

## **TREVI - Finanziaria Industriale S.p.A.**

Registered office: Via Larga n. 201, Forlì- Cesena

Capital stock Lire 32,000,000,000 fully paid

Forlì – Cesena Companies Register No. 11251

Forlì – Cesena Chamber of Commerce No. 201271

Tax code and VAT No. 01547370401

### **REPORT OF THE BOARD OF DIRECTORS ON OPERATION FOR THE YEAR ENDED AS OF DECEMBER 31, 1999**

Stockholders,

We submit to you the consolidated financial statements of Trevi – Finanziaria Industriale S.p.A. and its subsidiaries (Trevi Group) as of December 31, 1999. The main event of the year has been the Parent Company's listing on the Milan Stock Exchange on July 15, 1999 that raised the capital stock to Lire 32 billion, increasing stockholders' equity to Lire 111.8 billion.

Pursuant to the extraordinary shareholders' meeting held on March 12, 1999, it was resolved to request flotation of the company's common stock and consequently to change certain parts of the Company's Articles of Association; in particular we wish to emphasize the Company's name change from Trevinfin S.p.A. to "TREVI – Finanziaria Industriale S.p.A." and an increase in capital as follows:

- a share split, reducing their par value from Lire 10,000 to Lire 500 each;
- a bonus issue, raising capital stock from Lire 12 billion to Lire 22 billion, by issuing 20 million new shares of par value Lire 500 each, assigned free of charge to the shareholders by transferring reserves to capital stock.
- a cash issue, excluding rights as per Art. 2441 of the Italian Civil Code, increasing capital stock from Lire 22 billion to a maximum of Lire 32 billion by issuing a maximum of 20 million new shares of par value Lire 500 at a price of Euro 2.9 each.

The consolidated financial statements show a value of production of Lire 515 billion and pre-tax income of Lire 23,867 million. After tax, the amount pertaining to the Group comes to Lire 13,844 million, after charging depreciation and amortization of Lire 24,952 million.

	<b>31.12.99</b>	<b>31.12.98</b>	<b>Change</b>
Value of production	514,737	415,799	98,938
Cost of production	483,911	387,937	95,974
Difference between value and cost of production	30,826	27,862	2,964
E.B.I.T.D.A.	55,778	43,923	11,855
Other income and expense and writedowns	(6,959)	(10,035)	3,076
Income taxes for the year	10,929	8,476	2,453
Minority interests' share of net income	(906)	1,569	(2,475)
Group's net income	13,844	7,782	6,062
Group's net worth	194,331	59,770	134,561
Minority interests' share of capital and reserves	10,024	9,780	244
Reserve for risks and charges	14,861	9,018	5,843
Total net financial debt	50,470	117,376	(66,906)
Tangible and intangible fixed assets, net	197,451	132,456	64,995

Group companies have worked steadily throughout the year, showing a considerable increase in revenues in line with budget, with a total value of production approaching Lire 515 billion. This marks an all-time high in the Trevi Group's expansion. The increase of 24% over the equivalent figure in the 1998 financial statements is a good deal more than the 15% average achieved in the previous five years.

The most notable improvement was in net income (+77.9%), which again shows that our selective approach to contract acceptance and choice of sectors in which to operate, together with careful management of the Group's resources, are a winning strategy in these years of crisis for the construction industry in Italy. And this improvement would have been even greater had it not been for higher taxes in Italy and the need to book deferred taxes for all of Lire 4,810 million. .

Gross operating profit came to 56 billion Lire, an increase of about 27% on last year.

As for the operational aspects of the Group, foreign markets still provide Group companies their most interesting opportunities, helped by favorable currency trends during 1999: the average exchange rate of the US dollar (the currency in which most Group companies bill their sales) was Lire 1,817 per dollar, with an increase of 4.6% on the previous year's average exchange rate of Lire 1,737.

The Group's internationalization (which can be seen from the geographical and sector breakdowns given in the Explanatory Notes) is shown in the following data: Italy as a proportion of total Group revenue from sales and services continues at around 20%, the Americas have increased to about 42%; the Middle East has increased slightly from 5.2% to about 8.2%; the Group's presence in Europe (excluding Italy), Africa and East Asia, continues to grow, albeit at a slow pace.

The Group has an order backlog of Lire 394 billion, of which 84% is to be carried out during the current fiscal year.

### **Research and development**

Work on the development of new technologies continued in 1999. This is one of the Trevi Group's strengths as a world leader in the foundations and reinforcement sector, and in the underground engineering sector in general. As mentioned in the explanatory notes, research and development expenses in 1999 amount to about Lire 8.1 billion, all written off to the consolidated statement of income. The following are most important research activities:

- During the year, testing of the TURBOJET technique (mechanical blending of excavated soil with high-pressure technical pack-hardening, which transforms soft soil into a solid mass able to support foundation loads) was completed at two construction sites in Italy (on the Rome-Fiumicino motorway and in Leghorn). Successful testing resulted in the acquisition of two important orders in the USA and Thailand.
- Completion of equipment for special foundations in the CM-70, R-516 and R-930 models; SM-525 and BH6 Active were commenced.
- Design of the R930/65 project with a system that makes it possible to lay a large-diameter steel lining at a considerable depth. This system is suitable for placing large-diameter piles in difficult land such as that found in Hong Kong and Taiwan, where numerous projects in course could make substantial use of this equipment
- Construction work on three Treviparks in Cesena has been completed, while two new parking lots have been started in Rome and Turin. The Trevipark system continues to

attract considerable interest both in Italy and throughout the world, creating numerous growth opportunities in the near future in almost all highly developed countries, from the United States to Singapore, from Denmark to Sweden, in addition to the contract already signed with companies from the Czech Republic. The Trevipark management software has been refined during three years or more of carpark management experience in Cesena and has proven ideal for the automatic management of all existing parking lots, whether traditional ramp systems or above-ground carparks with 24-hour closed-circuit monitoring. The Trevipark system reduces operating costs and increases the service and safety offered to users. Trevipark has its own website whose address is "Parkingonline.net".

- Completion of models CM70, R5/6 e R930;
- New BH6 ACTIVE equipment, which automatically keeps constant control over verticality during underground diaphragm drilling.
- Support and excavation system for the Leaning Tower of Pisa.
- OIL: 1999 featured the preparation and start-up of the first G-200 system, carried out by Soilmec S.p.A., to explore and extract hydrocarbons through slim-hole and cheap-drilling technologies; these permit better results in less time and at lower costs than traditional systems; indeed, traditional technology can now be considered obsolete compared with such innovative techniques. The G102,3 system has also been equipped with a new automatic pile-handling system.

### **Investments**

In 1999 we continued our policy of investing in higher production capacity and the technological upgrading of systems and machines. Gross investment in property, plant and equipment during 1999 amounted to Lire 61,613 million (Lire 65,524 million in the prior year). The decrease in fixed assets due to disposals to renew plant and equipment amounted to Lire 12 billion at historical cost.

The increase in intangible fixed assets was due, for Lire 11,144 million, to start-up and expansion costs, incurred mainly in connection with the Parent Company's flotation on the Stock Exchange.

### **Performance of the main Group companies**

#### **Trevi Icos Corporation**

Net sales by Trevi Icos Corporation (USA) in 1999 reached US\$ 62 million and they are expected to grow by another 15% at least during the current year. 38% of the company's revenues came from building foundations for lots in the "Central Artery Tunnel" project in Boston. In 1999, operations also expanded in other states apart from Massachusetts, namely New York, Virginia, Ohio and Florida. Investments by the company in plant and equipment and systems amounted to Lire 9 billion.

#### **Trevi S.p.A.**

Net sales of goods and services in 1999 came to Lire 136,842 million, with a 27% increase on the prior year. Core business sales amounted to Lire 124,450 million, of which Lire 82,682 million in Italy (66.4%) and Lire 41,769 abroad (33.6%). In the financial year under review, the pre-tax result was Lire 4,824 million compared with Lire 1,239 million in 1998.

Gross operating profit fell compared with the previous year at Lire 5,444 million, because of losses made on certain jobs carried out in a consortium together with other firms in Italy. Their budgets to completion have been substantially downgraded with respect to the initial forecasts when the jobs were acquired. This is partly due to geological and environmental conditions that objectively proved to be trickier than expected when the offer was made. It was also because we were required to speed up production as much as possible. This has in turn led to significant considerable claims against customers.

Operations abroad, on the other hand, continue to provide considerable satisfaction, especially the good bottom-line performances by the sites in Algeria, Sweden, Egypt and Argentina (the latter carried out mainly through consortiums). The contribution made to revenues by foreign subsidiaries thanks to technical assistance sales and dividends is remarkable. We especially refer to countries such as the United States, Hong Kong and Venezuela. Venezuela has contributed particularly well to the result, thanks to the considerable volume of work carried out through our local branch.

The increase in turnover, almost exclusively due to business in Italy, and the growing trend towards very large public sector orders (thereby excluding certain competitors) give us confidence - something that has been lacking for some time - that this Division's profitability will pick up in the near future. This is supported by the more than satisfying performance of the projects carried out in Italy during 1999, even if this is offset by poor results on the part of certain consortiums, as mentioned above.

Capital expenditure during the year amounted to Lire 17,439 million, of which Lire 4,980 million was financed by leases. The Company sold or otherwise disposed of Lire 1,441 million of equipment during 1999.

### **Soilmec Division**

The performance by Soilmec, the engineering division, was positive. It closed 1999 with consolidated net sales of Lire 164 billion. Soilmec has consolidated its position at the top of its sector, principally in North America and Europe, in spite of persistent signs of recession in some areas: South-East Asia, China, Japan and Latin America.

Capital investments in 1999 mainly concern further expansion of the factory in Piacenza; the acquisition of Massarenti & Ballerini's oil-well and water-drilling machine construction division from the liquidator; the partial renewal of the drilling equipment pool intended for leasing; the acquisition of the Branham Industries business in Houston, since transferred to the company we founded recently in Texas. Gross investments came to more than Lire 17 billion.

### **Trevi Foundations Nigeria Ltd**

Trevi Foundations Nigeria Ltd's financial year closed on 31 December 1999 with gross revenues of Lire 25 billion. Profitability remains good and the return of political power to a non-military government leaves room for hope.

### **Trevi Construction Hong Kong**

Of the three companies based in the East Asia, which are now under the sector subholding company, Trevi Contractors B.V., the one that stands out is Trevi Construction Co. Ltd. (Hong Kong). After finishing a very important job worth US\$ 40 million, acquired by an Italian-French joint venture, for the construction of foundation works for the Ertan dam in China, it now has three important projects outstanding in Hong Kong: the first, which was acquired by a French enterprise, entails building foundations for the Hang Hau railway

station; then there is the DB320 project for the Kowloon-Canton Railway Corporation. In 1999 Trevi Construction Co. Ltd. achieved net sales equivalent to Lire 25 billion, part of which for technical assistance in Nigeria.

#### **Trevi Foundations Philippines Inc.**

Trevi Foundations Philippines Inc. in Manila, which began business in 1997, managed sales in 1999 of Lire 5 billion.

#### **Swissboring Overseas Piling Corporation Ltd**

On August 4, 1999 “Swissboring Overseas Piling Corporation Ltd.” with headquarters in Zurich and divisions in the United Arab Emirates, Omar and Qatar, was acquired from Ing. G. Rodio & C. S.p.A. The acquisition involved a total financial outlay of US\$ 8.5 million for the purchase of all the company’s shares, also taking on pre-existing debt. This company had sales for the full year equal to US\$ 14.6 million with a good level of profitability, but it has only been included in the consolidation area for the second half.

#### **Petreven C.A.**

1999 featured the inauguration of Soilmec’s first G-200 system. This system came into service thanks to the direct acquisition of a contract by the subsidiary Petreven C.A. in Venezuela, a country with a high potential for rapid growth in oil and gas exploration in the near future.

In October the company completed the drilling of 5 oil wells worth the equivalent of Lire 5 billion awarded by Backer Hughes S.A. It is now carrying out drilling jobs for Perez Companc S.A. expected to last for all of 2000 and probably extend into 2001.

This prospect has persuaded management to acquire a another smaller plant from Soilmec, the G-102 that is able to cover a much larger load range and negotiations for further production in Venezuela are currently nearing completion.

#### **SAITRE Consortium**

The consortium with SAIPEM S.p.A. only uses the G125 system with a low level of business during 1999; indeed, the year-end result was a loss. Business picked up in January 2000 following a contract awarded by Agip S.p.A. for a job expected to last for the entire current financial year.

#### **Group transactions with non-consolidated subsidiaries, associated companies and parent companies, companies owned by the same parent companies and other related parties**

Trevi - Finanziaria Industriale S.p.A. and the companies it controls have contractual trading and financial transactions with related parties. The most significant relationships are with companies headed up by Sofitre S.r.l., a company held 100% by the Trevisani family.

Trading and financial transactions carried out with companies in the Sofitre Group chiefly concern sales of “TreviPark”, a turn-key automated parking lot (the companies in the Sofitre Group have obtained licenses and concessions for its construction on public land). The sales conditions negotiated with related parties are in line with normal market conditions.

With reference to financial operations, they have been chiefly carried out with I.F.C. Ltd. in Hong Kong, held 100% by Sofitre srl. As of December 31, 1999 the Trevi Group had

financial transactions paid according to market conditions as well as non-interesting bearing loans.

The following is a summary of the principal economic transactions with related parties during 1999: (amounts in millions of lire)

Revenue for sales and services	10,519
Purchase for merchandise and service	611

These revenues refer to billings of Lire 8.5 billion for automatic parking lot systems by Trevi S.p.A. to the related party, Parcheggi S.p.A. and Lire 1 billion for sales of equipment by Soilmec S.p.A. to I.F.C. Ltd.

The following is a summary of the balances with related parties outstanding at December 31, 1999:

Financial debt	3,229
Trade payables	6,015
Trade receivables	6,255

Financial debt consists of amounts due by Trevi Cimentaciones C.A. and Soilmec S.p.A. to I.F.C. Ltd., the former owes Lire 2,205 million which has been settled in the meantime. The trade payables and receivables, for Lire 2,845 million and Lire 3,118 million respectively, concern transactions between Trevi Construction Hong Kong and I.F.C. Ltd.

In addition, there are guarantees issued by Trevi Finanziaria Industriale S.p.A. prior to flotation in favor of certain banks on behalf of Parcheggi S.p.A. and Roma Park S.r.l., which are involved in the construction of automated parking lots. Today, these companies are part of the Sofitre Group. Such guarantees are gradually being reduced.

Guarantees and sureties	11,361
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During 1999, the subsidiary Trevi Construction Co. Ltd. (Hong Kong) acquired a division from I.F.C. Ltd (Hong Kong) for the equivalent of US\$ 892,568. The division consists of business activities in Nigeria and the acquisition was made to avoid a conflict of interest in that country with similar activities being carried on by related companies. The assets acquired chiefly consist of machinery and equipment worth about US\$ 1,200 million at net book value; whereas the payables, worth about US\$ 300,000, refer to down payments received from customers on two outstanding contracts that have been transferred. The holding in Parcheggi S.p.A. was also transferred by the parent company Trevi S.p.A. to the related company Sofitre s.r.l. for a value of Lire 87 million.

### **Significant events after the year end**

The acquisition of SAIPEM S.p.A.'s "Officina Cortemaggiore" division by Soilmec S.p.A. was finalized in early 2000 for a price of Lire 650 million. The Soilmec Division will therefore be better positioned as a supplier of specialist services for the maintenance of systems and equipment used in oil drilling, pipeline laying and offshore constructions.

In addition to the contract with Perez Compans S.A., which is worth about Lire 16 billion, the Trevi Group has acquired important contracts on projects to be carried out in Italy and abroad:

- Lire 10.5 billion for the construction and laying of foundation piles for the third bridge across Abidjan Laguna;
- Lire 23.5 billion for consolidation of the quays at the port of Messina;

- Lire 8.2 billion for underpinning the Porto Corsini Ravenna power station;
- US\$ 8.3 million for construction of the foundations of the Gallery Place Shopping Center in Washington;
- US\$ 5.5 million for the foundation works of the Four Seasons Hotel.

**Further information**

During the year, Trevi S.p.A. acquired 520,000 shares of Trevi Finanziaria Industriale S.p.A. at an average price of 2.41 euro per share, and at the year end, it owns 140,000 shares (equal to the 0,21% of the Parent Company's Capital Stock, with a net book value of 681 million of lire), as the other 380,000 shares were exchanged with the minor shareholders of Trevi Icos Corporation for 64,000 shares of the latter for the purpose of gaining total control.

Stockholders,

In spite of the persistent crisis in Asia, we are still receiving orders at a steady pace, thanks to higher sales on the American continent as well as the recovery in the European and, to a certain extent, the Italian economy. The amount of the order backlog and current negotiations with clients lead us to expect a higher volume of consolidated net sales than the Lire 500 billion already achieved, with net income growing as well.

Cesena, March 31, 2000

For the Board of Directors  
The Chairman - Davide Trevisani

**TREVI GROUP**  
**CONSOLIDATED BALANCE SHEET**  
**AS OF DECEMBER 31, 1999**

(in millions of Lire)

(in thousands of euros)

<b>ASSETS</b>	<b>12.31.1999</b>	<b>12.31.1998</b>	<b>12.31.1999</b>
<b>A) Amounts due from stockholders</b>			
<b>B) Fixed assets:</b>			
<b>I - Intangible fixed assets:</b>			
1) start-up and expansion costs	10,364	292	5,353
2) research, development & advertising expenses	339	452	175
3) industrial patents and intellectual property rights	1,722	1,690	889
4) concessions, licenses, trademarks & similar rights	135	150	70
5) goodwill	891	180	460
7) other intangible fixed assets	3,882	4,041	2,005
<b>Total intangible fixed assets</b>	<b>17,333</b>	<b>6,805</b>	<b>8,952</b>
<b>II - Tangible fixed assets:</b>			
1) land and buildings	28,925	24,143	14,939
2) plant and machinery	112,564	73,786	58,134
3) industrial and commercial equipment	16,049	13,560	8,289
4) other assets	19,563	11,927	10,103
5) assets under construction and advance payments	3,017	2,235	1,558
<b>Total tangible fixed assets</b>	<b>180,118</b>	<b>125,651</b>	<b>93,023</b>
<b>III - Financial fixed assets:</b>			
1) equity investments in:			
a) subsidiary companies		33	0
b) associated companies	9,704	8,787	5,012
d) other companies	792	562	409
Total	10,496	9,382	5,421
2) accounts receivable:			
b) associated companies:			
- due within 12 months			
- due beyond 12 months		490	0
Total	0	490	0
d) other companies:			
- due within 12 months			0
- due beyond 12 months	2,531	3,282	1,307
Total	2,531	3,282	1,307
Total accounts receivable	2,531	3,772	1,307
3) other securities	0	0	0
<b>Total financial fixed assets</b>	<b>13,027</b>	<b>13,154</b>	<b>6,728</b>
<b>Total fixed assets (B)</b>	<b>210,478</b>	<b>145,610</b>	<b>108,703</b>



**CONSOLIDATED BALANCE SHEET  
AS OF DECEMBER 31, 1999**

(in millions of Lire)

(in thousands of euros)

ASSETS	12.31.1999	12.31.1998	12.31.1999
<b>C) Current assets:</b>			
<b>I - Inventories:</b>			
1) raw, ancillary and consumable materials	44,964	35,259	23,222
2) work in progress and semifinished products	5,116	4,498	2,642
3) contract work in progress	36,183	31,135	18,687
4) finished products and goods for resale	20,164	28,459	10,414
5) advances to suppliers	1,304	1,120	673
<b>Total inventories</b>	<b>107,731</b>	<b>100,471</b>	<b>55,638</b>
<b>II - Accounts receivable :</b>			
1) due from customers:			
- within 12 months	116,770	95,717	60,307
- beyond 12 months	18,181	15,444	9,390
Total	134,951	111,161	69,696
3) due from associated companies:			
- within 12 months	17,195	7,761	8,880
- beyond 12 months			
Total	17,195	7,761	8,880
5) due from third parties:			
- within 12 months	20,136	16,426	10,399
- beyond 12 months	985	489	509
Total	21,121	16,915	10,908
<b>Total accounts receivable</b>	<b>173,267</b>	<b>135,837</b>	<b>89,485</b>
<b>III - Financial assets not held as fixed assets:</b>			
5) own shares	681	0	352
<b>Total Financial assets</b>	<b>681</b>	<b>0</b>	<b>352</b>
<b>IV - Liquid funds:</b>			
1) bank and postal deposits	87,915	28,374	45,404
2) checks	29	100	15
3) cash and cash equivalents	1,113	1,197	575
<b>Total liquid funds</b>	<b>89,057</b>	<b>29,671</b>	<b>45,994</b>
<b>Total current assets (C)</b>	<b>370,736</b>	<b>265,979</b>	<b>191,469</b>
<b>D) Accrued income and prepaid expenses</b>			
1) accrued income	420	12	217
2) prepaid expenses:			
- due within 12 months	3,157	2,002	1,630
- due beyond 12 months	307	528	159
Total prepaid expenses	3,464	2,530	1,789
<b>Total accrued income and prepaid expenses (D)</b>	<b>3,884</b>	<b>2,542</b>	<b>2,006</b>
<b>TOTAL ASSETS</b>	<b>585,098</b>	<b>414,131</b>	<b>302,178</b>

**CONSOLIDATED BALANCE SHEET**
**AS OF DECEMBER 31, 1999**
**(in millions of Lire)**
**(in thousands of euros)**

<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>12.31.1999</b>	<b>12.31.1998</b>	<b>12.31.1999</b>
<b>A) Stockholders' equity</b>			
<b>I - Capital stock</b>	<b>32,000</b>	<b>12,000</b>	<b>16,527</b>
<b>II - Share premium reserve</b>	<b>101,882</b>	<b>0</b>	<b>52,618</b>
<b>IV - Legal reserve</b>	<b>1,038</b>	<b>1,021</b>	<b>536</b>
<b>V - Company own share reserve</b>	<b>681</b>	<b>0</b>	<b>352</b>
<b>VII - Other reserves:</b>			
- extraordinary reserve	4,766	14,441	2,461
- cumulative translation adjustment	3,751	(3,701)	1,937
- consolidation reserve	36,369	28,227	18,783
<b>Total other reserves</b>	<b>44,886</b>	<b>38,967</b>	<b>23,182</b>
<b>IX - Net income (loss) for the year</b>	<b>13,844</b>	<b>7,782</b>	<b>7,150</b>
<b>Group interest in stockholders' equity</b>	<b>194,331</b>	<b>59,770</b>	<b>100,364</b>
Minority interests in capital and reserves	10,024	9,780	5,177
<b>Total stockholders' equity</b>	<b>204,355</b>	<b>69,550</b>	<b>105,541</b>
<b>B) Reserves for risks and charges:</b>			
1) pensions and similar commitments	3,860	1,882	1,994
2) taxation	6,966	3,382	3,598
3) other	4,035	3,754	2,084
<b>Total reserves for risks and charges</b>	<b>14,861</b>	<b>9,018</b>	<b>7,675</b>
<b>C) Reserve for employee termination indemnities</b>	<b>13,012</b>	<b>15,526</b>	<b>6,720</b>
<b>D) Payables:</b>			
3) due to banks:			
- within 12 months	49,333	71,902	25,478
- beyond 12 months	35,856	20,088	18,518
<b>Total</b>	<b>85,189</b>	<b>91,990</b>	<b>43,996</b>
4) due to other providers of finance:			
- within 12 months	18,699	17,149	9,657
- beyond 12 months	35,639	37,908	18,406
<b>Total</b>	<b>54,338</b>	<b>55,057</b>	<b>28,063</b>
5) advances from customers			
- due within 12 months	29,873	27,520	15,428
- due beyond 12 months			
<b>Total</b>	<b>29,873</b>	<b>27,520</b>	<b>15,428</b>
6) due to suppliers:			
- within 12 months	113,659	94,461	58,700
- beyond 12 months		418	0
<b>Total</b>	<b>113,659</b>	<b>94,879</b>	<b>58,700</b>
7) notes payable:			
- within 12 months	23		12
- beyond 12 months			0
<b>Total</b>	<b>23</b>	<b>0</b>	<b>12</b>
8) due to non-consolidated subsidiary companies:			
- within 12 months	0	24	0
- beyond 12 months			
<b>Total</b>	<b>0</b>	<b>24</b>	<b>0</b>
9) due to associated companies:			
- within 12 months	26,653	16,419	13,765
- beyond 12 months		4,272	0
<b>Total</b>	<b>26,653</b>	<b>20,691</b>	<b>13,765</b>
11) due to tax authorities:			
- within 12 months	11,423	6,158	5,899
- beyond 12 months	388	826	200
<b>Total</b>	<b>11,811</b>	<b>6,984</b>	<b>6,100</b>
12) due to social security			
- within 12 months	2,988	2,921	1,543
- beyond 12 months			0
<b>Total</b>	<b>2,988</b>	<b>2,921</b>	<b>1,543</b>

**CONSOLIDATED BALANCE SHEET  
AS OF DECEMBER 31, 1999**

(in millions of Lire)

(in thousands of euros)

<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>12.31.1999</b>	<b>12.31.1998</b>	<b>12.31.1999</b>
13) other payables:			
- due within 12 months	23,297	16,115	12,032
- due beyond 12 months	393		203
Total	23,690	16,115	12,235
<b>Total payables</b>	<b>348,224</b>	<b>316,181</b>	<b>179,843</b>
<b>E) Accrued expenses and deferred income</b>			
1) accrued expenses	2,099	1,182	1,084
2) deferred income			
- due within 12 months	1,738	1,718	898
- due beyond 12 months	809	956	418
Total deferred income	2,547	2,674	1,315
<b>Total accrued expenses and deferred income</b>	<b>4,646</b>	<b>3,856</b>	<b>2,399</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>585,098</b>	<b>414,131</b>	<b>302,178</b>
<b>MEMORANDUM ACCOUNTS</b>	<b>12.31.1999</b>	<b>12.31.1998</b>	<b>12.31.1999</b>
UNSECURED GUARANTEES GIVEN			
Sureties	142,362	202,968	73,524
TOTAL	142,362	202,968	73,524
<b>TOTAL UNSECURED GUARANTEES GIVEN</b>	<b>142,362</b>	<b>202,968</b>	<b>73,524</b>
COMMITMENTS, RISKS AND OTHER MEMORANDUM ACCOUNTS			
Recourse risks	17,492	15,054	9,034
Commitments towards third parties	4,826	0	2,492
End-of-lease purchase agreement	2,124	4,263	1,097
TOTAL	24,442	19,317	12,623
<b>TOTAL MEMORANDUM ACCOUNTS</b>	<b>166,804</b>	<b>222,285</b>	<b>86,147</b>

**TREVI GROUP**  
**CONSOLIDATED STATEMENT OF INCOME**  
(in millions of Lire)

	1999	1998	1999
			(in thousands of euros)
<b>A) Value of production:</b>			
1) revenues from sales and services	490,525	367,856	253,335
2) changes in inventories of work in progress and semifinished and finished products	( 2,121)	( 2,410)	0
3) changes in contract work in progress	5,056	17,585	2,611
4) additions to fixed assets by internal production	7,620	10,877	3,935
5) other income:			
- operating grants	729	199	376
- miscellaneous income	12,928	21,692	6,677
Total other income	13,657	21,891	7,053
<b>Total value of production (A)</b>	<b>514,737</b>	<b>415,799</b>	<b>265,839</b>
<b>B) Production costs:</b>			
6) raw, ancillary and consumable materials and goods for res	175,457	144,082	90,616
7) services received	137,792	100,194	71,164
8) leases and rentals	18,199	9,518	9,399
9) personnel:			
a) wages and salaries	94,306	72,098	48,705
b) social security charges	25,466	23,606	13,152
c) employee termination indemnities	2,597	2,320	1,341
d) pensions and similar commitments	1,094	1,229	565
e) other	604	2,484	312
Total	124,067	101,737	64,075
10) amortization, depreciation and writedowns:			
a) amortization of intangible fixed assets	2,812	1,551	1,452
b) depreciation of tangible fixed assets	19,188	12,753	9,910
c) other writedowns of fixed assets	314	0	162
d) writedown of receivables included among current assets and of liquid funds	2,638	1,757	1,362
Total	24,952	16,061	12,887
11) changes in inventories of raw, ancillary and consumable materials	( 2,184)	7,183	( 1,128)
12) provisions for risks and charges	363	302	187
13) other provisions	601	832	310
14) other operating expenses	4,664	8,028	2,409
<b>Total production costs (B)</b>	<b>483,911</b>	<b>387,937</b>	<b>249,919</b>
<b>Difference between value and cost of production</b>	<b>30,826</b>	<b>27,862</b>	<b>15,920</b>
<b>C) Financial income and expense</b>			
15) income from equity investments:			
c) dividends and other income from third parties	7	117	4
Total	7	117	4
16) other financial income:			
a) income from receivables held as fixed assets:			
4) third parties	76		39
Total	76	0	39

## CONSOLIDATED STATEMENT OF INCOME

(in millions of Lire)

(in thousands of euros)

	1999	1998	1999
d) income other than the above:			
2) associated companies	214	0	111
5) third parties	8,656	3,514	4,470
Total	8,870	3,514	4,581
Total income other than the above	8,946	3,514	4,620
17) interest and other financial charges:			
1) subsidiary companies			0
2) associated companies			0
4) third parties	15,022	13,151	7,758
Total	15,022	13,151	7,758
<b>Total financial income and expense</b>	<b>( 6,069)</b>	<b>( 9,520)</b>	<b>( 3,134)</b>
<b>D) Adjustments to financial assets:</b>			
18) revaluations			
a) equity investments		361	0
Total	0	361	0
19) writedowns:			
a) equity investments	1,085	750	560
Total	1,085	750	560
<b>Total adjustments to financial assets</b>	<b>( 1,085)</b>	<b>( 389)</b>	<b>( 560)</b>
<b>E) Extraordinary income and expense</b>			
20) income:			
a) gains on disposals	121	23	62
b) other income	1,000	932	516
Total	1,121	955	579
21) expense:			
a) losses on disposals	236	84	122
b) taxes relating to prior years		72	0
c) other expense	690	925	356
Total	926	1,081	478
<b>Total extraordinary items</b>	<b>195</b>	<b>( 126)</b>	<b>101</b>
<b>Results before taxation</b>	<b>23,867</b>	<b>17,827</b>	<b>12,326</b>
22) income taxes for the year	10,929	8,476	5,644
<b>Net income/(loss) for the year</b>	<b>12,938</b>	<b>9,351</b>	<b>6,682</b>
Minority interests	( 906)	1,569	( 468)
<b>Group net income for the year</b>	<b>13,844</b>	<b>7,782</b>	<b>7,150</b>

# EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 1999

(in millions of Lire)

## Group profile and activities

TREVI-Finanziaria Industriale S.p.A (formerly Trevifin S.p.A.) and its subsidiaries (hereafter called the "Trevi Group" or the "Group") carry out their activities in two principal sectors: supply contracts and design and engineering services for civil and infra-structural foundation works, the construction of plant and equipment for special foundation works, tunnel boring and well-drilling for oil and water exploration. These two business sectors are coordinated by the Group's two major companies, Trevi S.p.A., which heads the division involved in construction at depth ("Trevi division"), and Soilmec S.p.A. which oversees the division responsible for manufacturing and marketing plant and equipment for construction at depth and well drilling for oil and water exploration ("Soilmec division").

The Group is controlled by TREVI-Finanziaria Industriale S.p.A.

The Group's various areas of activity and events subsequent to the end of the year are discussed in the report on operations.

The consolidated financial statements have been prepared in accordance with section III (arts 24 to 43) of Decree 127/91, as supplemented and interpreted with reference to the accounting principles established by the Italian Accounting Profession and, where applicable, to International Accounting Standards (I.A.S.).

The notes to the financial statements describe, analyze and supplement the information reported in the consolidated balance sheet and statement of income and contain the information required by article 38 of Decree 127/91. Additional information is provided in order to present a true and fair view of the state of the Group, even where not required by specific legislation.

In particular:

- a) the consolidated financial statements were prepared utilizing the draft financial statements as of December 31, 1999 of TREVI-Finanziaria Industriale S.p.A. and of all the subsidiaries included within the scope of consolidation, as approved by their respective Boards of Directors.
- b) the financial statements utilized for consolidation purposes were appropriately reclassified to present them according to the format required by the Italian Civil Code, as introduced by

Decree 127/91, and adjusted in conformity with the accounting policies applied by the Parent Company.

## **Consolidation principles**

### Method of consolidation

Consolidation is carried out on a line-by-line basis and, starting from this year, also under the proportional method (as explained below). The accounting policies adopted for the preparation of the consolidated financial statements are as follows:

- 1) the assets and liabilities of subsidiary companies are consolidated line-by-line and the carrying value of consolidated investments is eliminated against the Group's share of stockholders' equity as of December 31, 1999;
- 2) the differences between purchase, formation or spin-off cost and the Group's share of stockholders' equity at the time subsidiaries were first consolidated are recorded as follows:
  - any negative differences are allocated to the "Consolidation reserve";  
any positive differences, not allocated to the assets and liabilities of consolidated companies, or to goodwill, are deducted from the "Consolidation reserve"; Any higher value paid over and above the stockholders' equity of the investment at the time of the acquisition has been booked to «Consolidation difference». This difference is amortized over 5 years.
- 3) significant transactions between consolidated companies are eliminated, as are intercompany receivables and payables, costs and revenues, and any unrealized gains deriving from transactions between Group companies, net of the tax effect, where applicable. As permitted under the reference accounting policies, an exception to the elimination of intraGroup gains and losses concerns sales of machinery and equipment manufactured by the Soilmec division and transferred to the Trevi division in the normal course of the latter's activities. Such transfers, which take place as part of the normal business activities of the respective divisions, are effected on an arm's-length basis and determination of the related effects would entail disproportionate costs. A preliminary estimate effected by Management for 1999 in any case confirmed that the financial effects would have been insignificant;
- 4) dividends received from companies consolidated line-by-line are eliminated;

- 5) the minority stockholders' interest in equity is reported in a specific consolidated balance sheet caption, while the minority interest in net income is disclosed separately in the consolidated statement of income;
- 6) adjustments and provisions reported solely for tax purposes in the financial statements of consolidated companies are eliminated in order to present a true and fair view of the Group's financial position and results of operations.

#### Translation of financial statements of foreign subsidiaries into Italian Lire

The financial statements of foreign consolidated subsidiaries are translated into Italian Lire using the current-rate method. This involves using year-end exchange rates to translate balance sheet items and average exchange rates for the year to translate statement of income items. Differences arising from the translation of opening stockholders' equity using closing rates and those arising from the translation of statement of income items using average rates for the year are reflected in the cumulative translation adjustment, classified within stockholders' equity.



The exchange rates utilized for 1999 are the following:

<b>Currency</b>	<b>Average exchange rate for the year</b>	<b>Current exchange rate at year-end</b>
Pound sterling	2,940.2	3,114.5
Japanese yen	16.0	18.9
U.S. dollar	1,817.5	1,930.5
Turkish lira	0.0045	0.004
Portuguese escudo	9.7	9.7
Netherlands guilder	878.6	878.6
Argentine peso	1,817.5	1,930.5
Venezuelan bolivar	3.0	3.0
Nigerian naira	18.9	19.4
Singapore dollar	1,072.9	1,158.1
Philippine peso	46.5	47.8
Chinese renmimbi	219.5	233.2
Malaysian ringgit	478.5	507.9
U.A.E. dirham	494.8	525.6

### **Scope of consolidation**

The consolidated financial statements as of December 31, 1999 comprise the financial statements of all the companies directly or indirectly controlled by TREVI-Finanziaria Industriale S.p.A., the Parent Company

A list of investments in subsidiary companies included within the scope of consolidation is reported in the attachment.

Changes in the scope of consolidation with respect to 1998 are the following:

- the scope of consolidation has changed following the inclusion of Petreven C.A. (Venezuela), which began operations during the first half of 1999;
- On 4/23/1999 the subsidiary Soilmec S.p.A. transferred to Soilmec Branham Inc. the business just acquired from Branham Industries Products. The acquisition, whose accounting

and tax effects are back-dated to January 1, 1999, has enabled the US subsidiary of the Soilmec Division to start operations. Following the contribution and a partial subscription to the increase in capital resolved by Soilmec Branham Inc., Soilmec S.p.A.'s holding in the USA subsidiary fell from 100% to 72%.

- On June 28, 1999, Trevi Constructions Company Ltd of Hong Kong, a subsidiary, acquired the business of an affiliated company, I.F.C. Ltd. For details, please refer to the report on operations.
- On August 4, 1999, the Company finalized the acquisition from Ing. G. Rodio & C. S.p.A. of the Swiss company "Swissboring Overseas Piling Corporation Ltd" with headquarters in Zurich and branches in the United Arab Emirates, in Oman and Qatar. On consolidation, only the effect relating to the second half of 1999 has been accounted for in the statement of income.
- Trevi Icos Corporation: This company was formed in 1997 in Boston, U.S.A. and operates in the foundation-works sector. During 1999, the company carried out various increases in capital stock, all of which were subscribed by the Group. In addition, minority interests have been acquired by giving shares in the Parent Company in exchange (as mentioned in the report on operations). As a result of these transactions, Group ownership increased to 100%.
- The joint venture in Argentina, Coppi Ute, previously valued at equity, has been consolidated from this year under the proportional method (held 33%). This change in the consolidation principle became necessary, given the growing importance of this joint venture. It is felt that this leads to better disclosure of the Group's economic and financial position. There are also other joint ventures, but as the job for which they were created has come to an end or is currently being completed, they continue to be carried at equity.

The associated companies and operative joint ventures (with the exception of the above), in which the Group's directly or indirectly-held investment does not constitute a controlling interest, are carried at equity.

Investments carried at equity are indicated in attachment 1a.

Minority interests and investments in minor or dormant consortiums are carried at cost, adjusted for permanent losses. In particular, also carried at cost are limited liability consortiums and consortiums set up as operating agencies for specific ventures or contracts acquired in temporary association with other companies, and which present financial statements with no economic results, since they serve to offset directly-incurred costs by debiting them to participating

companies.

As for Profuro International Lda, Trevi Park Plc and Hercules Trevi Foundation A.B., in which the Group holds 47.5%, 26.5% and 49.5% respectively, they are carried at cost as they are considered immaterial.

Attachment 1b provides details of investments carried at cost.

Further details are provided in the Group's organization chart (attachment 2).

### **Financial statements of companies operating in high-inflation countries**

The financial statements of consolidated companies operating in high-inflation countries (Trevi Cimentaciones C.A. Venezuela, Cifuven C.A. Venezuela, Petreven C.A. Venezuela and Trevi Insaat Ve Muhendinslik A.S. Turkey) are restated in accordance with inflation accounting criteria. Monetary adjustments applied to fixed assets, inventories and stockholders' equity, generated a positive effect on the statement of income for the year amounting to Lire 816 million

### **Accounting policies**

The more significant accounting policies adopted for the preparation of the consolidated financial statements as of December 31, 1999, are as follows:

Intangible fixed assets — These are stated at purchase and/or construction cost and amortized systematically with reference to the period they are expected to benefit.

Start-up and expansion costs are capitalized and amortized over a period not exceeding five years. Expenses incurred for the listing of the Parent Company have been capitalized and amortized on a straight-line basis over five years from July 15, 1999, the date of listing on the Milan Stock Exchange. This is also the date from which these expenses can be more closely matched with the proceeds of listing and the better earnings expected as a result.

Research, development and advertising costs, where capitalized, are amortized over a period not exceeding five years.

Industrial patents and intellectual property rights are amortized over the period they are expected to benefit, in any case not exceeding that fixed by law or by contract (three or five years).

Purchased goodwill is reflected among the balance sheet assets and amortized over five years.

The «Consolidation difference» that arose on first-time line-by-line consolidation represents the

surplus that cannot be attributed to the subsidiaries' assets on elimination of their carrying value against the related stockholders' equity. It is amortized on a straight-line basis over five years, Costs incurred for construction sites that have not yet started production activities are included among «Other intangible fixed assets». Such costs are charged to construction sites on a stage-of-completion basis.

Tangible fixed assets - These are stated at purchase or construction cost, as adjusted by Italian companies in accordance with revaluation laws 576/75, 72/83 and 413/91. Cost includes related charges and a reasonable allocation of direct and indirect expenses.

Tangible fixed assets are depreciated each year on a straight-line basis using economic and technical rates determined with reference to their residual useful lives.

Tangible fixed assets also include assets held under finance lease contracts. The accounting treatment of such assets, which takes account of the financial and equity effects of such contracts, is in line with I.A.S. 17. This involves recording assets acquired under finance leases among tangible fixed assets with a matching balance recorded as a financial payable, proportionally reduced according to the repayment schedule of principal included in contractual installments. Such assets are systematically depreciated with reference to their economic and technical residual lives.

Ordinary maintenance costs are expensed as incurred. Improvement expenditure is capitalized together with the related assets.

The rates applied by the Group are as follows:

Industrial buildings	3%
Temporary buildings	10%
General equipment and accessories	5%
Drilling equipment	7.5%
Other equipment and small tools	20%
Vehicles	18.75%
Trucks	10%
Excavators and power loaders	10%
Limousines	25%
Office furniture and furnishings	12%
Electromechanical office machines	20%

Financial fixed assets — The year-end valuation of equity investments in subsidiary companies not consolidated line-by-line, and in associated and other companies is discussed above in the section "Scope of consolidation".

Inventories — Inventories are stated at the lower of weighted average purchase or construction cost and their estimated realizable value, taking account of market trends. Cost includes related charges and a reasonable allocation of direct and indirect expenses. Concerning the metalworking sector, estimated realizable value is calculated taking into account any additional construction costs still to be incurred and direct selling costs.

Contract work in progress — Contract work in progress is valued on a stage-of-completion basis, applied according to units manufactured or according to size. The same treatment is applied to long-term contracts on a cost-incurred basis.

Receivables — These are stated at their estimated realizable value.

Receivables transferred with recourse have been removed from the balance sheet to be replaced by advances received, indicating in the memorandum accounts the extent of the recourse risk covered, as required by the accounting policies.

Accrued income and prepaid expenses — These are recorded to match costs and revenues in the accounting periods to which they relate.

Reserves for risks and charges — These cover known or likely losses, the timing and extent of which cannot be determined at year-end. Provisions reflect the best estimate of losses to be incurred based on the information available.

Reserve for employee termination indemnities — The reserve is provided by Italian companies to cover the liability to all employees for termination indemnities accrued in accordance with current legislation and in-house labor contracts. This liability is subject to annual revaluation using officially established indices.

Similar charges provided in foreign countries are recorded in the "Reserve for pensions and similar commitments".

Payables — These are stated at their nominal value.

Memorandum accounts — These indicate commitments and guarantees given, as well as assets received and deposited for various purposes. They are all stated at nominal value.

Costs and revenues — These are recorded in the financial statements according to the matching principle, the nature of the items and the prudence concept. Revenues from the sale of products are recognized at the moment ownership passes, which is generally on shipment.

Revenues from claims are recorded in the year in which the client settles the claim.

Income taxes for the year — These are provided on the basis of estimated taxable income determined in conformity with current fiscal regulations in the countries in which Group companies operate, taking account of any exemptions and tax credits available.

In addition, where applicable, deferred taxes are also provided in relation to consolidation adjustments and timing differences between taxable income and that used for consolidation purposes deriving from Group companies' financial statements.

Tax credits on dividends are deducted from income taxes for the year.

Translation of foreign currency balances — Foreign currency receivables and payables are translated to Lire using the historical rates applying at the transaction dates.

Exchange differences realized on the collection of receivables and the settlement of payables denominated in foreign currency are reflected in the statement of income.

Net losses emerging from the translation of current foreign currency receivables and payables using year-end rates are recognized and reflected in the statement of income. Any net gains emerging from the translation are prudently not recognized.

The foreign currency accounting records of the subsidiary company, Trevi S.p.A.'s foreign branches are kept separately from those in Lire, which are based on a multi-currency system. At year-end, balances reflected in the accounting records kept in foreign currency are translated to Lire using the average exchange rates for December published in the Italian Official Gazette, and

any exchange differences emerging are reflected in the statement of income.

Amounts expressed in the functional currency

All amounts in the consolidated balance sheet and statement of income, in these explanatory notes and in the attachments are expressed in millions of Italian Lire.

## COMMENTARY ON THE PRINCIPAL ASSET CAPTIONS

### ASSETS

#### FIXED ASSETS

Schedules concerning the intangible and tangible fixed assets have been prepared in attachments 4 and 5. These summarize the status of such assets by indicating for each caption: historical cost, accumulated depreciation or amortization, prior revaluations and writedowns, movements during the year and closing balances together with total revaluations relating to assets still held at year-end.

#### Intangible fixed assets

Intangible fixed assets amount to Lire 17,333 million, an increase of Lire 10,528 million compared to the prior year 31 1998. Changes during the year are as follows:

	Historical cost	Amorti- zation	Book value
<b>Intangible fixed assets</b>			
Balance as of 12.31.1998	9,237	(2,432)	6,805
Changes			
. Increases	14,230	-	14,230
. Decreases	(997)	(59)	(1,056)
. Exchange differences	166	-	166
. Amortization	-	(2,812)	(2,812)
<b>Balance as of 12.31.1999</b>	<b>22,636</b>	<b>(5,303)</b>	<b>17,333</b>

Increases of Lire 14,230 million mainly refer to «start-up and expansion costs» after the capitalization of costs (Lire 11,144 million) incurred by the Parent Company for the listing dated July 15, 1999, and to the consolidation difference (Lire 890 million) that arose on first-time consolidation of Swissboring Overseas Piling Corporation Ltd; this difference is being amortized

from July 1, 1999 (i.e. the second half of the year), which reflects when it was included in the scope of consolidation.

Increases also include yard opening costs in suspense (of around Lire 1,000 million), mainly relating to the «Ponte Joao Landim» site in Guinea Bissau (Lire 450 million), still in suspense because of civil war and the Gilgel Gibe dam in Ethiopia (378 million).

In addition, «start-up and expansion costs» also include formation expenses incurred by consolidated companies.

As of December 31, 1999, "Research, development and advertising expenses" include costs for a publicity campaign launched during the year via the most important national daily papers and aimed at informing the parking facilities sector of the innovative "Trevipark" technology.

Research and development expenses incurred during 1999, Lire 8.131 million, are reflected in full in the statement of income.

Costs for patents include licenses for three-dimensional technical drawing programs being used by companies in the Soilmec Division.

The «consolidation difference» refers entirely to the acquisition operation mentioned above.

"Other intangible fixed assets" refer to start-up costs for construction sites and expenses incurred for participation in bids for tenders.

### **Tangible fixed assets**

Tangible fixed assets amount to Lire 180,118 million, an increase of Lire 54,467 million compared to the prior year.

Changes during the year are as follows:

	<b>Historical cost</b>	<b>Revaluation</b>	<b>Accumulated depreciation</b>	<b>Book value</b>
<b>Tangible fixed assets</b>				
Balance as of 12.31.1998	181,383	5,087	(60,819)	125,651
Changes				
. increases	61,613	-	-	61,613
. decreases (-)	(9,919)	(2,085)	2,586	(9,418)
. depreciation			(19,188)	(19,188)
. change in the scope of consolidation	23,335	-	(15,771)	7,564
. other changes	8,739	-	-	8,739
. translation differences	5,157	-	-	5,157



<b>Balance as of 12.31.1999</b>	<b>270,308</b>	<b>3,002</b>	<b>(93,192)</b>	<b>180,118</b>
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Gross increases for the year, totaling Lire 61,613 million, mainly refer to the purchase of machinery and equipment relating to jobs started during 1999, including the Hong Kong underground station, a new site at Reggio Emilia and the shipment of equipment to the Jubilee sites, with the intention of finishing these jobs as soon as possible.

Additions include equipment for Lire 2,400 million acquired by Trevi Constructions Company Ltd. as a result of the business acquisition mentioned above; In addition, they include buildings and equipment amounting to around Lire 3,300 million, which were transferred to Soilmec Branham Inc.

«Change in the scope of consolidation» mainly consists of machinery and equipment acquired when Swissboring Overseas Piling Corporation Ltd entered the scope of consolidation.

The caption «other changes» mainly include revaluations for the year of tangible fixed assets belonging to companies operating in high-inflation countries.

Certain fixed assets are encumbered by a mortgage against loans received, as described in Payables (D).

Revaluations of assets still held by the Group is described in attachment 6.

### **Financial fixed assets**

Equity investments amount to Lire 10,496 million, an increase of Lire 1,114 million, principally due to the reclassification made in order to guarantee a fairer representation of the carrying value of consortiums in the financial statements.

The following is a summary of changes in equity investments in 1999:

	Balance as of 01/01/99	Increases	Decreases	Revaluations	Writedowns	Other Movements	Balance as of 12/31/99
Subsidiary companies	33			-	-	(33)	-
Associated companies	8,787		(220)	-	(314)	1,451	9,704
Other companies	562	40	(123)	-	(771)	1,084	792
<b>TOTAL</b>	<b>9,382</b>	<b>40</b>	<b>(343)</b>	<b>-</b>	<b>(1,085)</b>	<b>2,502</b>	<b>10,496</b>

Other movements during the year show certain reclassifications, Lire 1,634 million, carried out with respect to the prior year financial statements to give a fairer representation of the carrying value of the consortiums, which were previously shown under "Accounts receivable - other". The

residual amount is to be attributed to the exchange differences between the translation of the opening and closing balances on investments held by foreign subsidiaries

Writedowns recorded at Lire 1,085 million principally refer to the writedown of the carrying value of Profuro International Lda (Mozambique), Lire 744 million, and of Trevi Contractors Singapore, Lire 286 million.

Decreases include the sale of the investment in Parcheggi S.p.A., by the subsidiary Trevi S.p.A., to Sofitre s.r.l. for Lire 87 million.

### **Due from third parties**

These include the following :

Description	12/31/99	12/31/98	Changes
Non-interest bearing loan to associated companies	-	1,170	(1,170)
Tax authorities for advances on termination indemnities	1,356	1,411	(55)
Guarantee deposits	430	196	234
Other	745	505	240
<b>TOTAL</b>	<b>2,531</b>	<b>3,282</b>	<b>(751)</b>

In February 1999 the subsidiary Trevi S.p.A. sold without recourse to I.F.C Ltd a non-interest bearing loan of around Lire 1,170 million, equal to its nominal value. In March 1999 the related receivable from I.F.C. Ltd was offset by Trevi S.p.A. against related financial payables.

## **CURRENT ASSETS**

### **Inventories**

As of December 31, 1999, these amounted to Lire 107,731 million and are analyzed below:

Description	12/31/99	12/31/98	Changes
Raw, ancillary and consumable materials	44,964	35,259	9,705
Work in process and semi-finished products	5,116	4,498	618
Contract work in progress	36,183	31,135	5,048
Finished products and goods for resale	20,164	28,459	(8,295)

Advances	1,304	1,120	184
<b>TOTAL</b>	<b>107,731</b>	<b>100,471</b>	<b>7,260</b>

The change in the balance of contract work in progress is largely due to orders managed by Trevi S.p.A. in Venezuela (Ferrocar Caracas project) and in Italy (Principe Amedeo, Cavet and Italfer construction sites).

### Accounts receivable

The caption comprises the following:

Description	12/31/99	12/31/98	Changes
Due from customers	134,951	111,161	23,790
Due from associated companies	17,195	7,761	9,434
Due from third parties	21,121	16,915	4,206
<b>TOTAL</b>	<b>173,267</b>	<b>135,837</b>	<b>37,430</b>

In December 1999, the Group transferred receivables of Lire 52,560 million without recourse and Lire 12,332 million with recourse to a factoring companies.

The increase of Lire 37,430 million is partly due to the change in the scope of consolidation, as mentioned above (about Lire 18,000 million).

Amounts due from customers are net of the allowance for doubtful accounts, Lire 8,090 million

The movements during the year were as follows:

	Balance as of 01/01/99	Provisions	Utilizations	Other Changes	Balance as of 12/31/99
Allowance for doubtful accounts - trade	4,386	2,422	(3)	799	7,604
Allowance for interest on arrears	270	216	-	-	486
<b>TOTAL</b>	<b>4,656</b>	<b>2,638</b>	<b>(3)</b>	<b>799</b>	<b>8,090</b>

Amounts due from associated companies principally consist of Trevi S.p.A.'s and Pilotes Trevi's (a subsidiary company) business relationships with their own consortiums. The most significant amounts as of December 31, 1999 refer to:

Description	12/31/99	12/31/98	Changes
Accounts receivable from consortiums in Argentina	-	1,223	(1,223)
Trevi S.G.F.	-	1,061	(1,061)
Consorzio Nuovo Scalo	905	1,047	(142)
Consorzio Principe Amedeo	560	958	(398)
Consorzio Trevi Adanti	11,050	918	10,132
Consorzio Saitre	575	497	78
Hercules Trevi J.V.	-	419	(419)
V.L.T.S. Rocco Piers	-	4	(4)
Other	4,105	1,634	2,471
<b>TOTAL</b>	<b>17,195</b>	<b>7,761</b>	<b>9,434</b>

Details of "Accounts receivable - other" are as follows:

Description	12/31/99	12/31/98	Changes
Amounts due from the tax authorities	11,262	8,376	2,886
Receivables requested for reimbursement from the tax authorities	362	1,068	(706)
Due from employees	922	483	439
Tax credits on dividends	-	410	(410)
Advances to suppliers	745	2,780	(2,035)
Other	7,830	3,798	4,032
<b>TOTAL</b>	<b>21,121</b>	<b>16,915</b>	<b>4,206</b>

Receivables in current assets are all due within 5 years.

#### **Financial assets not held as fixed assets**

The amount of Lire 681 million refers entirely to TREVI-Finanziaria Industriale S.p.A.'s shares, purchased by Trevi S.p.A.

Note that, during the year, Trevi S.p.A. acquired 520,000 share of Trevi Finanziaria Industriale S.p.A. at an average price of euro 2.41 each and that at the year-end it holds 140,000 shares; another 380,000 shares were exchanged with minority interests of Trevi Icos Corporation for 64,000 shares in this company so as to acquire 100% control.

### Liquid funds

The caption comprises the following:

Description	12/31/99	12/31/98	Changes
Bank and post office accounts	87,915	28,374	59,541
Cash and cash equivalents	1,113	1,197	(84)
Checks	29	100	(71)
<b>TOTAL</b>	<b>89,057</b>	<b>29,671</b>	<b>59,386</b>

The increase in bank accounts compared to 1998 is due to the transfer without recourse of business credits referred to in "Accounts receivable from customers".

There are no restrictions to the transfer of liquid funds of companies abroad back into Italy.

### ACCRUED INCOME AND PREPAID EXPENSES

The caption mainly comprises prepaid expenses, as follows:

Description	12/31/99	12/31/98	Changes
Insurance	545	103	442
Commission on bank guarantees	33	20	13
Lease installments on buildings and equipment	722	298	424
Discounts (Sabatini Law)	447	908	(461)
Other	1,717	1,201	516
<b>TOTAL</b>	<b>3,464</b>	<b>2,530</b>	<b>934</b>

Prepayments include Lire 305 million due beyond 12 months of Soilmec S.p.A.

## **LIABILITIES AND STOCKHOLDERS' EQUITY**

### **STOCKHOLDERS' EQUITY**

Stockholders' equity amounts to Lire 204,355 million, with the following movements:

	Group	Minority interests	Total
<b>Stockholders' equity as of 12.31.98</b>	<b>59,770</b>	<b>9,780</b>	<b>69,550</b>
• Net income for the year	13,844	(906)	12,938
• Cumulative translation adjustment	3,751	(865)	2,886
• Other changes	116,966	2,015	118,981
<b>Stockholders' equity as of 12.31.99</b>	<b>194,331</b>	<b>10,024</b>	<b>204,355</b>

Capital stock amounting to Lire 32,000,000,000 million as of December 31, 1999, is represented by 64,000,000 ordinary shares, fully subscribed and paid-in, par value of Lire 500 each. As for the increase in capital stock and stockholders' equity as a result of quotation on the Stock Exchange, please refer to the report on operations.

Movements in stockholders' equity are analyzed in the table in attachment 3.

In accordance with article 3 of Decree 467/97, should the reserves in the financial statements be distributed, the stockholders will be entitled to a full tax credit under article 105/1a of Lire 6,605 million and a partial tax credit under article 105/1 b of Lire 2,527 million

**Reconciliation of the stockholders' equity and net income of 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.

	Capital and reserves	Net income for the year	Stockholders' equity as of 12.31.1998
<b>TREVI-Finanziaria Industriale S.p.A</b>	<b>139,687</b>	<b>3,811</b>	<b>143,498</b>
Adjustments for consistency with accounting policies	7,419	2,468	9,887
Elimination of intraGroup net income and losses	(4,522)	(576)	(5,098)
Elimination of intraGroup dividends and writedowns	7,517	(12,489)	(4,972)
Elimination of consolidated investments	28,598	-	28,598
Share of results of group companies	-	22,304	22,304
Amortization of the consolidation difference	-	(89)	(89)
Effect of valuation using the equity method	(388)	(286)	(674)
Deferred taxes	(1,575)	(1,299)	(2,874)
Translation differences	3,751	-	3,751
<b>Group stockholders' equity and net income for year</b>	<b>180,487</b>	<b>13,844</b>	<b>194,331</b>
<b>Minority interests</b>	<b>10,930</b>	<b>(906)</b>	<b>10,024</b>
<b>Stockholders' equity and net income for the year</b>	<b>191,417</b>	<b>12,938</b>	<b>204,355</b>

**RESERVES FOR RISKS AND CHARGES**

The composition of and the relative movements in this caption are summarized below.

	Balance as of 01/01/99	Reserves	Decreases	Other Changes	Balance as of 12/31/99
Pensions and similar commitments	1,882	1,094	(326)	1,210	3,860
Taxation	3,382	4,810	(1,226)	-	6,966
Other	3,754	964	(683)	-	4,035
<b>TOTAL</b>	<b>9,018</b>	<b>6,868</b>	<b>(2,235)</b>	<b>1,210</b>	<b>14,861</b>

The reserve for pensions and similar commitments entirely relates to provisions effected by foreign affiliated companies to cover liabilities due to employees.

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", Lire 4,035 million, comprises the following items:

Description	12/31/99	12/31/98	Changes
Contractual risks	902	500	402
Warranty reserve	1,166	720	446
Coverage of losses on investments	1,386	1,889	(503)
Legal disputes	581	164	417
Other	-	481	(481)
<b>TOTAL</b>	<b>4,035</b>	<b>3,754</b>	<b>281</b>

The reserve for contractual risks, amounting to Lire 902 million, mainly refers to provisions made by Trevi S.p.A. against risks connected with jobs in progress.

The warranty reserve of Lire 1,166 million is provided to cover technical assistance to be carried out in the next few months on products under warranty by the Group companies in the metal working sector

Reserve for charges to cover losses incurred by equity investments, Lire 1,386 million This amount mainly refers to the Rodio-Trevi-Arab Contractor joint venture, Lire 1,349 million

### **C) RESERVE FOR EMPLOYEE TERMINATION INDEMNITIES**

The movements during the year were as follows:

- Balance as of 01/01/1999	15,526
- Termination indemnities of Soilmec S.p.A. employees working abroad	24
- Amount accrued and charged to the statement of income	2,597
- Indemnities and advances paid during the year	(1,007)
- advances to employees	(4,101)
- Other movements	(27)



**Balance as of 12/31/1999**

**13,012**

#### **D) PAYABLES**

Payables amount to Lire 348,224 million, an increase of Lire 32,043 million. Changes in the financial position are analyzed in the statement of cash flows.

The composition of and movements in these accounts during the year are discussed below:

<b>Description</b>	<b>12/31/99</b>	<b>12/31/98</b>	<b>Changes</b>
Due to banks	85,189	91,990	(6,801)
Due to other providers of finance	54,338	55,057	(719)
Advances	29,873	27,520	2,353
Due to suppliers	113,659	94,879	18,780
Payables represented by credit instruments	23	-	23
Due to non-consolidated subsidiary companies	-	24	(24)
Due to associated companies	26,653	20,691	5,962
Due to tax authorities	11,811	6,984	4,827
Due to social security institutions	2,988	2,921	67
Other payables	23,690	16,115	7,575
<b>TOTAL</b>	<b>348,224</b>	<b>316,181</b>	<b>32,043</b>

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

	<b>Within 1 year</b>	<b>Between 1 and 5 years</b>	<b>Beyond 5 years</b>	<b>Total</b>
Current account overdrafts, advances and short-term loans	41,766	1,788	-	43,554
Industrial Commercial Bank mortgage loan	95	476	359	930
Mediocredito Lombardo mortgage loan	4,107	12,143	2,500	18,750
Finto L.49/87 Mediocredito Centrale	-	462	462	924
Bank Boston mortgage loan	81	324	272	677
Cassa Risparmio di Cesena mortgage loan	1,284	5,070	-	6,354
Interbanca mortgage loan	2,000	7,000	-	9,000
Efibanca loan	-	5,000	-	5,000
<b>TOTAL</b>	<b>49,333</b>	<b>32,263</b>	<b>3,593</b>	<b>85,189</b>

- Mortgage loan from the Industrial Commercial Bank in Singapore dollars 955,000 granted to Soilmec Far East Pte, as of December 31, 1999 amounts to S\$ 803,464 and is repayable

from 1998 in 120 monthly installments. The interest rate is fixed at 5.5% for the first three years and for the remaining seven years is at a floating rate (prime rate +0,25%) .

- The amount due by Soilmec S.p.A. to Mediocredito Lombardo S.p.A. of Lire 18,750 million consists of two separate mortgage loans. The first, originally of Lire 10,000 million, was obtained in 1996 at a floating interest rate (at present of 3.955%) , repayable from 1999 in 16 six-monthly instalments and secured by a 2nd degree lien on the company's building. The second and more recent one was granted in 1999 and amounts to Lire 10,000 million; it is repayable in 7 six-monthly instalments starting from June 30, 2000; it bears interest at a floating rate (presently of 3.15%) and is secured by a 3rd degree lien on the company's building.
- The loan of US dollar 420,000 granted by Bank Boston to Trevi Icos Corporation is repayable in 10 years and is secured by a 1st degree lien on the company's building.
- The loan of Lire 10 billion granted to Soilmec S.p.A. in 1994 by Cassa di Risparmio di Cesena, bearing interest at a floating rate (presently of 4.383%), is repayable in 16 six-monthly instalments and is secured by a 1st degree lien on the company's building.
- As of December 31, 1999 the Interbanca loan is shown in the financial statements at its residual amount of Lire 9,000 million. It was granted during the year to Soilmec S.p.A. and amounts to Lire 10,000 million repayable in 10 instalments starting from November 30, 1999; it bears interest at a floating rate (presently of 4.07%).
- The loan of Lire 923 million granted by Mediocredito Centrale is repayable in seven years; as from the third year the interest rate has been set at 1.755%.
- The Efibanca loan of Lire 5,000 million bearing interest at a floating rate, was granted during the year to the Parent Company and is wholly repayable on June 12, 2001.

#### Due to other providers of finance

This caption comprises the following amounts:

	<u>12.31.1999</u>	<u>12.31.1998</u>
- Commercial paper financing	-	4,600
- Ministry of Industry financing Law 46/82	1,948	3,274
- EU financing	370	185
- Other financing – Trevi Icos Corp.	737	1,209

- Due to leasing companies	48.054	37.524
- Financial payables to related parties	<u>3.229</u>	<u>8.265</u>
<b>TOTAL</b>	<b>54,338</b>	<b>55,057</b>

The increase in amounts due to leasing companies relate to the outstanding principal included in charges not yet due. As mentioned in the accounting policies, lease contracts are recorded in the consolidated financial statements in accordance with finance lease methodology. The balance includes the installments due beyond 5 years, Lire 2,028 million.

Amounts due to leasing companies are as follows:

Description	12/31/99	12/31/98	Changes
Trevi S.p.A.	21,802	21,819	(17)
TREVI-Finanziaria Industriale S.p.A.	2,978	2,537	441
Soilmec Division	8,406	6,564	1,842
Trevi Icos Corporation:	10,285	6,009	4,276
Pilotes Trevi S.A.C.I.M.S.	1,146	510	636
Trevi Ve Muhendinslik	-	85	(85)
Trevi Constr.Hong Kong	3,437	-	3,437
<b>TOTAL</b>	<b>48,054</b>	<b>37,524</b>	<b>10,530</b>

As regards dealings with related parties (see the report on operations), financial payables of Lire 3,229 million refer to loans from I.F.C. Ltd, Hong Kong, the Parent Company of the SOFITRE Group, to the following Group companies:

	Interest rate	Balance as of 12/31/99
- Soilmec International B.V.	6.0%	1,023
- Trevi Cimentaciones C.A..	-	<u>2,206</u>
<b>Total</b>		<b>3,229</b>

The non-interest bearing financial debt owed Trevi Cimentaciones C.A. to I.F.C. Ltd was completely repaid in January 2000.

The above loans are not guaranteed.

Due to associated companies

Amounts due to associated companies total Lire 26,653 million and almost entirely relate to amounts due from the subsidiary companies, Trevi S.p.A. and Pilotes Trevi to consortiums.

The most significant amounts are as follows:

Description	12/31/99	12/31/98	Changes
Principe Amedeo	4,643	5,652	(1,009)
Trevi Adanti	8,992	4,378	4,614
Consortiums in Argentina	4,811	6,299	(1,488)
Trevi S.G.F.	-	1,209	(1,209)
Other	8,207	3,153	5,054
<b>TOTAL</b>	<b>26,653</b>	<b>20,691</b>	<b>5,962</b>

#### Due to tax authorities

Amounts due to the tax authorities comprise the following:

Description	12/31/99	12/31/98	Changes
Direct taxation	7,586	4,252	3,334
Tax withholdings	64	1,679	(1,615)
VAT payable	2,544	671	1,873
Substitute tax	232	215	17
Other	1,385	167	1,218
<b>TOTAL</b>	<b>11,811</b>	<b>6,984</b>	<b>4,827</b>

#### Other payables

Other payables include:

Description	12/31/99	12/31/98	Changes
Due to employees	5,752	4,770	982
Due to stockholders	1,440	1,495	(55)
Other	16,498	9,850	6,648
<b>TOTAL</b>	<b>23,690</b>	<b>16,115</b>	<b>7,575</b>

Due to stockholders refers to the residual amount due for the purchase by the Parent Company TREVI-Finanziaria Industriale S.p.A. of shares in Trevi S.p.A. and Soilmec S.p.A. carried out in prior years. This payable is of unspecified duration and is non-interest bearing.

## E) ACCRUED EXPENSES AND DEFERRED INCOME

This caption is analyzed as follows::

### 1) Accrued expenses

Description	12/31/99	12/31/98	Changes
Insurance	704	877	(173)
Accrued interest expense	216	41	175
Rental for buildings	-	25	(25)
Other accrued expenses	1,179	239	940
<b>TOTAL</b>	<b>2,099</b>	<b>1,182</b>	<b>917</b>

### 2) Deferred income

Description	12/31/99	12/31/98	Changes
For sales guaranteed by notes	-	866	(866)
Interest as per Sabatini and Ossola Laws	474	933	(459)
Hiring charges	992	341	651
Other	1,081	534	547
<b>TOTAL</b>	<b>2,547</b>	<b>2,674</b>	<b>(127)</b>

Accrued expenses and deferred income falling due beyond twelve months amount to Lire 857 million

## MEMORANDUM ACCOUNTS

### Recourse risks

As of December 31, 1999, this caption includes commitments for the recovery of credits sold with recourse and for discounted bills not yet due at balance sheet date for a total of Lire 15,929 million and for endorsements by the Parent Company, TREVI-Finanziaria Industriale S.p.A. on bills receivable of the subsidiary company, Soilmec S.p.A. for a total of Lire 1,563 million

Guarantees to third parties

These include guarantees issued by banks and insurance companies in favor of third parties on our behalf, to guarantee works performed by the Group as well as correct and timely equipment deliveries, Lire 142,362 million

The decrease compared to the prior year, (down Lire 60,606 million), essentially relates to the reduction in guarantees given in favor of a United States insurance company, on behalf of Trevi Icos Corporation

End-of-lease purchase agreement

This caption, Lire 2,124 million, reflects a commitment to repurchase equipment sold by Soilmec S.p.A. to leasing companies at prices which reflect the wear on such equipment.

Commitments to third parties

This caption reflects the commitment to pay Lire 4,826 million (USD 2,500,000) at the beginning of May to Whessoe LGA, as the last tranche in settlement of all outstanding contractual disputes.

## COMMENTS ON THE PRINCIPAL STATEMENT OF INCOME CAPTIONS

The principal transactions carried out by the Group with associated companies are discussed in the report on operations.

### A) VALUE OF PRODUCTION

#### A.1-A.3 - Revenues from sales and services and changes in contract work in progress

The geographical distribution of revenues from sales is as follows:

AREA	12/31/99	12/31/98	Changes
Italy	103,364	87,335	16,029
Europe (excluding Italy)	42,239	31,437	10,802
U.S.A. and Canada	144,908	104,892	40,016
South American countries	65,551	44,445	21,106
Africa	63,819	64,368	(549)
Middle East	40,634	20,083	20,551
Far East	35,066	32,881	2,185
<b>TOTAL</b>	<b>495,581</b>	<b>385,441</b>	<b>110,140</b>

The significant growth in the U.S.A. is principally due to Trevi Icos Corporation, which in its third year of activity managed contracts totaling Lire 113,978 million compared to Lire 80,254 million in the prior year; while the increase in the Middle East partly reflects the inclusion of Swissboring Overseas Piling Corporation Ltd and its subsidiaries in the scope of consolidation (although, as mentioned previously, only the income statement for the second half of 1999 has been taken into account), and partly the increase in sales by the Soilmec Division.

The following is the division of revenues between the principal sectors of Group activities:

MANUFACTURING SECTOR	12/31/99	12/31/98	Changes
Manufacture of machines for special foundation work	125,432	130,449	(5,017)
Manufacture of machinery for oil, gas and water drilling	22,695	13,365	9,330
Oil drilling	5,910	-	5,910
Special foundation works	331,291	240,351	90,940



Parking facilities	10,253	1,276	8,977
<b>TOTAL</b>	<b>495,581</b>	<b>385,441</b>	<b>110,140</b>

The year was characterized by an increase in activities in the traditional foundation works sector and in the manufacturing of machinery for water and oil well drilling by Soilmec S.p.A.

A.5) "Other income and revenues" amount to Lire 12,928 million with a decrease of Lire 8,764 million compared to the prior year; they relate principally to expenses recharged to operating consortiums during the year by Trevi S.p.A. As from this year, exchange gains are reclassified under financial income for better disclosure in the financial statements.

Description	12/31/99	12/31/98	Changes
Income on commercial spare-parts	-	3,054	(3,054)
Expense recoveries and recharges to consortiums	7,462	7,534	(72)
Sales of spare-parts	1,328	4,485	(3,157)
Gains on disposal of fixed assets	1,363	2,988	(1,625)
Other	2,775	3,631	(856)
<b>TOTAL</b>	<b>12,928</b>	<b>21,692</b>	<b>(8,764)</b>

## B) PRODUCTION COSTS

Production costs amount to Lire 483,911 million compared to Lire 387,937 million in the prior year.

The principal items are analyzed as follows.

B.7) Services received. These amount to Lire 137,792 million compared to Lire 100,194 million as of December 31, 1998. This caption mainly comprises:

Description	12/31/99	12/31/98	Changes
Third party processing	47,828	26,630	21,198
Subcontract work	21,930	17,006	4,924
Consulting	8,017	6,250	1,767
Maintenance and repairs	7,490	5,235	2,255
Shipping and customs duties	5,477	7,114	(1,637)
Commission and related charges	8,212	5,643	2,569
Travel and subsistence expenses	9,201	8,371	830
Other	29,637	23,945	5,692
<b>TOTAL</b>	<b>137,792</b>	<b>100,194</b>	<b>37,598</b>

B.8) Leases and rentals. These amount to Lire 18,199 million, an increase of Lire 8,681 million versus the previous year. The caption principally refers to:

Description	12/31/99	12/31/98	Changes
Rental expense	1,337	1,241	96
Hiring charges	16,169	7,160	9,009
Other	693	1,117	(424)
<b>TOTAL</b>	<b>18,199</b>	<b>9,518</b>	<b>8,681</b>

B.9) Personnel costs. These amount to Lire 124,067 million, an increase of Lire 22,330 million over the prior year. Changes in the number of employees are the following:

Description	12/31/99	12/31/98	Change	Average number
Managers	55	51	4	61
Clerical staff	569	491	78	841
Blue-collar workers	1,811	1,632	179	1,650
<b>TOTAL</b>	<b>2,435</b>	<b>2,174</b>	<b>261</b>	<b>2,552</b>

The increase is largely due to the inclusion of Swissboring Overseas Piling Corporation Ltd and its subsidiaries in the scope of consolidation.

The above table does not include the employees who work for the joint venture (consolidated on a proportional basis), which employs 84 people.

B.10.d) Writedown of receivables included among current assets. The amount relates solely to the provisions for doubtful accounts made by the individual subsidiary companies for a total of Lire 2,638 million .

B.12) Provisions for risks and charges. These amount to Lire 363 million and refer mainly to provisions to the Metal Sector's product warranty reserve.

B.13) Other provisions. These amount to Lire 601 million and refer entirely to Trevi S.p.A. for contractual risks connected to contracts in progress.

B.14) Other operating expenses. These amount to Lire 4,664 million, a decrease of Lire 3,364 million compared to the prior year. As from this year, exchange losses are classified under financial expenses for better disclosure in the financial statements. This caption includes:

Description	12/31/99	12/31/98	Changes
Exchange losses	-	3,071	(3,071)
Taxes other than income taxes	1,824	2,009	(185)
Losses on the disposal of assets	693	785	(92)
Other	2,147	2,163	(16)
<b>TOTAL</b>	<b>4,664</b>	<b>8,028</b>	<b>(3,364)</b>

### C) FINANCIAL INCOME AND EXPENSE

15.d) Income from investments in other companies. The amount of Lire 7 million refers entirely to dividends (and the related tax credit) received by the Parent Company TREVI- Finanziaria Industriale S.p.A.

16.d) Financial income from other companies

This comprises:

Description	12/31/99	12/31/98	Changes
Bank interest income	725	1,843	(1,118)
Monetary revaluation	892	823	69
Interest charged to customers	1,796	280	1,516
Interest charged to the tax authorities	146	82	64
Exchange gains	4,403	103	4,300
Other	694	383	311
<b>TOTAL</b>	<b>8,656</b>	<b>3,514</b>	<b>5,142</b>

17.d) Interest and other financial expense charged by other companies.

This comprises:

Description	12/31/99	12/31/98	Changes
Bank interest expense	3,739	7,317	(3,578)
Bank commission and expense	977	454	523
Loan-related interest expense	2,076	2,196	(120)
Interest on payables to other providers of finance	566	555	11
Bank discounting charges	490	258	232
Other interest expense	2,838	1,825	1,013
Exchange losses	4,336	546	3,790
<b>TOTAL</b>	<b>15,022</b>	<b>13,151</b>	<b>1,871</b>

"Other interest expense" includes interest charged on lease contracts amounting to Lire 1,632 million

During the year there were no financial charges on asset items in the balance sheets.

#### **D) ADJUSTMENTS TO FINANCIAL ASSETS**

Writedowns of Lire 1,085 million principally refer to the writedown of the carrying value of Profuro International Lda (Mozambique), Lire 744 million, and to the valuation at equity of Trevi Contractors Singapore, Lire 286 million.

#### **EXTRAORDINARY INCOME AND EXPENSE**

20) Income

This comprises:

Description	12/31/99	12/31/98	Changes
Gains on the disposal of fixed assets	121	23	98
Out -of-period income	994	826	168
Recoveries from insurance companies	6	106	(100)
<b>TOTAL</b>	<b>1,121</b>	<b>955</b>	<b>166</b>

Out-of-period income includes Lire 328 million relating to a receivable previously written off by the Parent Company, which has now become collectible.

## 21) Expense

This comprises:

Description	12/31/99	12/31/98	Changes
Losses on disposal of fixed assets	236	84	152
Out-of-period expense	690	925	(235)
Income taxes relating to prior years	-	72	(72)
<b>TOTAL</b>	<b>926</b>	<b>1,081</b>	<b>(155)</b>

## INCOME TAXES FOR THE YEAR

This caption shows a net value including income taxes for the year as well as deferred tax assets and liabilities pertaining to the year.

Net income taxes for the year amount to Lire 10,292 million, showing an increase of Lire 2,453 million compared with 1998, and are made up as follows:

Description	12/31/99	12/31/98	Changes
Income taxes for the year	3,844	2,615	1,229
I.R.A.P.	2,275	2,114	161
Deferred taxes	4,810	3,747	1,063
<b>TOTAL</b>	<b>10,929</b>	<b>8,476</b>	<b>2,453</b>

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 for timing differences between taxable income of the consolidated companies and those used for consolidation purposes.

## Emoluments of directors and statutory auditors

In accordance with article 38 of Decree 127/1991, the following are emoluments due to the directors and statutory auditors of the Parent Company for carrying out such duties also in other companies included in consolidation.

Description	12/31/99	12/31/98	Changes
Emoluments of directors	913	655	258

Emoluments of statutory auditors	63	58	5
<b>TOTAL</b>	<b>976</b>	<b>713</b>	<b>263</b>

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

**ANALYSIS OF ASSET REVALUATIONS AS REQUIRED BY  
ARTICLE 10, LAW 72/83**

(in millions of Lire)

	L. 576/75	L.72/1983	L.413/91	Total
Land				
Buildings	47	1,060	1,438	2,545
Plant and machinery	26	114	-	140
Industrial and commercial equipment	15	302	-	317
Other assets				
<b>TOTAL</b>	<b>88</b>	<b>1,476</b>	<b>1,438</b>	<b>3,002</b>



## RESOLUTIONS OF THE ORDINARY STOCKHOLDER'S MEETING

DATED 7 MAY 2000

The Ordinary Stockholders' meeting of TREVI – Finanziaria Industriale S.p.A was held at first calling on May 7, 2000, at the headquarter of the Company and in the presence of Stockholders with 39.350.000 ordinary shares, representing 100 % of the capital stock and having the right to vote.

The Ordinary Stockholders' meeting has resolved:

1) to approve the financial statement as at 31 December 1999, as well as the report on operations by the Board of Directors and to allocate the net income for the year, Lire 3.811.297.773 as follows:

- 5%, Lire 190.564.889 to the legal reserve;
- Lire 1.761.913.684 to the extraordinary reserve;
- Lire 1.858.819.200 to the stockholders at the rate of € 0,015 (about Lire 29) per share.

The full tax credit is linked to the dividend, as per art.105, comma 1, letter a) of T.U.I.R and will be paid starting from 25 May 2000, with the detachment of the coupon n.1 at the date of 22 May 2000.

2) to increase the legal reserve of Lire 5.400.000.000 by using part of the share overprice reserve.

3) to increase the number of advisors from five to eight, by appointing three new advisors and precisely:

- Ing. Moscato Guglielmo Antonio Claudio born in Gela (CL) on 10/06/1936;

- Conte Teodorani Fabbri Pio born in Turin (TO) on 23/03/1924;

- Avv. Pinza Roberto born in Forlì (FC) on 19/05/1941;

Said advisors will remain in charge for about one year, that is until the approval of the financial statement as at 31/12/2000.

4) the fees to be awarded to the members of the Board of Directors and the Board of Auditors for the fiscal year 2000, that is until the approval of the financial statement as at 31 December 2000.

Statement of change in consolidated stockholders' equity for the period ended December 31, 1999

Attachment 3

	Capital stock	Share Premium reserve	Legal reserve	Company own share reserve	Extraordinary reserve	Cumulative translation adjustment	Consolidation reserve	Net income (loss) for the year	Total stockholders' equity
<b>Balance as of December 31, 1998</b>	<b>12,000</b>		<b>1,021</b>		<b>14,441</b>	<b>(3,701)</b>	<b>28,227</b>	<b>7,782</b>	<b>59,770</b>
Allocation of 1998 net income:			17		325			(342)	0
							7,440	(7,440)	0
Increase in capital stock	20,000	101,882			(10,000)				111,882
Change in cumulative translation adjustment						7,452			7,452
Movements in the consolidation reserve after changes in the stockholders' equity of subsidiary companies				681			702		1,383
Net income for the year								13,844	13,844
<b>Net Group interest in stockholders' equity as of December 31, 1999</b>	<b>32,000</b>	<b>101,882</b>	<b>1,038</b>	<b>681</b>	<b>4,766</b>	<b>3,751</b>	<b>36,369</b>	<b>13,844</b>	<b>194,331</b>

STATEMENT OF CHANGES IN INTANGIBLE FIXED ASSETS FOR THE YEAR ENDED DECEMBER 31, 1999											
INTANGIBLE FIXED ASSETS	December 31, 1998			Movements during 1999					December 31, 1999		
	Historical cost	Acc. amortization	Balance	Additions	Decreases	Amortization	Decrease in acc. Depr.	Exchange differences	Historical cost	Acc. amortization	Balance
Start-up and expansion costs	405	113	292	11,144	0	1,111	0	39	11,588	1,224	10,364
Research and development expenses	565	113	452		0	113	0	0	565	226	339
Industrial patents and intellectual property rights	3,241	1,551	1,690	404	0	510	0	138	3,783	2,061	1,722
Concessions, licenses, trademarks and similar rights	170	20	150		0	37	0	22	192	57	135
Goodwill	450	270	180	890	0	179	0	0	1,340	449	891
Other intangible fixed assets	4,406	365	4,041	1,792	997	862	(59)	(33)	5,168	1,286	3,882
<b>TOTAL</b>	<b>9,237</b>	<b>2,432</b>	<b>6,805</b>	<b>14,230</b>	<b>997</b>	<b>2,812</b>	<b>(59)</b>	<b>166</b>	<b>22,636</b>	<b>5,303</b>	<b>17,333</b>

## Key information

### Statutory data

(in millions of Lire)	1999	1998	1997	1996
Value of production	1,693	1,749	1,415	788
Net income	3,811	342	60	27
Stockholders' equity	143,498	27,804	27,462	28,166

### Consolidated data

(in millions of Lire)	1999	1998	1997	1996
Value of production	514,737	415,799	385,266	348,532
Operating results	30,826	27,862	18,299	16,185
Group net income	13,844	7,782	6,423	3,012
Group interest in stockholders' equity	194,331	59,770	55,792	52,140
Net financial position	(50,470)	(117,376)	(126,606)	(96,215)
Number of employees	2,435	2,174	2,235	1,971

## STATEMENT OF CONSOLIDATED CASH FLOWS

	1999	1998
Net income	13,844	7,782
Depreciation and amortization	22,000	14,304
Provision for employee termination indemnities	2,597	2,320
Change in minority interests in capital and reserves	211	2,142
	<u>38,652</u>	<u>26,548</u>
<b>A Cash generated from operations before changes in working capital</b>	<b><u>38,652</u></b>	<b><u>26,548</u></b>
<b>B Changes in working capital:</b>		
amount due from stockholders		
inventories	(16,785)	(4,606)
receivables	(20,665)	22,791
accrued income and prepaid expenses	(1,195)	(319)
payables	37,969	29,872
accrued expenses and deferred income	(17)	1,289
reserves for risks and charges	4,234	5,884
	<u>3,541</u>	<u>5,911</u>
<b>C Net cash flows for operating activities:</b>		
intangible fixed assets	(12,361)	299
tangible fixed assets	(53,283)	(45,146)
financial fixed assets	(2,188)	2,350
	<u>(67,832)</u>	<u>(42,497)</u>
<b>D Cash flows from (used in) financing activities:</b>		
long-term payables	8,764	(279)
long-term receivables	(1,993)	(9,162)
long-term accrued income and prepaid expenses	221	137
long-term accrued expenses and deferred income	(147)	(363)
securities	(681)	87
change in the scope of consolidation	(12,794)	(569)
translation differences	7,452	(3,235)
Increase in capital stock	111,882	0
payment of employee termination indemnities and other changes	(5,110)	(1,782)
	<u>107,594</u>	<u>(15,166)</u>
<b>NET SHORT-TERM INDEBTEDNESS, BEGINNING OF YEAR</b>	<b>(42,231)</b>	<b>(66,027)</b>
<b>Cash flow for the year (A + B + C + D)</b>	<b>81,955</b>	<b>23,796</b>
<b>NET SHORT-TERM INDEBTEDNESS, END OF YEAR</b>	<b><u>39,724</u></b>	<b><u>(42,231)</u></b>

TREVI – Finanziaria Industriale S.p.A.

Registered office in Cesena, via Larga 201

Share Capital Lit. 32.000.000.000 fully paid-up

Entered into Register of Companies Forlì - Cesena Nr. 11.251

Chamber of Commerce of Forlì - Cesena Nr. 201.271

Fiscal and VAT Code Nr. 01547370401

***REPORT OF THE BOARD OF STATUTORY AUDITORS***

***ON THE FINANCIAL STATEMENT AS AT DECEMBER 31, 1999***

Stockholders,

the consolidated financial statement as at December 31, 1999 of Trevi Group, which is now made available to you, was handed over to us according to the law terms, and it has been drawn up according to what prescribed by the Law Decree dated January 9, 1991, nr.127, and it can be summarised as follows:

I.	Consolidated statement of assets and liabilities	Million Lire
	Assets	585.098
	Liabilities	380.743
	Net assets belonging to third parties	10.024
	Net assets belonging to the Group	194.331

For a total amount of Italian Lire 166.804 millions as reported in the memorandum accounts.

II.	Consolidated Profit and Loss account	514.737
	Production costs	483.911
	Proceeds and financial charges	( 6.069)

Value adjustments of financial activities	( 1.085)
Proceeds and extraordinary charges	195
Income taxes for the year	10.929
Results belonging to third parties	( 906)
Profits belonging to the Group	13.844

In the Management Report and in the Supplementary note which completes and annotates the consolidated balance sheet, the Board of Directors supplies, besides the consolidation methods and the evaluation principles, the information about the overall situation of the Companies involved in the consolidation, as well as the facts which characterised the management.

The Board of Auditors, as far as its competence is concerned and on the basis of the elements available, formally acknowledges the following:

- The consolidated financial statement has been drawn up in conformity with the regulations of the Law Decree 127/1991 and complying to the recommendations CONSOB and, in its results, it corresponds to the accounting reports of the Holding Company, supplemented with the information concerning the controlled companies which are involved in the consolidation.

Moreover, always sticking to the above mentioned recommendations, the Board of Auditors states the following:

- The information supplied by the Board of Directors to issue the management report, with special regard to the operations with the correlated parties, is deemed to be complete. In this respect, neither conflict of interests nor accomplishments of operations clearly incautious or risky, that is likely to be



prejudicial to the economic, patrimonial and financial situation of the Group, have been reported or come out.

- During the fiscal year, information exchanges with the PriceWaterhouseCoopers have taken place. It had to carry out the audit of the consolidated balance sheet here examined and the operating balance of the Holding Company. As at today, although the auditing report is not available, the non-existence of any remarks about the balance has been confirmed.

With the foreseeable issue of the certificate by the entrusted company, it is ascertained that the values reported in the balance correspond to the accounting results of the controlling company and to the information we collected by the controlled companies.

The information conveyed by the controlled companies to the Holding company for the issuance of the consolidated balance sheet has been examined by the auditors of the single companies within the auditing plan suggested by the Holding company.

Therefore, the Board of Auditors' control has not been extended to said balances.

Stated what above, the Board of Auditors expresses the opinion that the consolidated balance sheet as at 31<sup>st</sup> December, 1999 of the TREVI Group correctly represents the patrimonial, economic and financial situation of the Holding Company and the companies included into the consolidation area.

Cesena, 12 April, 2000

The Board of Directors

Dott. Adolfo Leonardi

Dott. Giacinto Alessandri

Dott. Giancarlo Poletti

**TREVI – Finanziaria Industriale S.p.A.**  
Registered office: Via Larga 201, Forlì - Cesena  
Capital stock: Lire 32,000,000,000 fully paid  
Forlì - Cesena Companies Register No. 11251  
Forlì - Cesena Chamber of Commerce No. 201271  
Tax code and VAT No. 01547370401

**REPORT OF THE BOARD OF DIRECTORS ON OPERATIONS FOR  
THE YEAR ENDED DECEMBER 31, 1999**

Stockholders,

We submit for your approval the financial statements for the Company's sixteenth year of operations ending on December 31, 1999. As prescribed by Art. 2423 of the Italian Civil Code, the financial statements comprise the balance sheet, statement of income and explanatory notes. Our intention in this report is to explain briefly the results of operations during the year, which has seen the company involved in a number of new situations.

As you know, the company's ordinary stock was listed on the Milan Stock Exchange on July 15, 1999. Flotation implemented the resolution passed by the extraordinary shareholders' meeting held on March 12, 1999, which also changed the Company's name from TREVIFIN S.p.A. to TREVI – Finanziaria Industriale S.p.A.

In this report we describe and briefly comment on the items in the 1999 financial statements. For a fuller understanding, we refer you to the consolidated financial statements of the Group, of which this is the parent company. A full set of consolidated financial statements is attached to this report.

We will therefore limit ourselves here to expressing our satisfaction with regard to the Trevi Group's positive results in 1999, during which we managed to reinforce our technological leadership in the underground engineering sector, increase our penetration of the US market and consolidate the company's presence in the Group's traditional geographical areas, as well as develop new sectors, especially the construction of oil-well drilling equipment.

The year closed with sales revenues of Lire 1,670 million, investment income of Lire 5,584 million and net income of Lire 3,811 million.

The financial statements are summarised below:

## BALANCE SHEET

DESCRIPTION	1999	1998	Variation
<b>ASSETS</b>			
Fixed assets, net	145,274,544,295	34,515,017,137	110,759,527,158
Current assets	9,769,988,809	3,281,097,955	6,488,890,854
Accrued income and prepaid expenses	51,222,926	96,221,606	(44,998,680)
<b>TOTAL ASSETS</b>	<b>155,095,756,030</b>	<b>37,892,336,698</b>	<b>117,203,419,332</b>
<b>LIABILITIES</b>			
Stockholders' equity	139,686,918,432	27,461,991,561	112,224,926,871
Reserve for risks and charges	7,617,000	-	7,617,000
Reserve for employee termination indemnities	61,441,500	67,348,781	(5,907,281)
Payables	11,212,252,291	9,797,066,619	1,415,185,672
Accrued liabilities and deferred income	316,229,034	223,464,366	92,764,668
<b>TOTAL</b>	<b>151,284,458,257</b>	<b>37,549,871,327</b>	<b>113,734,586,930</b>
Net income for the year	3,811,297,773	342,465,371	3,468,832,402
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>155,095,756,030</b>	<b>37,892,336,698</b>	<b>117,203,419,332</b>

The memorandum accounts amount to Lire 107,461,459,345

## STATEMENT OF INCOME

DESCRIPTION	1999	1998	Change
Value of production	1,692,809,385	1,748,700,772	(55,891,387)
Cost of production	3,933,211,853	2,890,309,699	1,042,902,154
Difference between value and cost of production	(2,240,402,468)	(1,141,608,927)	(1,098,793,541)
Financial income and expense	7,836,952,100	1,105,523,720	6,731,428,380
Extraordinary income and expense	392,846,641	378,550,578	14,296,063
Results before taxation	5,989,396,273	342,465,371	5,646,930,902
Income taxes for the year	2,178,098,500	-	2,178,098,500
<b>NET INCOME FOR THE YEAR</b>	<b>3,811,297,773</b>	<b>342,465,371</b>	<b>3,468,832,402</b>

For a better understanding of the 1999 figures and how they compare with other companies in Europe, both the balance sheet and statement of income contain a column with the relative balances expressed in euro.

### **Company performance**

The proceeds of the company's listing on the Milan Stock Exchange, namely Lire 107 billion net of commissions due to members of the underwriting syndicate, has been primarily earmarked to support the subsidiary companies and, through acquisitions, to strengthen the Group's two core businesses, which complement each other:

- one, under the TREVI S.p.A. Group, for the special foundations of large civil engineering and drilling projects to explore for and extract hydrocarbons;
- the other, under the SOILMEC S.p.A. Group, for the construction of special drilling and foundation-laying machinery for soil reinforcement and tunnel building.

The acquisitions made through subsidiaries during the year were as follows:

- a) in the special foundations sector:
  - 100% of Swissboring Overseas Piling Corporation, a leading company that operates in

the Middle East (United Arab Emirates, Oman, Qatar).

- all of the minority interests in the American subsidiary Trevi Icos Corporation. This now gives us 100% of the company through indirect holdings, in line with our policy to strengthen control over the subsidiaries.
- b) in the machinery-construction sector:
- acquisition of the machinery-construction division of Massarenti & Ballerini S.p.A. with headquarters in Piacenza.
  - acquisition of the machinery-construction activities of Branham Industries Products, based in Conroe, Texas, a prestigious brand in the drilling sector.

Both of these acquisitions are part of a growth strategy aimed at completing the range of machinery used to drill oil wells.

The resources deriving from the increase in capital stock have given a boost to research and development activities in the Group's traditional sectors, where for example a new and innovative foundation-building technology has been developed, called "Turbo Jet"; as well as to support recently designed products with very revolutionary features: "Trevipark", an automatic underground parking lot for the modern city; "Pretunnel", a technology that makes it possible to build the final lining of the tunnel in absolute safety, before the land is excavated, offering unique advantages for the expansion of existing tunnels without any need to interrupt the traffic; while mobile hydraulic oil-well drilling equipment enables cost savings of up to 35-40% to be made compared with traditional equipment.

In addition, these resources have been used to expand the equipment pool made available to the operating companies.

As regards major changes in the Company's figures during the year, we would draw attention to the substantial rise in equity resulting from the increase in capital stock on listing the Company's shares. Flotation also involved a number of costs.

Tax rebates received during the year amounted to Lire 615 million. This concerned tax reimbursements requested in previous years. A Lire 345 million receivable from the Central Bank of Nigeria, previously written off, was also written back as it has now become receivable following an international reorganisation of Nigeria's foreign debt.

As regards the statement of income, revenues from sales and services (leasing equipment exclusively to Group companies, commissions on guarantees and consultancy fees) are fundamentally the same as at the end of the previous year. The purchase under lease in December of R825 drilling equipment and a pump worth Lire 1,288 million, together with investments planned for the first quarter of the year 2000, will from next year allow an increase in the leasing of special foundation equipment.

There has been a sharp increase in the Company's net financial income.

Dividends distributed by some of the subsidiary companies were recorded during the year. In compliance with accounting principles and the CONSOB (Securities and Exchange Commission) DAC/RM/95002194 communication of March 16, 1995, dividends were recorded for inclusion in the year's income, as resolved by the Board of Directors of the subsidiary companies TREVI

S.p.A. and Soilmec S.p.A., even though they were distributed during the previous year. In particular, TREVI SpA's draft financial statements propose the distribution of a total dividend of Lire 3 billion, of which Lire 2,970 million pertains to TREVI – Finanziaria Industriale S.p.A.; Soilmec S.p.A. expects to distribute total dividends of Lire 500 million, of which Lire 485 million relates to us. Such dividends will entitle the shareholders to a full tax credit pursuant to Art. 105 paragraph 1a) of the T.U.I.R. (Income Tax Consolidation Act).

The improvement in the Company's net financial income is also related to the interest earned on loans to subsidiaries, up from Lire 458 million in 1998 to Lire 2,416 million in the current year. These loans to subsidiaries are to support their investment plans, including the acquisition of other companies and businesses.

As for the memorandum accounts, we would draw your attention to the reduction in guarantees given (Lire 102,352,000 compared with 123,374,000 the preceding year) primarily due a reduction in the guarantees given to a leading US insurance company (Lire 27,938,000 compared with Lire 59,099,000 the preceding year) on behalf of Trevi Icos Corporation. This reduction is due to the partial completion of jobs acquired in 1997, for which the Company had issued performance bonds for 100% of the value of the contracts.

We refer you to the explanatory notes for comments on the individual items in the financial statements.

As regards the directly-controlled subsidiary companies, TREVI S.p.A. has reported a value of production of Lire 136,842,000, a 27% increase over the preceding year, revenues of Lire 119,394,000 compared with Lire 77,112,000 and a result before taxation of Lire 4,824,000, compared with Lire 1,239,000.

Soilmec S.p.A. has reported a value of production of Lire 146,373,000, revenues of Lire 144,789,000, compared with Lire 137,899,000, and net income of Lire 727 million. After a slight decline last year, having grown by 120% in the past five years, it raised its revenues by about 5% in 1999, consolidating its position at the top of its sector.

In 1999, Drilmec S.r.l. stopped managing the well-machinery construction division leased from Massarenti & Ballerini, as this contract has been transferred to its parent company, Soilmec S.p.A. Its activities have been downsized considerably and are now limited to supplying logistical services on behalf of Soilmec S.p.A.

Lastly, the Argentine subsidiary, Pilotes Trevi S.a.c.i.m.s., achieved excellent results with a reported production value of Lire 30,028,000 compared with Lire 15,238,000, and net income for the year of Lire 963 million.

### **Transactions with parent, subsidiary and associated companies**

Almost all the Company's revenue comes from leasing machinery to its subsidiaries, as well as from providing financial and administrative assistance. Such transactions are carried out under normal market conditions. All transactions and balances as of December 31, 1999 are given in the explanatory notes.

The Company has no business relations with associated companies, nor with its parent company, TREVI Holding Aps.

### **Related party transactions**

The Company provides accounting, administrative and financial assistance to the companies headed up by SOFITRE S.r.l. This company is held 100% by the Trevisani family. During the year, these transactions gave rise to revenue of Lire 30 million and trade receivables of Lire 33 million.

Although they are gradually being phased out, there are still letters of credit and guarantees given to banks prior to the listing on the Stock Exchange on behalf of companies in the SOFITRE Group for Lire 11,361,000. They refer chiefly to Parcheggi S.p.A. and Roma Park S.r.l. for the construction of automated car parks.

### **Research and development**

This area of activity is mainly carried out by TREVI S.p.A. and Soilmec S.p.A. and represents one of the Group's principal growth drivers. We refer you to the report on operations accompanying the consolidated financial statements for further details.

### **Significant events after the year-end and outlook for 2000**

The prospects for 2000 are satisfactory, both in terms of work and in terms of results. As of December 31, 1999 the Group's order backlog amounted to Lire 394 billion, 84% of which is to be carried out during the current year. We would like to highlight the jobs acquired by Trevi Icos Corporation in Washington, worth Lire 16.5 billion, for the foundations of the Gallery Place Shopping Center, and Lire 11 billion in Miami, for the foundations of the Four Seasons Hotel complex, as well as two important orders acquired by TREVI S.p.A., one worth Lire 23.5 billion for consolidation of the quays at the port of Messina and other minor works, and the other worth Lire 8.2 billion for underpinning the Porto Corsini (Ravenna) power station, owned by Enel S.p.A.

Finally, we would like to draw your attention to the fact that the subsidiary Petreven was awarded an order worth Lire 16 billion by the Argentine company Perez Companc S.A. for oil-drilling in Venezuela.

As for acquisitions, the subsidiary Soilmec S.p.A. has signed an agreement with Saipem S.p.A. (ENI Group) for the acquisition of its "Officina" division near the Saipem logistics base of Cortemaggiore. The division acquired specialises in the maintenance and development of technologically advanced systems in the oil sector and enables the Group to consolidate its presence in the oil-drilling sector.

## **FURTHER INFORMATION**

### **Own shares and shares of parent companies**

The company does not currently hold any of its own shares or shares in parent companies, nor has it bought or sold any of them during the year, nor does it hold any through trustees or any other intermediary. To date, the shareholders have not authorized any purchase of own shares.

The subsidiary TREVI S.p.A. acquired during the year 520,000 shares of TREVI-Finanziaria Industriale S.p.A. at an average price of 2,41 euro per share and at the year end it owns 140,000 shares (equal to the 0,21% of the Parent company's Capital Stock) with a total book value of Lire 681 million.

## Secondary offices

The Company has no secondary offices or branches.

## Investments by the Directors and Statutory Auditors

Investments held personally by Directors and Statutory Auditors in the Company and in subsidiary companies are as follows (as per CONSOB regulation 11520 of July 2, 1998):

a) in TREVI – Finanziaria Industriale S.p.A.

Name	Title	No. of shares owned on flotation	No. shares bought	No. shares sold	No. shares owned on 31/12/99
Davide Trevisani	Owner	3,570,000	-	-	3,570,000
Gianluigi Trevisani	Owner	2,170,000	-	-	2,170,000
Cesare Trevisani	Owner	1,260,000	-	-	1,260,000
Stefano Trevisani	Owner	3,000	-	-	3,000
Mario Amoroso		-	-	-	-
Adolfo Leonardi		-	-	-	-
Giacinto Alessandri		-	-	-	-
Giancarlo Poletti		-	-	-	-

b) in the subsidiary SOILMEC S.p.A., headquarters in Cesena (FC), Via Dismano, 5819 – Forlì - Cesena Company Register no. 4,515, capital stock Lire 10 billion fully paid, represented by 1,000,000 common shares of par value Lire 10,000.

Name	Title	No. of shares owned on flotation	No. shares bought	No. shares sold	No. shares owned on 31/12/99
Davide Trevisani	Owner	16,800	-	-	16,800
Gianluigi Trevisani	Owner	10,200	-	-	10,200
Cesare Trevisani	Owner	3,000	-	-	3,000

## Allocation of net income for the year

Stockholders,

Net income for the year ended December 31, 1999 amounts to Lire 3,811,297,773 which we propose to allocate as follows:

- 5% to legal reserve, Lire 190,564,889;
- Lire 1,761,913,684 to the extraordinary reserve;
- Lire 1,858,819,200 to the stockholders in the form of a dividend of €0,015 (about Lire 29) per share.



The dividend has a full tax credit pursuant to Art. 105 paragraph 1 letter a) of the T.U.I.R. (Income tax Consolidation Act) and will be paid from May 25, 2000.

For the Board of Directors

Davide Trevisani

Chairman

## TREVI-Finanziaria Industriale S.p.A.

HEADQUARTERS: Via Larga 201, Cesena (Forli)

Capital stock: Lire 32,000,000,000 fully paid

Forli Company register - Cesena 11251

Chamber of Commerce Ref. Forli-Cesena 201271

Tax code: 01547370401

<b><u>BALANCE SHEET</u></b>	<b>12/31/1999</b>	<b>12/31/1998</b>
<b><u>ASSETS</u></b>		
<b>B) FIXED ASSETS</b>		
I) Intangible fixed assets:		
1) Start-up and expansion costs	10,122,605,456	2,410,480
3) Industrial patents & intellectual property rights	34,383,970	6,826,050
4) Concessions, licenses, trademarks & similar rights	0	1,100,000
7) Other intangible fixed assets	176,385,030	60,680,379
<u>Total intangible fixed assets</u>	<u>10,333,374,456</u>	<u>71,016,909</u>
II) Tangible fixed assets:		
2) Plant and machinery	119,415,175	133,776,500
4) Other assets	0	220,000
<u>Total tangible fixed assets</u>	<u>119,415,175</u>	<u>133,996,500</u>
III) Financial fixed assets:		
1) Equity investments in:		
a) Subsidiary companies	39,446,182,867	29,446,182,867
d) Other companies	132,000,000	110,000,000
2) Accounts receivable :		
a) Subsidiary companies		
- within 12 months	95,243,371,797	4,753,620,861
- beyond 12 months	0	0
Total	95,243,371,797	4,753,620,861
d) Other companies:	200,000	200,000
<u>Total financial fixed assets</u>	<u>134,821,754,664</u>	<u>34,310,003,728</u>
<b><u>TOTAL FIXED ASSETS</u></b>	<b><u>145,274,544,295</u></b>	<b><u>34,515,017,137</u></b>

<b><u>BALANCE SHEET</u></b>	<b>12/31/1999</b>	<b>12/31/1998</b>
<b>C) CURRENT ASSETS</b>		
II) Accounts receivable :		
1) Due from customers		
- within 12 months	41,231,753	38,224,750
- beyond 12 months	0	0
Total	41,231,753	38,224,750
2) Due from subsidiary companies	7,269,229,659	1,671,837,744
5) Due from third parties		
- within 12 months	464,342,730	1,559,520,962
- beyond 12 months	302,928,822	0
Total	767,271,552	1,559,520,962
Total accounts receivable	8,077,732,964	3,269,583,456
IV) Liquid funds:		
1) Bank and postal deposits	1,685,455,417	0
3) Cash and cash equivalents	6,800,428	11,514,499
Total liquid funds	1,692,255,845	11,514,499
<b><u>TOTAL CURRENT ASSETS</u></b>	<b><u>9,769,988,809</u></b>	<b><u>3,281,097,955</u></b>
<b>D) ACCRUED INCOME AND PREPAID EXPENSES</b>		
1) Accrued income	0	7,992,717
2) Prepaid expenses		
- due within 12 months	49,345,935	81,957,830
- due beyond 12 months	1,876,991	6,271,059
Total prepaid expenses	51,222,926	88,228,889
Total accrued income and prepaid expenses	51,222,926	96,221,606
<b><u>TOTAL ASSETS</u></b>	<b><u>155,095,756,030</u></b>	<b><u>37,892,336,698</u></b>

<b>BALANCE SHEET</b>	<b>12/31/1999</b>	<b>12/31/1998</b>
<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>		
<b>A) STOCKHOLDERS' EQUITY:</b>		
I. Capital stock	32,000,000,000	12,000,000,000
II. Share premium reserve	101,882,461,500	0
IV. Legal reserve	1,037,702,896	1,020,579,627
VII. Other reserves		
Extraordinary reserve	4,766,754,036	14,441,411,934
IX. Net income (loss) for the year	3,811,297,773	342,465,371
<b><u>TOTAL STOCKHOLDERS' EQUITY</u></b>	<b><u>143,498,216,205</u></b>	<b><u>27,804,456,932</u></b>
<b>B) RESERVES FOR RISKS AND CHARGES</b>		
3) Other	7,617,000	0
<b><u>TOTAL RESERVES FOR RISKS AND CHARGES</u></b>	<b><u>7,617,000</u></b>	<b><u>0</u></b>
<b>C) RESERVE FOR EMPLOYEE TERMINATION INDEMNITIES</b>		
	<b>61,441,500</b>	<b>67,348,781</b>
<b>D) PAYABLES</b>		
3) Due to banks		
- within 12 months	2,390,805,743	7,582,449,181
- beyond 12 months	5,000,000,000	0
Total	7,390,805,743	7,582,449,181
6) Due to suppliers	1,817,209,541	344,250,430
8) Due to subsidiary companies	54,060,595	15,018,351
11) Due to tax authorities		
- within 12 months	304,032,776	142,865,956
- beyond 12 months		96,968,000
Total	304,032,776	239,833,956
12) Due to social security institutions	29,750,640	23,768,143
13) Other payables	1,616,392,996	1,591,746,558
<b><u>TOTAL PAYABLES</u></b>	<b><u>11,212,252,291</u></b>	<b><u>9,797,066,619</u></b>
<b>E) ACCRUED EXPENSES AND DEFERRED INCOME</b>		
1) Accrued expenses		
- due with 12 months	111,312,515	78,022,028
- due beyond 12 months	47,693,700	105,240,900
Total	159,006,215	183,262,928
2) Deferred income	157,222,819	40,201,438
<b><u>TOTAL ACCRUED EXPENSES AND DEFERRED INCOME</u></b>	<b><u>316,229,034</u></b>	<b><u>223,464,366</u></b>
<b><u>TOTAL LIABILITIES</u></b>	<b><u>11,597,539,825</u></b>	<b><u>10,087,879,766</u></b>
<b><u>TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES</u></b>	<b><u>155,095,756,030</u></b>	<b><u>37,892,336,698</u></b>

**MEMORANDUM ACCOUNTS**

GUARANTEES GIVEN	102,352,885,248	123,374,349,981
RECOURSE RISKS	1,563,088,996	1,936,152,726
OUTSTANDING LEASE INSTALLMENTS	3,545,485,101	3,223,659,116
TOTAL MEMORANDUM ACCOUNTS	107,461,459,345	128,534,161,823

<b><u>STATEMENT OF INCOME</u></b>	<b>1999</b>	<b>1998</b>
<b>A) VALUE OF PRODUCTION</b>		
1) Revenues from sales and services	1,670,182,380	1,716,626,598
5) Other income	22,627,005	32,074,174
<b><u>TOTAL VALUE OF PRODUCTION</u></b>	<b><u>1,692,809,385</u></b>	<b><u>1,748,700,772</u></b>
<b>B) PRODUCTION COSTS</b>		
6) Raw, ancillary & consumable materials & goods for resale	18,351,568	1,613,750
7) Services received	928,765,419	881,221,090
8) Leases and rentals	1,014,366,588	1,333,359,416
9) Personnel:		
a) Wages and salaries	588,466,929	351,256,298
b) Social security charges	181,617,674	111,414,258
c) Employee termination indemnities	35,658,897	22,449,121
e) Other	0	0
Total personnel costs	805,743,500	485,119,677
10) Amortization, depreciation and writedowns:		
a) Amortization of intangible fixed assets	1,099,737,341	34,686,830
b) Depreciation of tangible fixed assets	16,931,325	15,892,175
Total amortization, depreciation and writedowns	1,116,668,666	50,579,005
12) Provisions for risks and charges	0	0
14) Other operating expenses	49,316,112	138,416,761
<b><u>TOTAL PRODUCTION COSTS</u></b>	<b><u>3,933,211,853</u></b>	<b><u>2,890,309,699</u></b>
<b><u>DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A-B)</u></b>	<b><u>(2,240,402,468)</u></b>	<b><u>(1,141,608,927)</u></b>
<b>C) FINANCIAL INCOME AND EXPENSE:</b>		
15) Income from equity investments:		
a) Subsidiary companies	5,578,356,479	1,077,777,000
b) Third parties	5,555,556	117,282,400
Total	5,583,912,035	1,195,059,400
16) Other financial income:		
a) From receivables held as fixed assets subsidiary companies	2,416,496,808	458,203,985
d) Income other than the above: Third parties	127,568,760	59,495,074
Total	2,544,065,568	517,699,059
17) Interest and other financial charges:		
a) Subsidiary companies	(20,621,450)	0
d) Third parties	(270,404,053)	(607,234,739)
<b><u>TOTAL FINANCIAL INCOME AND EXPENSE</u></b>	<b><u>7,836,952,100</u></b>	<b><u>1,105,523,720</u></b>

<b><u>STATEMENT OF INCOME</u></b>	<b>1999</b>	<b>1998</b>
D) <b>ADJUSTMENTS TO FINANCIAL ASSETS</b>		
<b><u>TOTAL ADJUSTMENTS TO FINANCIAL ASSETS</u></b>	<b><u>0</u></b>	<b><u>0</u></b>
E) <b>EXTRAORDINARY INCOME AND EXPENSE</b>		
20) Income:		
a) Gains on disposals	0	0
b) Other income	392,846,641	378,550,578
Total	392,846,641	378,550,578
21) Expense:		
a) Losses on disposals		
b) Other expense		
Total	0	0
<b><u>TOTAL EXTRAORDINARY ITEMS</u></b>	<b><u>392,846,641</u></b>	<b><u>378,550,578</u></b>
<b><u>RESULTS BEFORE TAXATION</u></b> <b><u>(A-B+/-C+/-D+/-E)</u></b>	<b><u>5,989,396,273</u></b>	<b><u>342,465,371</u></b>
22) INCOME TAXES FOR THE YEAR		
Current	159,492,000	
Deferred	2,018,606,500	
TOTAL INCOME TAXES FOR THE YEAR	2,178,098,500	0
23) <b><u>NET INCOME (LOSS) FOR THE YEAR</u></b>	<b><u>3,811,297,773</u></b>	<b><u>342,465,371</u></b>

Chairman of the Board of Directors  
Davide Trevisani

<b>12/31/1999</b> <b>in euros</b>
5,227,889.42
17,757.84
0.00
91,095.27
5,336,742.53
61,672.79
0.00
61,672.79
20,372,253.28
68,172.31
49,189,096.46
0.00
49,189,096.46
103.29
69,629,625.34
<b><u>75,028,040.66</u></b>

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<b>12/31/1999</b> <b>in euros</b>
21,294.42
0.00
21,294.42
3,754,243.81
239,813.01
156,449.68
396,262.69
4,171,800.92
870,465.08
3,512.13
873,977.21
<b><u>5,045,778.12</u></b>
0.00
25,485.05
969.38
26,454.43
26,454.43
<b><u>80,100,273.22</u></b>



<b>12/31/1999</b>
<b>in euros</b>
16,526,620.77
52,617,900.14
535,928.82
2,461,823.01
1,968,371.03
<b><u>74,110,643.77</u></b>
3,933.85
<b>3,933.85</b>
<b>31,731.89</b>
1,234,748.12
2,582,284.50
3,817,032.62
938,510.40
27,919.97
157,019.82
0.00
157,019.82
15,364.92
834,797.31
<b><u>5,790,645.05</u></b>
57,488.12
24,631.74
82,119.86
81,198.81
<b><u>163,318.67</u></b>
<b><u>5,989,629.46</u></b>
<b><u>80,100,273.22</u></b>

52,860,853.73  
807,268.10  
1,831,090.24  
55,499,212.06

<b>1,999 in euros</b>
862,577.21
11,685.87
<b>874,263.09</b>
9,477.79
479,667.31
523,876.62
303,917.81
93,797.70
18,416.28
0.00
416,131.79
567,966.94
8,744.30
576,711.24
0.00
25,469.65
<b>2,031,334.40</b>
<b>(1,157,071.31)</b>
2,880,980.69
2,869.21
2,883,849.89
1,248,016.45
65,883.77
1,313,900.21
(10,650.09)
(139,652.04)
<b>4,047,447.98</b>

<b>1,999</b> <b>in euros</b>
<b>0.00</b>
0.00 202,888.36
202,888.36
0.00 <b>202,888.36</b>
<b>3,093,265.03</b>
82,370.74 1,042,523.25
1,124,894.00
<b>1,968,371.03</b>

**EXPLANATORY NOTES TO THE  
FINANCIAL STATEMENTS AS OF DECEMBER 31, 1999  
(in millions of Lire)**

**Company's profile and activities**

Trevi - Finanziaria Industriale S.p.A. is the holding company for a Group that carries on its business activities in two main sectors: supply contracts and design and engineering services for civil and infra-structural foundation works, the construction of plant and equipment for special foundation works, tunnel boring and well-drilling for oil and water exploration. These two business sectors are coordinated by the Group's two major companies, TREVI S.p.A., which heads the division involved in construction at depth and Soilmec S.p.A. which oversees the division responsible for manufacturing and marketing plant and equipment for construction at depth and well drilling for oil and water exploration.

The Company's flotation on the Stock Exchange on July 15, 1999, in accordance with resolution no. 551 of Borsa Italiana S.p.A. dated June 30, 1999, implemented the stockholders' resolution dated March 12, 1999. The same resolution determined the change of the Company's name from Trevifin S.p.A. to TREVI – Finanziaria Industriale S.p.A..

**Form of the financial statements**

The financial statements as of December 31, 1999 have been prepared in accordance with articles 2424, 2424 bis, 2425 of the Italian Civil Code, with the accounting principles described in article 2423 bis and adopting the valuation methods contained in article 2426 of the Civil Code, integrated and interpreted, where necessary, by the accounting principles recommended by the Italian Accounting Profession.

The notes to the financial statements describe, analyze and in certain cases supplement the information reported in the financial statements; they also contain the information required by article 2427 of the Civil Code, Decree 127/1991, CONSOB instruction 11,520/98, as well as certain special laws. Additional information is provided in order to present a true and fair view of the state of the Company, even where not required by specific legislation

The financial statements are audited by PricewaterhouseCoopers S.p.A..

### **Accounting policies**

The accounting policies adopted for the preparation of the financial statements as of December 31, 1999, are in accordance with article 2426 of the Italian Civil Code and are consistent with those applied in the prior year.

#### *INTANGIBLE FIXED ASSETS*

Intangible fixed assets are subject to direct amortization.

Expenses incurred for the listing of the Company have been capitalized and amortized on a straight-line basis over five years starting from the date of listing on the Milan Stock Exchange.

This is also the date from which these expenses can be more closely matched with the proceeds of listing and the better earnings expected as a result ,

Improvement costs on third party assets acquired under leasing contracts are amortized over the length of the contract.

Other deferred costs have been amortized over five years.

#### *TANGIBLE FIXED ASSETS*

Tangible fixed assets are stated at cost, including related charges, and are shown net of accumulated depreciation Depreciation is calculated on a straight-line basis. These rates, of which

details are given in the notes to the balance sheet, are considered to reflect the estimated useful life of the assets concerned; they also agree with those indicated in Decree 31/12/88.

#### *FINANCIAL FIXED ASSETS*

Equity investments are recorded at purchase or subscription cost, written down in cases where there is permanent loss in value, in accordance with article 2426.3 of the Italian Civil Code.

For a better understanding of the balances in the financial statements, payments made towards future increases in the capital stock of subsidiary companies, which last year were recorded at nominal value in a specific caption added to caption BIII – Financial fixed assets, have been booked directly to equity investments. Therefore, for the sake of consistency, last year's figure of Lire 7,000 million has been booked to equity investments in subsidiary companies; the above amount reflects a payment made towards future increases in capital stock at Trevi S.p.A.

Other financial fixed assets, comprising receivables from subsidiary companies and guarantee deposits are recorded at their estimated realizable value which corresponds to their nominal value.

#### *ACCOUNTS RECEIVABLE*

Accounts receivable are stated at their estimated realizable value.

#### *Accounts payable*

Accounts payable are stated at their nominal value.

#### *ACCOUNTS RECEIVABLE, PAYABLE AND TRANSLATION OF FOREIGN CURRENCY BALANCES*

Receivables and payables in currencies outside the euro zone are booked at the exchange rates ruling at the time of the underlying transaction. Any net losses identified between the balance of foreign currency receivables and payables translated using the December exchange rate and the accounting balance of the same is allocated to a specific reserve in liabilities. 1999 translation gave rise to net gains, which are not recognized for prudence sake.

#### *ACCRUALS AND DEFERRALS*

These are recorded to match costs and revenues in the accounting periods to which they relate.

#### *INCOME TAXES FOR THE YEAR*

These are provided on the basis of estimated taxable income determined in conformity with current fiscal regulations, taking account of any exemptions and tax credits available.

Deferred taxes are booked to income in a sub-item of caption 22 and provided for in the taxation reserve. Deferred tax assets are credited to the same item in the income statement and debited to current assets under receivables from third parties.

As suggested in accounting principle no. 25 on deferred taxation, it was thought best to offset deferred tax assets and liabilities deriving from dividends booked by subsidiary and affiliated companies, when such receivables and payables were of the same amount.

#### *OTHER RESERVES FOR RISKS AND CHARGES*

These cover known or likely losses. Provisions reflect the best estimate of losses to be incurred based on the information available.

Contingent liabilities are described in the explanatory notes but are not covered by specific provisions. Account is not taken of risks that are considered remote.

#### *RESERVE FOR EMPLOYEE TERMINATION INDEMNITIES*

This reserve is provided in accordance with current legislation, collective payroll contracts and in-house agreements. This liability is subject to annual revaluation using officially established indices. .

#### *MEMORANDUM ACCOUNTS*

These indicate commitments taken on and guarantees given, as well as assets received and deposited for various purposes. They are all stated at nominal value.

#### *COSTS AND REVENUES*

These are recorded in the financial statements according to the matching principle, the nature of the items and the prudence concept.

#### *DIVIDENDS*

Dividends distributed by affiliated companies are accounted for on an accruals basis. If the Company exercises a dominant influence over the subsidiary, in accordance with the accounting principles and CONSOB communication DAC/RM/95002194 of March 16, 1995, dividends are recorded as income for the period even if distributed in the subsequent year, provided that the Board of Directors approves TREVI – Finanziaria Industriale S.p.A.'s draft financial statements after the financial statements of the individual subsidiaries have been approved by their board of directors.

#### *FINANCIAL LEASE INSTALMENTS*



Financial lease instalments relating to tangible fixed assets are booked to the year on the basis of the contractual agreement, in accordance with current regulations. On expiry of the contract, the redemption value is booked to tangible fixed assets.

### **Other information**

#### *EXCEPTIONS UNDER ARTICLE 2423.4*

No exceptions have been made to the application of the established accounting principles, as would be permitted under certain circumstances under article 2423.4 of the Italian Civil Code.

#### *CONSOLIDATED FINANCIAL STATEMENTS*

The Company is obliged to prepare consolidated financial statements in accordance with Decree 127/91.

A copy of the consolidated financial statements, together with the report on operations and the Auditors' report, will be deposited in the company register within the terms of law.

### **ANALYSIS OF THE BALANCE SHEET CAPTIONS**

#### ***ASSETS***

##### **B – FIXED ASSETS**

Schedules concerning intangible and tangible fixed assets have been prepared, indicating for each caption, historical cost, accumulated depreciation and amortization, movements during the year, the closing balance together with total asset revaluations in existence at year-end.

##### **B I – INTANGIBLE FIXED ASSETS**

The following is a summary of a book value, Lire 10,333 million, of intangible fixed assets as of December 31, 1999 (book value was Lire 71 million in 1998).

Description	HISTORICAL COST				ACCUMULATED AMORTIZATION				Net book value 12/31/99
	Balance as of 12/31/98	Additions	Disposals	Balance as of 12/31/99	Balance as of 12/31/98	Amortization for the year	Disposals	Balance as of 12/31/99	
Start-up and expansion costs	6	11,143		11,149	4	1,022		1,026	10,123
Patent rights	79	36		115	72	9		81	34
Trademarks	5			5	4	1		5	0
Other	91	182		273	30	67		97	176
<b>TOTAL</b>	181	11,361		11,542	110	1,099		1,209	10,333

Amortization of start-up and expansion costs, industrial patents rights and trademarks, calculated by applying a rate of 20%, is considered to reflect the period that the assets are expected to benefit.

Expenses incurred for the Company's listing on the Stock Exchange, for a total of Lire 11,143 million, have been capitalized. These are amortized on a straight-line basis over five years from the date of listing on the Milan Stock Exchange. This is also the date from which these expenses can be more closely matched with the proceeds of listing and the better earnings expected as a result. Therefore, the actual amortization rate for the year is 9.315%, corresponding to the first 170 days on a total of 1,825 days (five years).

«Patents and licences» increased by Lire 36 million for the purchase of software for human resources management.

«Other» includes:

- leasehold improvements, amortized on the basis of the related leasing contract;
- expenses relating to the expert valuation of the Company's net worth, as per Law 461 of 11/21/97, amortized at 20%.

## B II – TANGIBLE FIXED ASSETS

As of December 31, 1999, tangible fixed assets amounted to Lire 119 million compared to Lire 134 million in 1998.

Description	HISTORICAL COST				ACCUMULATED DEPRECIATION				Net book value as of 12/31/99
	Balance as of 12/31/98	Additions	Disposals	Balance as of 12/31/99	Balance as of 12/31/98	Depreciation for the year	Disposals	Balance as of 12/31/99	
Plant and machinery	244	2		246	110	17		127	119
Other assets	11			11	11			11	0
<b>TOTAL</b>	255	2		257	121	17		138	119

Tangible fixed assets have never been subject to writedowns or revaluations.

Other assets include office furniture and furnishings.

Depreciation as of December 31, 1999 has been calculated by applying the rates considered to represent the technical and economic lives of the assets as reported below:

ASSET CATEGORY	%
Furniture and furnishings	12
Plant and machinery	20
Drilling equipment	7.5

### B III - FINANCIAL FIXED ASSETS

#### 1) *EQUITY INVESTMENTS*

As of December 31, 1999, equity investments amounted to Lire 39,579 million compared to Lire 29,557 million at the beginning of the prior year, a net increase of Lire 10,022 million deriving from the following changes:

Description	Balance as of 12/31/98	ACQUISITIONS		DISPOSALS		Balance as of 12/31/99
		Purchases/ Subscriptions/ Payments on capital account	Revaluations and writebacks	Disposals	Writedowns	
Subsidiary companies	29,447	10,000				39,447
Other companies	110	22				132

<b>TOTAL</b>	29,557	10,022				39,579
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Changes in investments in subsidiary and other companies are the following:

Description	Balance as of 12/31/98	ACQUISITIONS		DISPOSALS		Balance as of 12/31/99
		Purchases/ Subscriptions/ Payments on capital account	Revaluations and writebacks	Disposals	Written downs	
<b>- Subsidiaries -</b>						
Trevi S.p.A.	18,584	5,000				23,584

Soilmec S.p.A.	10,310	5,000				15,310
Drillmec S.r.L	3					3
Pilotes Trevi S.A.C.I.M.S..	550					550
<b>TOTAL</b>	<b>29,447</b>	<b>10,000</b>				<b>39,447</b>
<b>- Other companies -</b>						
Comex S.p.A.	110	22				132
<b>TOTAL</b>	<b>110</b>	<b>22</b>				<b>132</b>

The following is a list of investments as of December 31, 1999:

(amounts in millions of Lire unless otherwise specified) (2)

SUBSIDIARY COMPANIES	Headquarter s	Capital stock	Book Stockholder s' equity  (1)	Net income for the year	% Ownership	Book value	Our share of Stockholder s' equity
Trevi S.p.A.	CESENA	9,900	31,601	3,540	99	11,584	34,402
SOILMEC S.p.A.	CESENA	10,000	20,805	727	97	10,310	20,331
Pilotes Trevi	BUENOS	1,650	12,677	963	57	550	7,226

S.A.C.I.M.S.	AIRES	(Pesos)	(3)	(3)			(3)
DRILLMEC S.r.L	CESENA	170	361	(1)	1	3	4
<b>TOTAL</b>						<b>22,447</b>	<b>61,963</b>
<b>OTHER COMPANIES</b>	<b>Headquarters</b>	<b>Capital stock</b>	<b>Book Stockholders' equity</b>	<b>Net income for the year</b>	<b>% Ownership</b>	<b>Book value</b>	<b>Our share of Stockholders' equity</b>
COMEX S.p.A.	RAVENNA	2,500	3,159 (4)	331 (4)	4	132	126 (4)
<b>TOTAL</b>						<b>132</b>	<b>126</b>

#### Notes

1. Stockholders' equity includes net income for the year.
2. Amounts in foreign currency are expressed in thousands.
3. The value in Lire has been obtained by applying the year-end exchange rate of Lire 1,930.48 to book stockholders' equity and the average exchange rate for the year of Lire 1817.55 to net income.
4. Book value derives from:
  - Lire 110 million, equal to the historical cost, to be compared with the stockholders' equity shown in the 1998 financial statements, as at the present date the Board of Directors has not yet approved the draft 1999 financial statements.
  - Lire 22 million, reflecting the subscription cost of the Company's share of the increase in capital to Lire 3,750 million, resolved in 1999.

The opening balance of the investment in Trevi S.p.A. includes Lire 7,000 million paid in prior years towards future increases in capital.

As for Trevi S.p.A. and Soilmec S.p.A., the increases in equity investments relate to payment towards a future increase in capital by Comex S.p.A., as detailed above.

There are no restrictions on the securities held (including voting rights).

The detail of equity investments, both direct or indirect, in subsidiary, associated and other companies is given in the Explanatory notes to the consolidated financial statements.

## **2) ACCOUNTS RECEIVABLE**

### **a) Amounts receivable from subsidiary companies**

These amount to Lire 95,243 million (Lire 4,754 million in the prior year), an increase of Lire 90,489 million

This increase has been determined by the financing of the subsidiaries' investment plans, including company acquisitions.

Accounts receivable from subsidiaries refer to financial transactions carried out at normal market conditions and which are collectible within 12 months.

## **C – CURRENT ASSETS**

### **C II – ACCOUNTS RECEIVABLE**

#### **1) Due from customers**

These total Lire 41 million (Lire 38 million in the prior year), an increase of Lire 3 million and relate to amounts due from customers outside the Group.



2) Amounts due from subsidiary companies

These total Lire 7,269 million (Lire 1,672 million in the prior year), an increase of Lire 5,597 million, relating to trade receivables fully collectible within 12 months.

This caption includes:

- accounts receivable of commercial nature, carried out at normal market conditions, amounting to Lire 3,814 million;
- accounts receivable for dividends to be collected, booked on an accruals basis, totaling Lire 3,455 million, of which Lire 2,970 million on profits for the year of Trevi S.p.A. and Lire 485 million on those of SOILMEC S.p.A..

5) Due from third parties

This amounts to Lire 767 million (Lire 1,560 million in the prior year), a decrease of Lire 793 million.

These comprise:

Description	12/31/99	12/31/98	Changes
Tax credits brought forward	26	410	(384)
Receivables requested for reimbursement from the tax authorities	161	777	(616)
Advance regional tax on productive activities (IRAP)	19	19	0

VAT receivable	155	214	(59)
Tax withholdings	24	70	(46)
IRPEG tax credit transferred	7	7	0
Accounts receivable from the Tax Authorities for deferred tax assets	18	0	18
Account receivable from the Central Bank of Nigeria	328	0	328
Other receivables	29	63	(34)
<b>TOTAL</b>	<b>767</b>	<b>1,560</b>	<b>(793)</b>

The most significant change concerned the collection in the first semester of Lire 616 million from the Tax Authorities for prior year IRPEG and ILOR rebates as requested.

As for accounts receivable from the Central Bank of Nigeria, please read the comment on «Extraordinary income» below. This receivable includes amounts due beyond five years totaling Lire 286 million.

#### **C IV – LIQUID FUNDS**

These amount to Lire 1,692 million (Lire 12 million in the prior year), an increase of Lire 1,680 million

Description	12/31/99	12/31/98	Changes
Bank and post office accounts	1,685	0	1,685
Cash and cash equivalents	7	12	(5)
<b>TOTAL</b>	<b>1,692</b>	<b>12</b>	<b>1,680</b>

The increase in liquid funds is attributable to the improvement in the Company's financial situation after the liquidity injection resulting from flotation on the Milan Stock Exchange

There are no limitations on the availability of items booked to this caption.

#### **ACCRUED INCOME AND PREPAID EXPENSES**

Accrued income and prepaid expenses, Lire 51 million (Lire 96 million in the prior year), a decrease of Lire 45 million, comprise the following:

Accrued income:

Description	12/31/99	12/31/98	Changes
Interest income	0	8	(8)
TOTAL	0	8	(8)

Prepaid expenses:

Description	12/31/99	12/31/98	Changes
Commission on guarantees	10	20	(10)
Insurance	7	10	(3)
Lease installments	30	35	(5)
Other	4	23	(19)
TOTAL	51	88	(37)

### ***LIABILITIES AND STOCKHOLDERS' EQUITY***

#### **A – STOCKHOLDERS' EQUITY**

The following movements took place in 1999:

	Balance as of 12/31/98	Allocation of 1998 net income	Net income for the year	Increases or decreases	Balance as of 12/31/99
I Capital stock	12,000			20,000	32,000
II Reserve share premium reserve	0			101,883	101,883
IV Legal reserve	1,020	18			1,038
VII Other reserves: - extraordinary reserve	14,441	325		(10,000)	4,766
IX Net income for the year	343	(343)	3,811		3,811
<b>TOTAL</b>	<b>27,804</b>	<b>0</b>	<b>3,811</b>	<b>111,883</b>	<b>143,498</b>

#### **A I – CAPITAL STOCK**

Capital stock, fully subscribed and paid-in, amounts to Lire 32.000 million, represented by 64 fully paid ordinary shares, par value of Lire 500 each.

The extraordinary Stockholders' Meeting of March 12, 1999 resolved a bonus issue, increasing capital stock by Lire 10,000 million by reclassifying part of the Extraordinary Reserve to Capital Stock and splitting the shares, reducing their par value from Lire 10,000 to Lire 500 each.

On July 15, 1999, in accordance with the resolution passed at the above meeting, a rights issue of Lire 10,000 million, equal to 20 million ordinary shares of par value Lire 500 each, was placed on the Milan Stock Exchange.

## **A II - SHARE PREMIUM RESERVE**

This caption, which did not feature in last year's financial statements, amounts to Lire 101,882 million and refers to the share premium following the placement of the Company's ordinary shares on the stock market on July 15, 1999.

## **A IV – LEGAL RESERVE**

Allocation of 5% of the prior year's net income increased by Lire 18 million, as resolved by the stockholders' meeting on July 30 1999.

## **A VII – OTHER RESERVES**

The amount relates entirely to the extraordinary reserve which rose from Lire 14,384 million to Lire 14,441 million during the year. The reserve increases by Lire 325 million thanks to the allocation of 1998 net income resolved by the Stockholders' Meeting on April 30, 1999 and decreases by Lire 10,000 million, because of its utilization for the increase in capital.

As per Art 3 of Law 467/97, in the event of distribution of reserves existing as of December 31, 1999, a full tax credit would be granted to stockholders (Art 105.1.a) of Lire 6,605 million, who would also receive a limited tax credit (Art 105.1.b) of Lire 2,527 million.

## **A IX – NET INCOME FOR THE YEAR**

Net income for 1999, Lire 3,811 million (Lire 342 million in the prior year), increased by Lire 3,469 million.

The considerable increase is attributable to the improvement in financial management, which as of December 31, 1999 was positive for Lire 7,837 million (Lire 1,106 million in the previous year), gross of the related tax effect.

## **B – RESERVES FOR RISKS AND CHARGES**

### 2) Taxation reserve

This caption, which did not feature in last year's financial statements, amounts to Lire 8 million and consists entirely of the provision for deferred taxes.

## **C – RESERVE FOR EMPLOYEE TERMINATION INDEMNITIES**

This caption presents a balance at year-end of Lire 61 million, a decrease of Lire 6 million

Changes during the year are as follows:

Balance as of December 31, 1998	67
Amount accrued and charged to the statement of income	36
Indemnities and advances paid during the year	<u>(42)</u>
Balance as of December 31, 1999	61

Indemnities paid during the year are the result of the decision to allow employees to subscribe to Company shares at the time of the listing on the Stock Exchange. The total represents a liability to 6 employees as of December 31, 1999.

## **D – PAYABLES**

Payables do not include collateral security nor residual amounts due beyond five years.

Payables are analyzed below:

### 3) Due to banks

Amounts due to banks total Lire 7,391 million, a decrease of Lire 191 million compared with the prior year.

These comprise:

Description	12/31/99	12/31/98	Changes
Current account overdrafts	22	582	(560)
Short-term loans in Italian Lire	0	7,000	(7,000)
Efibanca loan	5,000	0	5,000
Loans in foreign currency	2,369	0	2,369
<b>TOTAL</b>	<b>7,391</b>	<b>7,582</b>	<b>(191)</b>

The Efibanca loan of Lire 5,000 million bearing interest at a floating rate, was granted during the year and is wholly repayable on June 12, 2001.

Loans in foreign currency are denominated in US dollars.

6) Due to suppliers

Amounts due to suppliers, Lire 1,817 million, including invoices and credit notes to be received, increased by Lire 1,473 million compared with the prior year. The increase is mainly attributable to listing expenses.

Amounts payable to suppliers are all due within 12 months.

8) Due to subsidiary companies

Amounts due to subsidiary companies, Lire 54 million (Lire 15 million in the prior year), an increase of Lire 39 million, are entirely represented by payables due within 12 months.

11) Due to tax authorities

Amounts payable to tax authorities total Lire 304 million, all due within 12 months.

Amounts due to tax authorities comprise:

Description	12/31/99	12/31/98	Changes
Substitute tax paid for freeing up reserves	97	215	(118)
Withholdings to be paid	48	25	23
IRAP payable	79	0	79
IRPEG payable	80	0	80
TOTAL	304	240	64

Substitute tax paid to free up reserves decreased compared with the previous year because of the payment of Lire 118 million.

The year ended June 30, 1993 is the last year to be settled with the tax authorities for direct taxes, while the year ended December 31, 1994 is the last one for indirect taxes.

12) Due to social security institutions

These are due within 12 months and comprise the following:

Description	12/31/99	12/31/98	Changes
Due to INPS	30	23	7
TOTAL	30	23	7

13) Other payables

They comprise:

Description	12/31/99	12/31/98	Changes
-------------	----------	----------	---------



Due to employees	116	57	59
Purchase of equity investments	1,495	1,495	0
Other sundry payables	5	40	(35)
<b>TOTAL</b>	<b>1,616</b>	<b>1,592</b>	<b>24</b>

"Due to employees" relates exclusively to amounts for vacation accrued but not taken

«Payables for the purchase of equity investments" refer to an amount still to be paid to Davide, Gianluigi and Cesare Trevisani, in connection with the purchase of 7% in Soilmec S.p.A. in 1997.

#### **E – ACCRUED EXPENSES AND DEFERRED INCOME**

Accrued expenses of Lire 159 million (Lire 183 million in 1998, a decrease of Lire 14 million), comprise the following:

Description	12/31/99	12/31/98	Changes
Accrued emoluments and employee contributions	42	8	34
Lease installments	105	163	(58)
Other	0	2	(2)
Accrued interest expense	12	10	2
<b>TOTAL</b>	<b>159</b>	<b>183</b>	<b>(24)</b>

Deferred income of Lire 157 million (Lire 40 million in 1998, an increase of Lire 117 million) comprises the following:

Description	12/31/99	12/31/98	Changes
Deferred rentals	157	40	117
<b>TOTAL</b>	<b>157</b>	<b>40</b>	<b>117</b>

#### MEMORANDUM ACCOUNTS

Guarantees given by the Company and the changes during the year compared to 1998 are as follows:

Description	12/31/99	12/31/98	Changes
Guarantees given			
- to banks	42,382	44,453	(2,071)
- to insurance companies	29,632	60,698	(31,066)
- to third parties	30,339	18,222	12,117
Recourse risks	1,563	1,936	(373)
Lease installments due	3,545	3,224	321
<b>TOTAL</b>	<b>107,461</b>	<b>128,534</b>	<b>(21,073)</b>

The significant fall in guarantees given is principally due to fewer guarantees given in favor of a leading American insurance company (Lire 27,938 million, compared to Lire 59,099 million in 1998), on behalf of Trevi Icos Corporation. This is due to the partial execution of work acquired in 1997 and 1998, for which guarantees equal to the full amount of the contracts were issued. "Recourse risks" refer to endorsements on bills receivable of the subsidiary company, Soilmec S.p.A.

Commitments for expiring lease installments amount to Lire 3,545 million and represent the total amount of expiring installments due to leasing companies, including the redemption amount foreseen by the contracts and excluding installments already paid.

Other companies (mainly banks and insurance companies) gave guarantees to third parties on behalf of TREVI- Finanziaria Industriale S.p.A. for a total of Lire 12,638 million.

### **ANALYSIS OF STATEMENT OF INCOME CAPTIONS**

Before proceeding with the analysis of the individual captions, comments on the trend in operations are indicated, in accordance with article 2428.1 of the Italian Civil Code, within the report on operations.

As stated before, it is worth mentioning that the statement of income as provided for in article 2425 of the Italian Civil Code, does not allow for the description of truly significant economic components to evaluate the profitability of our Company. In fact, the business purpose consists of industrial building activities as well as the management of investments such as Group holdings, together with administrative and financial services on behalf of companies in the Group. For example, the accounting group shown in letter A) "Value of production", only includes economic components typical of the industrial area and guarantees given on behalf of subsidiary companies, while it is not possible to include at this level of analysis, the financial income and expense which falls under the item C) 15 and 16.

In the same way, so as to express all operating costs, the financial charges shown according to the law, at C) 17, should be added to the production costs shown at B).

#### **A) VALUE OF PRODUCTION**

This accounting group comprises the following positive components:

- 1) Revenues from sales and services

These amount to Lire 1,670 million (Lire 1,717 million in the prior year), with a decrease of Lire 47 million, as follows:

Description	12/31/99	12/31/98	Changes
Revenues from hiring out equipment	1,020	1,091	(71)
Commission on guarantees	263	363	(100)
Services and consulting	387	263	124
<b>TOTAL</b>	<b>1,670</b>	<b>1,717</b>	<b>(47)</b>

The geographical distribution of revenues from sales is as follows:

AREA	12/31/99	%
Italy	964	57
Europe (excluding Italy)	221	13
U.S.A and Canada	393	24
Asia	92	6
<b>TOTAL</b>	<b>1,670</b>	<b>100</b>

Revenues are almost exclusively realized with Group companies

#### 5) Other income

This amounts to Lire 23 million (Lire 32 million in 1998), a decrease of Lire 9 million compared to the prior year.

The caption comprises the following:

Description	12/31/99	12/31/98	Changes
Company expenses recharged	5	14	(9)
Gains on disposal of assets	0	16	(16)
Other	18	2	16
<b>TOTAL</b>	<b>23</b>	<b>32</b>	<b>(9)</b>

## **B) PRODUCTION COSTS**

6) Costs for raw, ancillary and consumable materials and goods for resale amount to Lire 18 million (Lire 2 million in the prior year), and relate exclusively to stationery and printing supplies.

7) Services received

Costs for services received total Lire 928 million compared to Lire 881 million in the previous year, an increase of Lire 47 million

The caption comprises the following:

Description	12/31/99	12/31/98	Changes
Emoluments of directors	288	255	33
Emoluments of statutory auditors	29	24	5
Post, telegraph and telephone	15	4	11
Legal and administrative fees	402	497	(95)

Scheduled maintenance of computer system	25	11	14
Travelling and subsistence expenses	46	24	22
Insurance	17	27	(10)
Transport	18	18	0
Publicity, classified advertisements and communications	50	0	50
10 – 12% INPS contribution payable by the company	21	15	6
Other	17	6	11
<b>TOTAL</b>	<b>928</b>	<b>881</b>	<b>47</b>

#### 8) Leases and rentals

These amount to Lire 1,014 million (Lire 1,333 million in the prior year) and comprise the following:

Description	12/31/99	12/31/98	Changes
Lease installments	1,006	1,329	(323)
Rental	8	4	4
<b>TOTAL</b>	<b>1,014</b>	<b>1,333</b>	<b>(319)</b>

#### 9) Personnel

Total personnel costs amount to Lire 806 million (Lire 485 million in the prior year) and comprise the following:

Description	12/31/99	12/31/98	Changes
Wages and salaries	588	351	237
Social security charges	182	111	71
Employee termination indemnities	36	23	13
<b>TOTAL</b>	<b>806</b>	<b>485</b>	<b>321</b>

The average number of employees in the Company is 5 people, namely 1 manager and 4 clerical staff. As of December 31, 1999 there were 1 manager and 5 clerical staff.

Movements in the number of employees during the year are analyzed below:

Description	12/31/98	New hires	Leavers	12/31/99
Managers	1			1
Clerical staff	4	2	1	5
<b>TOTAL</b>	<b>5</b>	<b>2</b>	<b>1</b>	<b>6</b>

#### 10) Amortization, depreciation and writedowns

##### a) Amortization delle intangible fixed assets:

The amount for the year is Lire 1,100 million (Lire 35 million in the prior year), an increase of Lire 1,065 million

The increase is mainly due to the first amortization charge on listing expenses of Lire 1,022 million.

Additional details are reported in the assets at BI) Intangible fixed assets.

##### b) Depreciation of tangible fixed assets:

Depreciation amounts to Lire 17 million (Lire 16 million in the prior year, an increase of Lire 1 million) as described in the assets at BII) Tangible fixed assets.

14) Other operating expenses

These total Lire 49 million (Lire 138 million in the prior year, a decrease of Lire 89 million).

These expenses concern:

Description	12/31/99	12/31/98	Changes
Taxes other than income taxes	46	94	(48)
Exchange losses	1	36	(35)
Other charges	2	8	(6)
<b>TOTAL</b>	<b>49</b>	<b>138</b>	<b>(89)</b>

### C) FINANCIAL INCOME AND EXPENSE

15) a – b)

In 1999 income totaled Lire 5,584 million (Lire 1,195 million in the prior year, an increase of Lire 4,389 million), comprising the following:

Description	12/31/99	12/31/98	Changes
Dividends from subsidiary companies and related tax credit	5,578	1,078	4,500
Dividends from other companies and related tax credit	6	30	(24)



Gains on the disposal of investments in other companies	0	87	(87)
TOTAL	5,584	1,195	4,389

The considerable change in dividends is due to the fact that dividends on profits realized by subsidiaries are now booked on an accruals basis, gross of the tax effect.

16) Other financial income

a) Income from receivables held as fixed assets

- subsidiary companies: these amount to Lire 2,416 million (Lire 458 million in the prior year), an increase of Lire 1,958 million connected to the repayment of loans by subsidiary companies.

d) Income other than the above:

- third parties

This income amounts to Lire 128 million (Lire 59 million in the prior year), an increase of Lire 69 million, comprised as follows:

Description	12/31/99	12/31/98	Changes
Bank interest income	87	1	86
Other interest income	39	54	(15)
Exchange gains	2	4	(2)
TOTAL	128	59	69

17) Interest and other financial charges

- subsidiary companies

This caption, which did not feature in the prior year, amounts to Lire 21 million.

- third parties

These charges amount to Lire 270 million, Lire 607 million in the previous year, a decrease of Lire 337 million, comprised as follows:

Description	12/31/99	12/31/98	Changes
Bank interest	200	434	(234)
Bank commission and expenses	70	87	(17)
Interest charged on commercial paper	0	37	(37)
Exchange losses	0	49	(49)
<b>TOTAL</b>	<b>270</b>	<b>607</b>	<b>(337)</b>

**E) EXTRAORDINARY INCOME AND EXPENSE**

20) Income:

- b) Other income:

Other income amounts to Lire 393 million (Lire 379 million in the prior year, an increase of Lire 14 million) and comprises the following:

Description	12/31/99	12/31/98	Changes
Interest income on tax rebate	2	348	(346)
Accounts receivable previously written off	351	21	330
Reversal of lease installment due to	23	10	13

reduction in interest rates			
Other	17	0	17
<b>TOTAL</b>	<b>393</b>	<b>379</b>	<b>14</b>

The main change is due to the booking under "Due from third parties" of a residual amount of Lire 328 million receivable from the Central Bank of Nigeria, which became collectible having previously been written off. As regards this receivable, it is worth mentioning that all of the installments that expired during 1999 have been duly collected, in accordance with the repayment plan agreed with the bank.

22) Income taxes for the year

This caption, which did not feature in the prior year's financial statements, amounts to Lire 2,178 million and relates to:

<b>Description</b>	<b>12/31/99</b>	<b>12/31/98</b>	<b>Changes</b>
IRPEG	80	0	80
IRAP	79	0	79
Deferred taxes	8	0	8
Deferred taxes on dividends	2,029	0	2,029
Deferred tax assets	(18)	0	(18)
<b>TOTAL</b>	<b>2,178</b>	<b>0</b>	<b>2,178</b>

Deferred tax assets and liabilities have been calculated by applying the following tax rates: 20% for IRPEG, as from next year it will pay tax at the rate mentioned in art. 6.1 of D.Lgs. 466/97, as

amended by art. 12 of D.Lgs. 505/1999 (D.I.T.) following the Company's flotation; and 5.40% for IRAP.

The calculation of deferred taxes on dividends accounted for on an accruals basis has been carried out on a prudent basis at a rate of 37%.

23) Net income for the year.

Net income for 1999, Lire 3,811 million (Lire 342 million in the prior year), increased by Lire 3,469 million

The considerable increase, as already described in the comment on stockholders' equity, is mainly attributable to the improvement in financial management. In particular, the remarkable improvement in the results and – financial position of subsidiaries allowed the respective Boards of Directors to approve a considerable dividend distribution out of profits for the year.

#### **OTHER INFORMATION**

There were no adjustments or provisions carried out solely for fiscal purposes.

In 1999 as in 1998, no financial charges were capitalized.

As of December 31, 1999, there are no transactions hedging exchange and interest rate risks.

#### **EMOLUMENTS OF DIRECTORS AND STATUTORY AUDITORS**

Emoluments of directors totaled Lire 288,000,000.

Emoluments of statutory auditors totaled Lire 28,662,000.

As per Consob instruction 11,520 of July 2, 1998, details are given of the emoluments paid to the Company's directors and statutory auditors for their services, including subsidiaries.

The Board of Directors

<b>Name</b>	<b>Office held</b>	<b>Duration of office in months</b>	<b>Emoluments Company</b>	<b>Emoluments subsidiaries</b>	<b>TOTAL Emoluments</b>
Davide Trevisani	Chairman and Managing Director	12	108	142	250
Gianluigi Trevisani	Deputy Chairman and Managing Director	12	105	145	250
Cesare Trevisani	Managing Director	12	25	237	262
Stefano Trevisani	Director	12	25	101	126
Mario Amoroso	Director	12	25	0	25
TOTAL			288	625	913

No benefits in kind, stock options, bonuses or other incentives have been granted to directors.

Emoluments in subsidiaries include employment remuneration for Mr Cesare Trevisani and Stefano Trevisani from Trevi S.p.A..

The Company's by-laws give the Board of Directors the possibility to appoint an Executive Committee. This possibility has not been used by the current Board.

The Board of Directors will remain in office until approval of the financial statements as of December 31, 2000.

Statutory Auditors

<b>Name</b>	<b>Office held</b>	<b>Duration of office in months</b>	<b>Emoluments company</b>	<b>Emoluments subsidiaries</b>	<b>TOTAL Emoluments</b>
-------------	--------------------	-------------------------------------	---------------------------	--------------------------------	-------------------------

Adolfo Leonardi	Chairman of the Statutory Auditors	12	12	13	25
Giacinto Alessandri	Auditor	12	8.5	21	29.5
Giancarlo Poletti	Auditor	12	8.5	0	8.5
TOTAL			29	34	63

The Board of Statutory Auditors will remain in office until approval of the financial statements as of December 31, 2000.

#### **STATEMENT OF CHANGES IN FINANCIAL POSITION**

The change in financial position is analyzed in the statement of cash flows (attachment 1).

The financial statements, comprising the balance sheet, the statement of income and these explanatory notes give a true and fair view of the financial position and net income for the year.

Chairman of the Board of Directors

DAVIDE TREVISANI

**Attachment 1**

**Statement of cash flows**

	1998 (millions of Lire)	1999 (millions of Lire)
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Net income	342	3,811
Depreciation and amortization	51	1,117
Provision for employee termination indemnities	22	36
Payment of employee termination indemnities	(105)	(42)
Decrease in exchange fluctuation reserve	(75)	0
Decrease in other reserves	0	8
Decrease/(increase) in amounts due from customers	(20)	(3)
Decrease/(increase) in amounts due from subsidiary companies	3,886	(5,597)
Decrease/(increase) in other amounts receivable	(607)	792
Decrease/(increase) accrued income and prepaid expenses	98	45
Decrease/(increase) in amounts due to suppliers	226	1,473
Decrease/(increase) in amounts due to subsidiary companies	(135)	39
Decrease/(increase) in amounts due to tax authorities	(26)	64
Decrease/(increase) in other payables	(2,524)	30
Decrease/(increase) accrued expenses and deferred income	(59)	93
	1,074	1,866
<b><u>INVESTING ACTIVITIES</u></b>		
Increase in tangible fixed assets, net	(15)	12
Increase in intangible fixed assets, net	(98)	(11,377)
Decrease in equity investments	590	(10,022)
	477	(21,387)
<b><u>FINANCING ACTIVITIES</u></b>		
Decrease/(increase) in amounts due to banks	0	(90,490)
Decrease/(increase) in amounts due to banks	1,205	(191)
Decr./(incr.) in amounts due to other providers of finance	(2,755)	0
Decrease/(increase) in capital stock and reserve	0	111,882
	(1,550)	21,201
<b>Total cash flow</b>	1	1,680
Opening amount - cash and banks	11	12
Closing amount - cash and banks	12	1,692

TREVI – Finanziaria Industriale S.p.A.

Registered office in Cesena (FO), Via Larga n° 201

Share Capital Lit. 32.000.000.000 fully paid-up

Entered into Register of Companies Forli – Cesena Nr. 11.251

Chamber of Commerce of Forli - Cesena Nr. 201.271

Fiscal and VAT Code Nr. 01547370401

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REPORT OF THE BOARD OF STATUTORY AUDITORS AT THE  
SHAREHOLDERS' MEETING

During the fiscal year closed at 31 December 1999, we have carried out a supervising activity according to what prescribed by the law, in conformity with the principles of behaviour of the Board of Auditors which are recommended by the National Councils of Professional Accountants and book-keepers.

We have attended the meetings of the Board of Directors and, almost on a quarterly basis, we have collected from the administrators the information about the activity performed and the operations with a major economic, financial and patrimonial significance which have been carried out by the same company and its controlled companies. We ascertained that the steps agreed and taken were in conformity with what prescribed by the law and the company by-laws and that they were not clearly imprudent, risky, likely to be in a conflict of interests or contrary to the resolutions adopted by the Board.



We have inquired, assessed and supervised – within the scope of our competence – the evolution of the commitments undertaken by the Board of Directors with respect to the conformity of the company's organisational structure and in respect of the principles of fair administration, by means of direct observations, collection of information from the people having an organisational role within the company, and by means of meetings with the auditing company with the aim of a mutual exchange of remarkable data and information.

We have assessed and supervised the conformity of the company control system and the administrative-accounting system, as well as the reliability of this last system in order to correctly represent the facts pertaining the management, by collecting information from the people in charge of the respective functions and by examining the company documents and the results of the work performed by the auditing company.

We have supervised the observance of the law prescriptions pertaining the making, the setting-up of the balance sheet and the management report, by means of direct controls and upon the information collected by the auditing company.

During our supervising activity, as above described, no significant facts have stand out such as to require their notification to the controlling organs or their mention into this report.

Therefore, we propose the Board to approve the balance sheet of the fiscal year closed at 31 December 1999.

Cesena, 12 April 2000

THE BOARD OF STATUTORY AUDITORS

*DR. ADOLFO LEONARDI*

*DR. GIACINTO ALESSANDRI*

*DR. GIANCARLO POLETTI*

## RESOLUTIONS OF THE ORDINARY STOCKHOLDER'S MEETING

DATED 7 MAY 2000

The Ordinary Stockholders' meeting of TREVI – Finanziaria Industriale S.p.A was held at first calling on May 7, 2000, at the headquarter of the Company and in the presence of Stockholders with 39.350.000 ordinary shares, representing 100 % of the capital stock and having the right to vote.

The Ordinary Stockholders' meeting has resolved:

1) to approve the financial statement as at 31 December 1999, as well as the report on operations by the Board of Directors and to allocate the net income for the year, Lire 3.811.297.773 as follows:

- 5%, Lire 190.564.889 to the legal reserve;
- Lire 1.761.913.684 to the extraordinary reserve;
- Lire 1.858.819.200 to the stockholders at the rate of € 0,015 (about Lire 29) per share.

The full tax credit is linked to the dividend, as per art.105, comma 1, letter a) of T.U.I.R and will be paid starting from 25 May 2000, with the detachment of the coupon n.1 at the date of 22 May 2000.

2) to increase the legal reserve of Lire 5.400.000.000 by using part of the share overprice reserve.

3) to increase the number of advisors from five to eight, by appointing three new advisors and precisely:

- Ing. Moscato Guglielmo Antonio Claudio born in Gela (CL) on 10/06/1936;

- Conte Teodorani Fabbri Pio born in Turin (TO) on 23/03/1924;

- Avv. Pinza Roberto born in Forlì (FC) on 19/05/1941;

Said advisors will remain in charge for about one year, that is until the approval of the financial statement as at 31/12/2000.

4) the fees to be awarded to the members of the Board of Directors and the Board of Auditors for the fiscal year 2000, that is until the approval of the financial statement as at 31 December 2000.

Statement of change in consolidated stockholders' equity for the period ended December 31, 1999

Attachment 3

	Capital stock	Share Premium reserve	Legal reserve	Company own share reserve	Extraordinary reserve	Cumulative translation adjustment	Consolidation reserve	Net income (loss) for the year	Total stockholders' equity
<b>Balance as of December 31, 1998</b>	<b>12,000</b>		<b>1,021</b>		<b>14,441</b>	<b>(3,701)</b>	<b>28,227</b>	<b>7,782</b>	<b>59,770</b>
Allocation of 1998 net income:			17		325			(342)	0
							7,440	(7,440)	0
Increase in capital stock	20,000	101,882			(10,000)				111,882
Change in cumulative translation adjustment						7,452			7,452
Movements in the consolidation reserve after changes in the stockholders' equity of subsidiary companies				681			702		1,383
Net income for the year								13,844	13,844
<b>Net Group interest in stockholders' equity as of December 31, 1999</b>	<b>32,000</b>	<b>101,882</b>	<b>1,038</b>	<b>681</b>	<b>4,766</b>	<b>3,751</b>	<b>36,369</b>	<b>13,844</b>	<b>194,331</b>

STATEMENT OF CHANGES IN INTANGIBLE FIXED ASSETS FOR THE YEAR ENDED DECEMBER 31, 1999											
INTANGIBLE FIXED ASSETS	December 31, 1998			Movements during 1999					December 31, 1999		
	Historical cost	Acc. amortization	Balance	Additions	Decreases	Amortization	Decrease in acc. Depr.	Exchange differences	Historical cost	Acc. amortization	Balance
Start-up and expansion costs	405	113	292	11,144	0	1,111	0	39	11,588	1,224	10,364
Research and development expenses	565	113	452		0	113	0	0	565	226	339
Industrial patents and intellectual property rights	3,241	1,551	1,690	404	0	510	0	138	3,783	2,061	1,722
Concessions, licenses, trademarks and similar rights	170	20	150		0	37	0	22	192	57	135
Goodwill	450	270	180	890	0	179	0	0	1,340	449	891
Other intangible fixed assets	4,406	365	4,041	1,792	997	862	(59)	(33)	5,168	1,286	3,882
<b>TOTAL</b>	<b>9,237</b>	<b>2,432</b>	<b>6,805</b>	<b>14,230</b>	<b>997</b>	<b>2,812</b>	<b>(59)</b>	<b>166</b>	<b>22,636</b>	<b>5,303</b>	<b>17,333</b>