

TREVIGroup

Interim Report
Half year results
as at 30 June, 2000

TREVIGroup - Finanziaria Industriale S.p.A.



Financial Results

I am very pleased to present the Consolidated Financial Statements for the first half of 2000, which, once again, show a strong growth of the revenues of the Trevi Group, which, however, was not matched by an improvement of the profitability with respect to the first semester of 1999.

The consolidated total revenue has reached 265 billion Italian liras (+10,82%), however the profit before tax and minority interest has decreased to 6.951 million Italian liras (-56,78%), after a fixed assets depreciation of 13.811 million Italian liras (+56,41%).

According to the budget's guidelines, Trevi Group's Companies have operated with intensity, achieving a notable increase in production: the value added – which we feel is the best tool to measure the volume of activity – shows an increase of about 10%, from 88 to 96 billion Italian liras, in the first half of 2000.

The EBITDA is approximately 25 billion Italian liras, with a decrease close to 14% in comparison with the first half of the previous financial year. The Operating Income has decreased from 20 to 11 billion of

Italian liras (-45%).

The net financial charges, which in the first six months of the year 1999 were equal to 4.412 million Italian liras, have decreased to 3.972 million Italian liras. The remarkable decrease (-10%) is linked to the reduction of the Net Financial Position following the increase in capital during the Initial Public Offering.

The decrease of 7.681 million Italian liras of the pre-tax profit in the first six-months' period of the year 2000, when compared to the one of the previous year, is the outcome of some concurrent negative factors in the different markets. Said factors mainly appeared in the first quarter. The second quarter shows a sharp recovery, in line with the budget, which allows us to be optimistic about the achievement of the budget projections for the second half.

Market Leadership

Regarding the management operating aspects, it should be noted that, once again, the foreign markets offer the most interesting outlet to the Companies of the Group, also thanks to the favourable currency trends which took place in the first months of the year 2000.

The heavy presence of the Group in the international markets is apparent by: the incidence of the Italian area on the consolidated net sales, which increased from 20 to 23%; the slight increase of that of the American area a little more than 41%; the incidence of the sales in the Far East Area, which increased from 8% to about 13%; while in the Middle East and in the rest of Europe our presence is growing at slower pace.

The only exception is given by the reduction of the activity in Africa, which decreased from 16% to 6% of the net sales of the Group.

While the activity linked to the execution of special foundation works shows an increase that is in line with the projections (+7%), the increase in the sale of special foundation equipment (+13%) is rather significant, especially if it is compared to the growth trend of the last three years.

As at 30 June 2000, the Group has an overall works' portfolio of 515 billion Italian liras, 298 billions of which will be carried out in the second half of the present fiscal year. This work's portfolio is the most considerable that the Group has ever had in its history. It is the best premise for a strong improvement in the profits and economic results of the second semester compared to the first. It should be noted that in the second semester there will be a concentration of the deliveries of the oil well drilling rigs.

While the development of the new technologies, Pretunnel, Trevipark and oil drilling rigs are still in progress, the first semester of 2000 witnessed the commitment of the Research and Development Dept in performing field tests with the new technology "Turbojet". It is a technique of mechanical mixing and in situ soil consolidation that improves the strength of the consolidated soils, with significantly increased industrial production rates, bringing along consequent advantages both of technical and economical nature. The new technology and relevant equipment have been launched by the Trevi Group on the national, American and Far East markets under environmental and soil conditions which were extremely different in each area. The design criteria has been finalized and design is well under way for new equipment with extremely high torque values in the field of reverse circulation drilling, a system which is very popular in Hong Kong, truck mounted machines for the U.S. market as well as low headroom equipment both for the European and American markets.

In the field of diaphragm walls, considerable progress has been made in the research and development of a special bucket for the execution of deep excavations with positive verticality control using computerised automatic systems.

The gross investment in technical and material immobilisations has been 28,3 billion Italian liras (while in the corresponding semester of the previous year it was 33,5 billion Italian liras). The net investment has been 13,4 billion Italian liras (23,44 billion Italian liras in the first six months of '99).

Trevi Division

In the first semester of 2000, the turnover achieved by Trevi Icos Corporation – USA was 58 billion Italian liras (+7,4%), corresponding to approximately 22% of the net sales; in the year 2000 the activities in the Mid Atlantic Area have been widened, in addition to the operations performed in New England. With the aim of widening the activities of Trevi Icos in the Mid Atlantic area, remarkable costs have been sustained with a resulting negative impact on the profit of the semester. The commercial efforts have allowed to reach a works' portfolio of US\$ 68,5 million dollars, 48 million US\$ of which are to be executed in the second semester of the year.

Pilotes Trevi S.A. has completed works in Argentina for a total of 14 billion Italian liras and nearly an additional 2 billion Italian liras through international Joint Ventures, all with a rather poor profit performance. The second semester looks brighter, as they have already acquired an

additional portfolio of 24 billion Italian liras, 17 of which are to be completed by the end of the year.

With an uncertain trend in the field of public works in Italy, Trevi S.p.A. shows a total production value for the first half of the fiscal year of 67 billion Italian liras (-3,2% compared to the first semester of the previous year). Trevi S.p.A. has a works' portfolio of 128 billion Italian liras, 50 billions of which to be completed within this current fiscal year. The company is active in Ethiopia, Germany and Venezuela; while in Algeria and in Sweden newly established local companies have just started their operations. The postponement of the starting date of activities in some African countries and the negative performances of some Consortia operating in Italy, in which Trevi takes part, have both negatively influenced the profitability of the semester under consideration.

Our Group stands out in the Georesources field for the particular soil drilling technology supporting the research of hydrocarbons. In cooperation with Saipem S.p.A., Trevi S.p.A. operates through the SAI-TRE Consortium making use of equipment designed and built by Soilmec S.p.A. In addition to the G125 rig, which is already in use in Italy for AGIP, the Consortium operates another drilling rig, the G200, which is already drilling oil wells in Venezuela for the controlled company Petreven C.A. This company acquired a G102 rig over the first semester, which started to be used in the middle of August. Petreven C.A. has a works' portfolio of about 30 billion Italian liras, two thirds of which are to be completed within 2001. The two rigs have achieved an enormous success from a technological point of view, to the complete astonishment of the client Perez Companc C.A.

As for the parking sector, it is important to note the completion of the installation of two car parks for public use in Italy, for a total amount of n° 168 parking spaces, and likely to start operating by the beginning of September; similar projects had started in the first months of 1999 in Rome and Turin, which should be completed within the current year. Compared to the first semester of the previous year, the sales of the Parking Division have undergone a slight decrease. The activity of the Parking Division in the semester under consideration has also been characterised by the launch in the market in April of the Trevipark System and of the internet site "www.parkingonline.net". The Internet user can find information and useful services to solve the problem of car parking in the city, such as, for instance, the road maps of the main Italian cities with the most important car parks. The site is presently under development and it will allow the user to find the nearest car parking to the destination place, to assess the availability of parking spaces and relevant costs, to book the parking space, to ask for specific arrangements and season tickets.

The TreviPark System, the result of several years of experience gained in the field, is a software for a completely automated operation of car parks. It guarantees remarkable reductions in the running costs (up to 50%), the extension (24 hours a day 7 days a week) of the operation times, the best safety and convenience for the users and a better service quality. During the semester the software for the management of automated car parks has been developed in order to allow private operators to use it and the first commercial negotiations for the promotion of the software have been initiated.

In the first semester of 2000 Trevi Foundations Nigeria shows a decrease in net sales (-27%). The profit was below expectations; the return of the political power into the hands of a civil government has so far failed to meet the expectations of an economic recovery. The increase in the resources of the country due to the increase in the oil price justifies hopes for a better future.

Trevi Construction Co. Ltd was awarded an important contract in Hong Kong by a French company, for a total amount of 10,5 billion Italian liras. In the first half of 2000 Trevi Construction Co. Ltd has achieved revenues equivalent to 10 billion Italian liras. In the same geographical area and for the same period, Trevi Foundations Philippines Inc. of Manila has achieved revenues of approximately 6 billion Italian liras.

Soilmec Division

The trend of the engineering division Soilmec, which produces and markets plant and equipment for the foundation engineering and construction industry and equipment for drilling of oil wells, is definitely positive. As a matter of fact, during the first semester of 2000, Soilmec has recorded a consolidated income for sales and services equal to 96,7 billion Italian liras (+13%) as well as an improved profitability. Such an increase is mainly due to the sales in Europe and in the Far East of foundation engineering equipment, after a pause in the growth trend which occurred in '99. The activity in Houston, Texas of the controlled company Soilmec Branham Inc., has given a modest boost to the production of drill rigs for oil wells in the USA with remarkably high running costs.

The portfolio of orders for the second semester is mainly characterised by orders of rigs for oil well drilling. As for new products, the introduction in the market of the R-930 drilling rig should be mentioned, as it is the most powerful one for the excavation of drilled shafts. It is completely hydraulic, self-erecting, multifunctional and equipped with a torque multiplier, which allows to install casings at great depths.

Prospects

The acquisition of orders is continuing at a sustained pace, thanks to the expansion of the sales in the American continent and to the recovery of the European economic trend and to some extent, also of the Italian one. The amount of orders in the portfolio and of negotiations which are currently in progress with various clients give us reasonable hope to reach a consolidated sales and services income volume for the year 2000 which will increase significantly with respect to the previous financial year, with positive economic results.

Cesena, 12th September 2000

For the Board of Directors
The Chairman Davide Trevisani

Consolidated Balance Sheet *as of June 30, 2000*

(in millions of Lire)

12/31/1999	ASSETS	06/30/2000	06/30/1999	(in thousands of euro) 06/30/2000
0	Amounts due from stockholders	-	-	-
	Fixed assets			
17.333	I - Intangible fixed assets	15.614	6.543	8.064
180.118	II - Tangible fixed assets	193.499	149.095	99.934
13.027	III - Financial fixed assets	12.252	15.387	6.328
210.478	Total fixed assets	221.365	171.025	114.325
	Current assets			
107.731	I - Inventories	132.261	121.656	68.307
173.267	II - Accounts receivable	188.555	131.604	97.381
681	III - Financial assets not held as fixed assets	681	-	352
89.057	IV - Liquid funds	53.163	56.105	27.456
370.736	Total current assets	374.660	309.365	193.496
3.884	Accrued income and prepaid expenses	5.782	2.373	2.986
585.098	TOTAL ASSETS	601.807	482.763	310.807

12/31/1999	LIABILITIES AND STOCKHOLDERS' EQUITY	06/30/2000	06/30/1999	(in thousands of euro) 06/30/2000
	Stockholders' equity			
32.000	I Capital stock	32.000	22.000	16.527
101.882	II Share premium reserve	96.482		49.829
1.038	IV Legal reserve	6.628	1.037	3.423
681	V Company own share reserve	681		352
	VII Other reserves:			
4.766	-extraordinary reserve	6.528	4.766	3.371
3.751	-cumulative translation adjust	4.915	2.553	2.538
36.369	-consolidation reserve	48.251	36.803	24.920
44.886	Total other reserves	59.694	44.122	30.829
13.844	IX Net income (loss) for the year	6.925 ⁽¹⁾	14.605 ⁽¹⁾	3.576 ⁽¹⁾
194.331	Group interest in stockholders' equity	202.410	81.764	104.536
10.024	Minority interests in capital and reserves	8.368	12.364	4.322
204.355	Total stockholders' equity	210.778	94.128	108.858
14.861	Reserves for risks and charges	14.943	10.018	7.717
13.012	Reserve for employee termination indemnities	13.999	16.149	7.230
348.224	Payables	358.123	359.128	184.955
4.646	Accrued expenses and deferred income	3.964	3.340	2.047
585.098	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	601.807	482.763	310.807

(1) The result refers to net income before taxation

Consolidated Statement of Income

(in millions of Lire)

Year ended 31 Dec. 1999		Six months ended 30 June 2000	Six months ended 30 June 1999	(in thousands of euro) Six months ended 30 June 2000
495.581	Net sales	255.348	230.288	131.876
13.657	Other income and revenues	10.140	9.270	5.237
509.238	Total revenues	265.488	239.558	137.113
478.412	Cost of production	254.482	219.678	131.429
30.826	Operating Income	11.006	19.880	5.684
(6.069)	Financial income (expense)	(3.972)	(4.412)	(2.051)
(890)	Extraordinary income and (expense)	(83)	616	(43)
23.867	Results before taxation	6.951	16.084	3.590
10.929	Income taxes	-	-	-
12.938	Net income/(loss) for the year (*)	6.951	16.084	3.590
(906)	Minority interests	26	1.479	13
13.844	Group net income for the year (*)	6.925	14.605	3.576

(*) The result refers to net income before taxation

12.31.1999	MEMORANDUM ACCOUNTS	06/30/2000	06/30/1999	06/30/2000
	UNSECURED GUARANTEES GIVEN			
142.362	Sureties	135.708	144.083	70.087
142.362	TOTAL	135.708	144.083	70.087
142.362	Total unsecured guarantees given	135.708	144.083	70.087
	COMMITMENTS, RISKS AND OTHER MEMORANDUM ACCOUNTS			
17.492	Recourse risks	11.244	14.110	5.807
4.826	Commitments towards third parties	0		0
2.124	End-of-lease purchase agreement	2.124	3.849	1.097
24.442	TOTAL	13.368	17.959	6.904
166.804	TOTAL MEMORANDUM ACCOUNTS	149.076	162.042	76.991

Statement of Consolidated Cash Flows

	06/30/2000	1999
Net income before taxation	6.925	13.844 ⁽¹⁾
Depreciation and amortization	13.314	22.000
Provision for employee termination indemnities	1.480	2.597
Change in minority interests in capital and reserves	(1.656)	211
A Cash generated from operations before changes in working capital	20.063	38.652
B Changes in working capital:		
amount due from stockholders		
inventories	(24.530)	(16.785)
receivables	(19.756)	(20.665)
accrued income and prepaid expenses	10.804	(1.195)
payables	2.222	37.969
accrued expenses and deferred income	(682)	(17)
reserves for risks and charges	82	4.234
	(31.860)	3.541
C Net cash flows for operating activities:		
intangible fixed assets	(436)	(12.361)
tangible fixed assets	(24.540)	(53.283)
financial fixed assets	775	(2.188)
	(24.201)	(67.832)
D Cash flows from (used in) financing activities:		
long-term payables	(12.702)	8.764
long-term receivables	4.468	(1.993)
long-term accrued income and prepaid expenses	0	221
long-term accrued expenses and deferred income	0	(147)
securities	0	(681)
change in the scope of consolidation	1.849	(12.794)
translation differences	1.164	7.452
Dividend paid	(1.859)	
Increase in capital stock	0	111.882
payment of employee termination indemnities and other changes	(493)	(5.110)
	(7.573)	107.594
NET SHORT-TERM INDEBTEDNESS, BEGINNING OF YEAR	39.724	(42.231)
Cash flow for the year (A + B + C + D)	(43.571)	81.955
NET SHORT-TERM INDEBTEDNESS, END OF YEAR	(3.847)	39.724

(1) The net income as at December 31, 1999 refers to net income of the Group.

Group Profile and Activities

TREVI- Finanziaria Industriale S.p.A. and its subsidiaries (hereafter called "TREVI Group or "the Group") carry out their activities in two principal sectors: supply of contracts and design and engineering services for civil and infrastructural foundation works, construction of plant and equipment for special foundation works, tunnel boring and well-drilling for oil and water exploration. These two business sectors are co-ordinated 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").

Accounting methods and principles

The Consolidated Financial Statement of the "Group" for the first six months of 2000 has been prepared according to the same accounting principles, consolidation methods and conversion criteria of the foreign currency items which were applied for the preparation of the Financial Statement as at 31st December 1999, with the necessary amendments, due to a very particular midyear situation, that is referred to a limited six month period.

In particular, we point out that the six month economical result is shown before income tax.

The consolidation area has changed with respect to 31st December 1999, due to:

- the introduction of the company International Drilling Technologies SA (I.D.T.), with head office in San Marino, established during the first six months of 2000, fully held by Soilmec International B.V.;
- during the first half of 2000, two other companies have been set up : Trevi Algeria S.A.R.L., fully held by Trevi SpA, and Soilmec H.K. Ltd. with head office in Hong Kong, fully held by Soilmec Far East Pte Ltd. of Singapore. Both companies have been excluded from the consolidation since they were not operating as at 30 June 2000;
- Trevi Cimentaciones C.A. (Venezuela). In the first half of 2000 Trevi Contractors B.V. purchased a further share, equal to 35%, of the Venezuelan company capital. As a result, the Group is now holding 100% of Trevi Cimentaciones C.A.;
- Cifoven C.A. (Venezuela). During the first six months Trevi Construction Co.Ltd. of Hong Kong purchased a further share, equal to 35%, of the Venezuelan company capital. Trevi SpA is now holding, directly and indirectly, 100% of Cifoven C.A.

Interim Results at a glance

Total Revenues

Increase of 10,82 %



EBITDA

Decrease of - 13,56 %



EBIT

Decrease of - 44,63 %



Profit before tax and minority interest

Decrease of - 56,78 %





TREVI-Finanziaria Industriale S.p.A. Cesena (Italy)

TREVI S.p.A.
Cesena (Italy)

TREVI CONSTRUCTION Co. Ltd
Hong Kong

TREVI FUNDACOES Lda
Lisbon (Portugal)

TREVI INSAAT ve MUHENDISLIK A.S.
Istanbul (Turkey)

TREVI FOUNDATIONS NIGERIA Ltd
Lagos (Nigeria)

PILOTES TREVI
Buenos Aires (Argentina)

TREVI CIMENTACIONES
Caracas (Venezuela)

TREVI ICOS CORPORATION
Boston (U.S.A.)

TREVI FOUNDATIONS PHILIPPINES Inc.
Philippines

TREVI CONTRACTORS B.V.
Amsterdam (The Netherlands)

PROFURO Lda
Mozambique

PETREVEN C.A.
Venezuela

CIFUVEN C.A.
Venezuela

SWISSBORING OVERSEAR PILING Co. Ltd
Switzerland

SWISSBORING OVERSEAR Co. Ltd
U.A.E. (Emirati Arabi)

SWISSBORING & Co. LLC
(Oman)

TREVI ALGERIE S.a.r.l.
(Algeria)

SOILMEC S.p.A.
Cesena (Italy)

SOILMEC S.p.A. Drilling Equipment Division
Piacenza (Italy)

SOILMEC S.p.A. Representative Office
Beijing (China R.P.)

LIANYUNGANG SOILMEC MACHINERY Co. Ltd
Lianyungang (China R.P.)

SOILMEC JAPAN Co. Ltd
Tokyo (Japan)

SOILMEC Ltd
Peterborough (UK)

SOILMEC MISH
Cairo (Egypt)

SMFE Sdn. Bhd
Malaysia

SOILMEC FAR EAST Pte. Ltd
Singapore

SOILMEC BRANHAM Inc.
Conroe - Texas (U.S.A.)

SOILMEC INTERNATIONAL B.V.
Amsterdam (The Netherlands)

I.D.T. SA
R.S.M.

SOILMEC H.K. Ltd
Hong Kong

TREVI - Finanziaria Industriale S.p.A.

Headquarters in Cesena (FC) Via Larga n. 201
Share Capital L. 32,000,000,000 fully paid in.

Entered into Register of Company C.C.I.A.A. Forlì - Cesena no. 11.251

R.E.A. n. 201,271 C.C.I.A.A. Forlì - Cesena

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