Podenzano (Piacenza), rented to Drillmec S.p.A..
In the year 2003 the work order was started on a dam called “Borde Seco” in Venezuela, contracted out to the temporary association between the companies TREVI – Finanziaria Industriale S.p.A. (45%), its subsidiary Trevi S.p.A. (50%) and the design firm SC Sembenelli Srl (5%).
The item “U.T.E. result” accounts for the main variation compared to the previous fiscal year and it concerns the 45% shareholding on the latter result in the fiscal year 2005. More details on the work order trend are provided in the report by the Board of Directors.
As specified in the management report, the company already opened a branch in Venezuela on 10 March 2004.

C) FINANCIAL PROCEEDS AND CHARGES

15) Proceeds from shareholdings
The item amounts to 1,940,026 Euro, compared to 649,900 Euro in the previous fiscal year, with an increase by 1,290,126 Euro.
The item composition is as follows:

Description	31/12/2005	31/12/2004	Changes
Proceeds from controlled companies	1,940,000	649,900	1,290,1000
Proceeds from other companies	26	0	26
TOTAL	**1,940,026**	**649,900**	**1,290,126**

The item “proceeds from subsidiaries” refers exclusively to the dividend of 2.00 Euro per share decided upon by the subisidary SOILMEC S.p.A. (in the previous fiscal year the dividend amounted to 0.67 Euro per share).
The item “proceeds from other companies” refers to the divided from the Banca di Cesena.

16) Other financial proceeds

d) Proceeds other than the above
- from subsidiaries:
  they amount to 3,471,926 Euro (3,391,411 Euro in the previous fiscal year), with an increase by 80,515 Euro. The item refers to interest related to financing provided to subsidiaries; the interest rates applied are in line with market conditions.

- from other companies:
  these proceeds amount to 567,383 Euro (43,230 Euro in the previous fiscal year with an increase by 524,153 Euro), and they concern:

Description	12/31/05	12/31/04	Changes
Bank interest income	6,448	26,584	(20,137)
Other interest income	15,905	16,646	(741)
Surplus from the sale of own shares	545,030	0	545,030
TOTAL	**567,383**	**43,230**	**524,153**

17) Interest and other financial charges to third parties
These charges amount to 2,207,964 Euro; in the previous fiscal year they amounted to 1,877,366 Euro with an increase by 330,598 Euro

and they concern:

Description	12/31/05	12/31/04	Changes
Bank interest expense	2,125,450	1,840,378	285,072
Bank commission and expenses	63,059	36,988	26,071
Interests on debts towards subsidiaries	19,455	0	19,455
TOTAL	**2,207,964**	**1,877,366**	**330,598**

The increase was mainly due to the contract financing charge, especially in the long-term, as coverage against the interest rate increase.
The item “interest to subsidiaries” refers to financing provided by the subsidiary Soilmec S.p.A..

17) bis Exchange Profits / losses
This item amounts to 99,588 Euro and during this fiscal year there was a positive difference between exchange profits and losses mainly due to the appreciation in 2005 of the US dollar, the currency used to express credits and debts.

E) EXTRAORDINARY PROCEEDS AND CHARGES

20) Proceeds:
b) Others:
These amount to 166,909 Euro (979 Euro in the previous fiscal year with an increase by 165,930 Euro) and they concern:

Description	12/31/05	12/31/04	Changes
Out-of-period income	47,265	979	46,286
Other	119,644	0	119,644
TOTAL	**166,909**	**979**	**165,930**

The most substantial variation is registered in the item “Others”, especially because of the entering of an insurance reimbursement of 119,643 Euro because of an accident involving equipment.

21) Extraordinary charges
This item amounts to 114,854 Euro, compared to 48,126 Euro in the previous fiscal year, with an increase by 66,728 Euro.

Description	12/31/05	12/31/04	Changes
Out-of-period expense	5,194	446	4,748
Compensation for third party damage	109,660	0	109,660
Prior year taxes	0	47,680	(47,680)
TOTAL	**114,854**	**48,126**	**66,728**

The item “third party damage compensation” refers to the sum paid to the subsidiary Petreven C.A. for an accident involving hired equipment; the amount coincides with the sum paid to our company by an insurance company and entered as revenue under the item “extraordinary proceeds”. During the previous fiscal year, the most significant sum amounted to 47,680 Euro in the form of direct tax remission as simple accompanying statement for the year 2002 and of indirect tax amnesty, related to the fiscal periods from 1998 to 2002 included, as mentioned in articles 8 and 9 of Law 27 December 2002, n. 289 (Budget Law related to the year 2003).

22) Income tax during the fiscal year
These amount to 30,152 Euro, while in the previous fiscal year they amounted to 198,979 Euro, with an increase by 168,827 Euro, as a consequence of the following movements:

Description	12/31/05	12/31/04	Changes
IRES as per tax return	0	80,969	(80,969)
IRAP for the year	104,164	135,747	(31,583)
Deferred taxes on dividends	0	0	0
Use of deferred tax fund for the year 2004	(15)	(17,601)	17,586
Other deferred taxes of the same fiscal year	283,882	15	283,867
Prepaid taxes on the fiscal year	(358,330)	(451)	(357,879)
Use of the prepaid tax fund for the year 2004	451	300	151
TOTAL	**30,152**	**198,979**	**(168,827)**

Deferred and advance taxes were calculated using rates respectively of 33% for IRES related to the fiscal year 2005 and following and of 4.25 % for the IRAP tax.

23) Profit in the fiscal year
The profit in the fiscal year 2005 amounts to 2,023,643 Euro (in

the previous fiscal year it was 1,061,748 Euro), with an increase by 961,895. The most significant variation is a result of the positive trend in the financial area and to the increase in the dividend provided by the subsidiary Soilmec S.p.A..

FURTHER INFORMATION

As in the previous fiscal year, there were no changes and allocations made exclusively in compliance with fiscal norms.

In the closing fiscal year and in the previous one no financial charges were capitalised.

The company currently has seven interest rate coverage contracts underwritten solely for the purpose of covering ongoing operations, taking into consideration also the financing from subsidiaries, with no speculation purposes, namely:

- Euro 3,500,000 “Interest Rate swap” with three-year duration and expiring on 25/08/06;
- Euro 3,500,000 “Interest Rate swap” with five-year duration and expiring on 25/08/08;
- Euro 2,500,000 “Interest Rate swap” with three-year duration and expiring on 23/04/06;
- Euro 10,000,0000 “Interest Rate Swap” with three-year duration and expiring on 19/07/2007;
- Euro 10,000,0000 “Interest Rate Swap” with three-year duration and expiring on 19/07/2007;
- Euro 10,000,0000 “Interest Rate Swap” with three-year duration and expiring on 20/07/2007;
- Euro 8,179,323 (originally 9,775,196 Euro) “Interest Rate Swap” on depreciation plan for a leasing contract with a five-year duration and expiring on 22/12/2009.

The risk coverage operations against rises in interest rates during the fiscal year generated interest paid amounting to 253,291 Euro; the evaluation of the latter applying the Fair Value (Mark-to-market) as set out in international accounting standard n. 39, gives a negative value, after the interest paid share entered on an accrual basis, amounting to 151,763 Euro. The management report contains information as to the policy for coverage against the interest rate risk.

According to the by-laws in force, the company did not create assets

for a specific deal or allocate financing to a specific deal.

During the fiscal year 2004 the company paid 1,000 Euro for the pre-emptive right to purchase up to a maximum of 60% shareholding in the company PSM S.r.l. at a price equal to the net worth value appearing in the company's financial statement relating to the period before the fiscal year such option is exercised; the option shall have to be exercised no later than 31 October 2007. The company PSM S.r.l., established in the fiscal year 2004, operates in the construction sector producing rigs for small perforation in the special foundation sector.

The company currently has a research project for the development of an expert system to be used for artificial freezing in underground engineering; a contribution for the latter is allowable in compliance with the PRRIITT measure 3.1 action A contained in the call for tenders of 30 December 2003, from the Emilia Romagna Regional Council n. 1205 of 21 June 2004, which has also committed the necessary resources. The costs sustained as at the end of the fiscal year in respect of this research project amount to 485,971 Euro.

FINANCE LEASING CONTRACTS

In compliance with art. 2427 C.C. paragraph 1 n. 22, a table is provided containing the information required (with data expressed in thousand Euro to facilitate its reading) as well as the effect on the net worth and operating result if the financial method had been used to enter the leasing contracts:

DESCRIPTION	Amounts in thousands of Euro
Activity	
Historical cost of the leased goods as at 01-01-2005	26,258,722
Goods acquired during the fiscal year	0
Amortization fund as at 01-01-2005	(4,136,685)
- Decreases due to sales (gross of amortizations)	(2,297,317)
- Amortization shares pertaining to the fiscal year	(1,078,295)
Goods redeemed during the fiscal year	19,106
A – Goods under financial leasing as at 31-12-2005, net of total amortizations	19,577,233
Liabilities	
Implicit debts due to financial leasing operations as at 01-01-2005	14,707,743
Implicit debts on contracts drawn up during the fiscal year	0
- Reductions for reimbursements of the equity shares	(2,580,863)
- Reductions for redemptions during the fiscal year	(19,106)
B – Implicit debts for financial leasing operations as at 31-12-2005	12,107,774
C - Gross total effect at the end of the fiscal year (A – B)	7,469,460
D – Net fiscal effect (rate 37,25% calculated on C)	(2,782,374)
E) Effect on the Net Assets as at 31-12-2005	**4,687,086**
The effect on the Profit and Loss Account can be represented as follows	
Diversion of rents on financial leasing operations	3,526,614
Current amortization share	(1,078,295)
Financial burden on the 2005 instalments	373,427
Effect on the result before taxes	2,074,892
Survey of the fiscal effect (rate 37,25%)	(772,897)
Effect on the fiscal year result of the surveys carried out on the leasing operations by means of the financial method	**1,301,995**

As at 31 December 2005, the current value of instalments relating to finance leasing contracts not overdue amounts to 12,108,177 Euro.

PAYMENTS TO DIRECTORS AND AUDITORS

As at 31 December 2005 the Board consists of nine Directors.
The latter received a total payment amounting to 350,322 Euro.
As regards the Auditors, an overall cost of 38,081 Euro was entered.
In compliance with CONSOB regulation 11.520 dated 2 July 1998, this is a detailed list of the fees paid and/or settled with reference to directors and auditors in the company, including its subsidiaries:

Board of Directors

Name	Office	Duration of office in months	Emoluments Company	Emoluments Subsidiaries	Emoluments TOTAL
Trevisani Davide	Chairman of the Board of Directors and Managing Director	12	95,000	192,000	287,000
Trevisani Gianluigi	Deputy Chairman of the Board of Directors and Managing Director	12	80,000	198,000	278,000
Trevisani Cesare	Managing Director	12	55,000	167,756	222,756
Trevisani Stefano	Director	12	20,000	150,264	170,264
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	12	19,922		19,922
Bocchini Enrico	Director	12	20,000		20,000
TOTAL			**350,322**	**708,020**	**1,058,342**

The Directors received no benefits of a non-monetary nature, stock options, bonuses or other incentives. The item “fees in subsidiary companies”, includes salaries paid to Directors Cesare Trevisani and Stefano Trevisani for their employment by the subsidiary TREVI S.p.A..
According to company’s by-laws the Board of Directors is authorised to appoint an executive Committee. Such possibility was not exercised by the current Board.
The mandate of the Directors, appointed to the Board by the shareholders’ Meeting on 30 April 2004, ends with the approval of the financial statements as at 31 December 2006.

Board of Auditors

Name	Office	Duration of office in months	Emoluments Company	Emoluments Subsidiaries	Emoluments TOTAL
Leonardi Adolfo	Chairman of the Statutory Auditors	12	16,167	13,481	29,648
Alessandri Giacinto	Auditor	12	10,850	11,400	22,250
Poletti Giancarlo	Auditor	12	11,064	3,435	14,499
TOTAL			**38,081**	**28,316**	**66,397**

Also the mandate of the Auditors, appointed by the shareholders' Meeting on 30 April 2004, ends with the approval of the financial statements as at 31 December 2006.

FINANCIAL REPORT

The overall variation of the financial situation is analysed in the financial report (Annex 1).

The financial statements comply with the accounting results and refer to a fiscal year for which the fiscal transparency system was applied as laid down in articles 115 e 116 of the T.U.I.R. (Consolidated Income Tax Law).

This financial statement, consisting of Balance Sheet, Profit and Loss Account and Note of Financial Statements, provides a truthful and correct account of the capital and financial situation, as well as of the operating result in the fiscal year.

The Chairman of the Board of Directors
DAVIDE TREVISANI

Attrezzatura idraulica Perforazione DRILLMEC HH-200SA Ricerca Geotermica (Islanda) / *Hydr.Hoist DRILLMEC HH-200SA Geothermal Research*

Attachment 1

Statement of cash flows

(Unit of Euro)	2004	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	1,061,748	2,023,643
Depreciation and amortization	822,131	233,702
Provision for employee termination indemnities	84,343	98,010
Payment of employee termination indemnities	(44,449)	(43,445)
(Decrease)/Increase of employee termination indemntities	0	35,300
(Decrease)/Increase in other reserves	(17,586)	283,867
(Decrease)/Increase in exchange fluctuation reserve	(61,685)	0
Decrease/(Increase) in amounts due from customers	(14,437)	7,046
Decrease/(Increase) in amounts due from subsidiary companies	(28,712)	(4,092,909)
Decrease/(Increase) in other amounts receiveble	(566,398)	1,283,742
Decrease/(Increase) accrued income and prepaid expenses	(52,151)	347,250
(Decrease)/Increase in amounts due to suppliers	110,618	506,892
(Decrease)/Increase in amounts due to subsidiary companies	2,422,732	8,035,584
(Decrease)/Increase in amounts due to tax authorities	11,279	1,648,749
(Decrease)/Increase in other payables	61,795	(9,349)
(Decrease)/Increase accrued expenses and deferred income	84,164	101,150
	3,873,391	**10,459,232**
INVESTING ACTIVITIES		
(Increase)/Decrease in tangible fixed assets, net	(44,589)	(47,851)
(Increase)/Decrease in intangible fixed assets, net	(267,433)	(75,445)
(Increase)/Decrease in equity investments	(3,688,890)	(21,877)
	(4,000,912)	**(145,173)**
FINANCING ACTIVITIES		
Decrease/(Increase) in financial credits	10,271,015	(6,731,580)
Decrease/(Increase) in company own share reserve	(59,950)	1,832,991
(Decrease)/Increase in amounts due to banks	(10,822,950)	(3,122,759)
(Riduzione)/Incremento debiti verso altri finanziatori	0	0
(Decrease)/Increase in capital stock and reserve	-	-
Distribution of earnings	(939,919)	(957,900)
	(1,551,804)	**(8,979,248)**
Total cash flow	**(1,679,324)**	**1,334,811**
Net opening amount - cash and banks	1,741,244	61,920
Net closing amount - cash and banks	61,920	1,396,731

RELAZIONE DELLA SOCIETÀ DI REVISIONE AI SENSI DELL'ARTICOLO 156 DEL DLGS 24 FEBBRAIO 1998, N° 58

Agli azionisti della
TREVI – Finanziaria Industriale SpA

1 Abbiamo svolto la revisione contabile del bilancio d'esercizio della TREVI – Finanziaria Industriale SpA chiuso al 31 dicembre 2005. La responsabilità della redazione del bilancio compete agli amministratori della TREVI – Finanziaria Industriale SpA ("la Società"). E' nostra la responsabilità del giudizio professionale espresso sul bilancio e basato sulla revisione contabile.

2 Il nostro esame è stato condotto secondo i principi e i criteri per la revisione contabile raccomandati dalla CONSOB. In conformità ai predetti principi e criteri, la revisione è stata pianificata e svolta al fine di acquisire ogni elemento necessario per accertare se il bilancio d'esercizio sia viziato da errori significativi e se risulti, nel suo complesso, attendibile. Il procedimento di revisione comprende l'esame, sulla base di verifiche a campione, degli elementi probativi a supporto dei saldi e delle informazioni contenuti nel bilancio, nonché la valutazione dell'adeguatezza e della correttezza dei criteri contabili utilizzati e della ragionevolezza delle stime effettuate dagli amministratori. Riteniamo che il lavoro svolto fornisca una ragionevole base per l'espressione del nostro giudizio professionale. Il bilancio della società controllata Trevi SpA è stato esaminato da un altro revisore che ci ha fornito la relativa relazione. La responsabilità dei lavori di revisione contabile dei bilanci di alcune società controllate, i cui valori delle partecipazioni rappresentano il 60% ed il 20% rispettivamente della voce partecipazioni e del totale attivo, è di altri revisori. Inoltre la revisione dei bilanci di alcune controllate indirette è pure affidata ad altri revisori.

Per il giudizio relativo al bilancio dell'esercizio precedente, i cui dati sono presentati ai fini comparativi secondo quanto richiesto dalla legge, si fa riferimento alla relazione da noi emessa in data 12 aprile 2005.

PRICEWATERHOUSECOOPERS

3 A nostro giudizio, il bilancio d'esercizio della TREVI – Finanziaria Industriale SpA al 31 dicembre 2005 è conforme alle norme che ne disciplinano i criteri di redazione; esso pertanto è redatto con chiarezza e rappresenta in modo veritiero e corretto la situazione patrimoniale e finanziaria e il risultato economico della Società.

Bologna, 13 aprile 2006

PricewaterhouseCoopers SpA

Roberto Megna
(Revisore contabile)

DELIBERAZIONI DELL'ASSEMBLEA ORDINARIA DEI SOCI DEL 28 APRILE 2006

L'anno duemilasei il giorno ventotto del mese di aprile, presso la sede sociale in Cesena, si è tenuta in prima convocazione l'Assemblea ordinaria di TREVI – Finanziaria Industriale S.p.A., con la presenza di Azionisti portatori di n. 39.219.634 azioni ordinarie, corrispondenti al 61,28 % del capitale sociale aventi diritto di voto.

L'Assemblea ordinaria degli azionisti ha deliberato:

1) di approvare il Bilancio di esercizio al 31 dicembre 2005, la Relazione del Consiglio di Amministrazione sulla Gestione e di destinare l'utile di esercizio ammontante a Euro 2.023.643 come segue:

- per il 5% pari a Euro 101.182 a riserva legale;
- per Euro 0,025 per azione agli azionisti che ne hanno diritto, con data stacco dividendo il 10 luglio 2006 e pagamento a partire dal 13 luglio 2006; per effetto della riforma fiscale entrata in vigore il 1° gennaio 2004 al dividendo non compete alcun credito d'imposta e a seconda dei percettori è soggetto a ritenuta alla fonte a titolo d'imposta o concorre in misura parziale alla formazione del reddito imponibile;
- il residuo a riserva straordinaria.

2) di approvare un piano di acquisto e alienazione di azioni proprie fino ad un massimo di n. 2.000.000 pari al 3,125% del capitale sociale. La durata del piano è fino al 30 aprile 2007; il corrispettivo massimo è di Euro 8,50 per azione, il minimo Euro 1,50. Gli acquisti e alienazioni di azioni proprie disciplinati dall'art. 132 del testo unico, possono essere effettuati per il tramite di offerta pubblica di acquisto o di scambio o sui mercati regolamentati. Le azioni proprie in esubero rispetto agli obiettivi di permuta con partecipazioni di minoranza in società controllate direttamente o indirettamente, acquisire partecipazioni stabili e durature in società terze e lo svolgimento dell'attività di "specialist", potranno essere alienate sul mercato, ad un prezzo unitario non inferiore a quello medio degli ultimi 10 giorni di borsa aperta antecedenti il giorno della vendita diminuito del 10%.

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