



TREVI- Finanziaria Industriale S.p.A.

Consolidated Quarterly Report

Third Quarter 2002

TREVI – Finanziaria Industriale S.p.A.  
Headquarters in Cesena (FC) - Via Larga 201 -  
Share capital €32.000.000, fully paid-up  
Chamber of Commerce Forlì – Cesena N.201.271  
Fiscal, VAT Code and Register of Companies of Forlì – Cesena: 01547370401  
Internet Homepage: [www.trevifin.com](http://www.trevifin.com)

## **BOARD OF DIRECTORS**

### **Chairman**

Davide Trevisani

### **Managing Directors**

Gianluigi Trevisani

Cesare Trevisani

### **Board Members**

Stefano Trevisani

Mario Amoroso

Moscato Guglielmo Antonio Claudio

Teodorani Fabbri Pio

Pinza Roberto

## **BOARD OF STATUTORY AUDITORS**

### **Statutory Auditors**

Adolfo Leonardi (President)

Giacinto Alessandri

Giancarlo Poletti

### **Alternate Statutory Auditors**

Marco Alessandri

Giancarlo Daltri

### **Independent Accountants**

PricewaterhouseCoopers S.p.A.

## **INDEX**

	<i>Page</i>
<b>1 Key Financial Information</b>	<b>4</b>
<b>2 Quarterly Management Report</b>	<b>5</b>
Group's Profile and Activities	
Accounting Principles and Evaluation Criteria	
Quarterly Performance	
Main after-date events	
<b>3 Abbreviated Consolidated financial statement</b>	<b>8</b>
Consolidated Balance Sheet	
Consolidated Profit and Loss Accounts	
Net consolidated financial position	
<b>4 Notes to the Consolidated Financial Statement</b>	<b>10</b>
Notes to the key financial information	
Notes to the main assets and liabilities	
Notes to the net financial position	

The Quarterly Report is not audited

## **KEY FINANCIAL INFORMATION**

*(in thousands of Euro)*

<b>12.31.2001</b>		<b>09.30.2002</b>	<b>09.30.2001</b>	<b>Change</b>	<b>IIIrd Quarter 2002</b>	<b>IIIrd Quarter 2001</b>
369,739	Production value	250,952	281,107	-10.7%	83,905	89,597
349,739	Total revenues	247,042	270,748	-8.8%	83,716	86,377
104,530	Added value	84,601	83,916	0.8%	28,034	25,494
29.9%	<i>% on Total Revenues</i>	<i>34.2%</i>	<i>31.0%</i>		<i>33.5%</i>	<i>29.5%</i>
19,819	EBITDA	24,077	20,684	16.4%	9,101	5,161
5.67%	<i>% on Total Revenues</i>	<i>9.75%</i>	<i>7.64%</i>		<i>10.9%</i>	<i>6.0%</i>
2,400	Net Operating Income	7,642	8,350	-8.5%	1,679	773
0.69%	Net Operating Income/Total Revenues	<i>3.09%</i>	<i>3.08%</i>		<i>2.01%</i>	<i>0.89%</i>
(3,909) (1)	Net Result before taxation and before minority interests	(2,332)	1,664	-240.1%	3,121	(3,496)
42,739	Gross technical investments	18,952	20,150	-5.8%		
205,565	Net invested capital	214,357	205,358	4.4%		
(103,116)	Net financial position	(120,269)	(96,481)	24.7%		
102,449	Total Stockholders' equity	94,088	108,877	-13.6%		
97,882	Group's net equity	89,957	105,498	-14.7%		
4,567	Minority interests	4,131	3,379	22.3%		
2,445	Nr. of employees (3)	2,619	2,469			
317,669	Works' portfolio	397,890	356,263	11.7%		
1.17%	EBIT / (2) Net invested capital (R.O.I.)	<i>4.75%</i>	<i>5.42%</i>			
-3.99%	Net income / (2) Net stockholders' equity (R.O.E.)	<i>-3.46%</i>	<i>2.10%</i>			
0.69%	EBIT / (2) Total revenues (R.O.S.)	<i>4.12%</i>	<i>4.11%</i>			
1.01	Net financial position / Total net stockholders' equity (Debt/Equity)	<i>1.28</i>	<i>0.89</i>			

(1) The result as at 12/31/2001 also includes taxes and minority interests.

(2) Values pertaining to the first nine months are calculated on a yearly basis.

(3) Totally consolidated companies.

## ***QUARTERLY MANAGEMENT REPORT***

### **Group's Profile and Activity**

TREVI- Finanziaria Industriale S.p.A. and its controlled companies (following referred to as “TREVI Group or “the Group”) carry out their activities in the following sectors: public contracts and engineering services for the laying of foundations for public projects and infrastructures; oil services and manufacturing of plants and equipments for the execution of special foundations, tunnel excavation and well drilling for the extraction of hydrocarbons and water research.

Activity sectors are co-ordinated by the two main companies of the Group: Trevi S.p.A., leading the division involved with the field of underground engineering (“Trevi Division”), and Soilmec S.p.A., leading the division that manufactures and markets plants and equipments for the underground engineering, for well drilling - in order to extract hydrocarbons - and for water research (“Soilmec Division”).

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

### **Accounting Principles and Evaluation Criteria**

The Quarterly Report is drafted on a consolidated basis since the company is bound to draft the consolidated report.

The Group's consolidated financial statements for the third quarter 2002 have been drafted by using the same accounting principles, consolidation methods and foreign exchange conversion criteria adopted to prepare the Consolidated Financial Statements as at 31<sup>st</sup> December 2001, but with all necessary adjustments to reflect the peculiarity of an infra-annual situation limited to a nine month period, keeping into account that, as mentioned in the Report of the Board of Directors on the management's trend in the first semester 2002, the Group has already started - with begin from the third quarter – some initiatives aimed both at increasing some companies' equities by capital additions, on the basis of international accounting principles of reference, and keeping the accountancy in two currencies, in order to get rid of the remarkable distortions provoked by the main changes in exchange rates which upturned the Argentinean and Venezuelan economy over the last months.

Informative data here presented aren't, broadly speaking, significantly influenced by the use of estimation procedures different from those usually adopted in the drafting of yearly and six-month period consolidated accounts.

The quarterly report is not audited.

## **Main changes in the consolidation area**

The consolidation area as at 30th September 2002 didn't undergo changes with respect to as at 31st December 2001.

Herewith enclosed it is possible to see the structure of the Group as at 30<sup>th</sup> September 2002.

## **Quarterly performance**

The third quarter of the financial year 2002 was characterised by a decrease in consolidated total revenues which passed from 86,377 thousand € in the 3<sup>rd</sup> quarter of the previous accounting period to 83,716 thousand €. While activities in West Africa are continued with satisfying results, the quarter is still affected by the worsening of the currency crisis occurred in Argentina and Venezuela. The engineering sector showed a high seasonal degree and is affected by the postponement of some important job orders and deliveries of drilling rigs.

We expect a slight decrease in revenues in 2002 compared to the previous year.

## **Geographic area**

With regard to the geographic distribution of revenues, and compared to the third quarter 2001, there is a sharp drop of the Middle East market as well as an increase of the European market. In the other markets where the Group operates there has been a decrease compared to the same period of the previous year.

## **Product lines**

One of the operating events that once again characterised the third quarter 2002 was the reduced turnover of the sector involved with the production of well drilling rigs, due to the slowing down of deliveries in the Middle East area, following to the war crisis threatening that area. In Venezuela, instead, the activity of oil drilling services underwent a pause because of the OPEC's decision to cut the production of crude oil, and the following institutional crisis that, now, seems to be close to a gradual solution.

In the referenced quarter, revenues relevant to the "core business" increased by 13.34%, as far as foundation engineering services are concerned; the production of foundation rigs decreased by 16% compared to the third quarter 2001.

## **Divisions' results**

Soilmec engineering division achieved a production volume equal to 92.5 million € through the workshops in Cesena and Piacenza, with an EBIT of 4.9 million €

Trevi division, involved with the performance of soil engineering services, achieved - in the third quarter - a production volume of about 160 million €, mainly through the controlled companies in U.S.A., Hong Kong, Nigeria and in South America. While perspectives of the Venezuelan market for the 4th quarter are positive,

there are still uncertainties about the recovery of the foundation works in Argentina, which, in the third quarter, failed to achieve significant revenues. The EBIT of Trevi Division amounted to 3.5 million €

### **Margins**

At a consolidated level, the margins' trend followed the one of production: the EBITDA of the quarter passed from 5,161 to 9,101 thousand € while the Operating Income amounted to 1,679 thousand € (773 thousand € in the third quarter 2001). The net result before taxation and minority interests is positive for 3,121 thousand € following to the actions taken in this quarter by the South American companies. All problems linked to the profitability of activities performed in Italy – both directly and through consortia with other companies – are relieved in this quarter.

### **Main after-date events**

As far as Trevi Division is concerned, important job orders concerning consolidation works for the widening of the airport in Dubai, United Arab Emirates, have been awarded, for a total amount of 20 million US\$.

In the same United Arab Emirates job orders have been following awarded for 8.4 million € to be carried out in six oil winning fields in the desert of Abu Dhabi, for the excavation of deep wells within a project for the installation of a cathode protection system.

In Nigeria, on behalf of the Hyundai Korean group, special foundation works for the protection of oil on-shore plants will be executed. The amount of these works is 5.6 million €

Recently, in Alessandria, Egypt, there has been the inauguration of the new library, built on the place where the old one existed, which was destroyed about two thousand years ago. Works for about 60 million dollars were executed in quality of General Contractor for the special foundation works by a consortium made up by Trevi S.p.a., Rodio S.p.A. and Arab Contractors.

For the Board of Directors

Eng. Davide Trevisani

President

## *Abbreviated Consolidated Financial Statement of the Group*

**TREVI Group**  
**Quarterly Report**  
**Consolidated Profit and Loss Account**

*(in thousands of Euro)*

	01/01/2002- 09/30/2002	01/01/2001- 09/30/2001	IIIrd Quarter 2002	IIIrd Quarter 2001
<b>TOTAL REVENUES</b>	247,042	270,748	83,716	86,377
Changes in the stocks and work in progress, semi-manufactures and finished goods	(1,719)	7,019	(1,758)	2,306
Increases of fixed assets for internal works	5,629	3,340	1,947	914
<b>PRODUCTION VALUE</b>	<b>250,952</b>	<b>281,107</b>	<b>83,905</b>	<b>89,597</b>
Consumption of raw materials and external services	163,052	194,472	53,996	63,276
Other operating expenses	3,299	2,719	1,875	827
<b>ADDED VALUE</b>	<b>84,601</b>	<b>83,916</b>	<b>28,034</b>	<b>25,494</b>
Labour cost	60,524	63,232	18,933	20,333
<b>EBITDA</b>	<b>24,077</b>	<b>20,684</b>	<b>9,101</b>	<b>5,161</b>
Amortizations and depreciations	16,435	12,334	7,422	4,388
<b>OPERATING RESULT</b>	<b>7,642</b>	<b>8,350</b>	<b>1,679</b>	<b>773</b>
Financial proceeds (outlay)	(6,677)	(6,853)	(3,293)	(2,822)
Net exchange differences	(2,837)	49	5,193	(1,330)
Value adjustments of financial activities	(60)	(86)	(187)	(58)
Extraordinary proceeds (outlay)	(400)	204	(271)	(59)
<b>RESULT BEFORE TAXES AND MINORITY INTEREST</b>	<b>(2,332)</b>	<b>1,664</b>	<b>3,121</b>	<b>(3,496)</b>

**TREVI Group**  
**Consolidated Balance Sheet**

(in thousands of Euro)

12.31.2001		09.30.2002	09.30.2001	CHANGES
	<b>A) Fixed assets</b>			
7,207	- Intangible assets	5,724	7,624	(1,900)
126,999	- Tangible assets	132,931	114,252	18,679
3,206	- Long-term investments	4,326	1,468	2,858
<b>137,412</b>		<b>142,981</b>	<b>123,344</b>	<b>19,637</b>
	<b>B) Net working capital</b>			
83,013	- Inventories	98,402	98,971	(569)
100,940	- Accounts receivable	107,734	105,681	2,053
(91,286)	- Accounts payable (-)	(99,516)	(97,306)	(2,210)
(17,192)	- Advances (-)	(23,724)	(13,776)	(9,948)
936	- Other activities (liabilities)	(2,400)	(3,286)	886
<b>76,411</b>		<b>80,496</b>	<b>90,284</b>	<b>(9,788)</b>
<b>213,823</b>	<b>C) Invested capital less operating liabilities (A+B)</b>	<b>223,477</b>	<b>213,628</b>	<b>9,849</b>
<b>(8,258)</b>	<b>D) Severance indemnity (-)</b>	<b>(9,120)</b>	<b>(8,270)</b>	<b>(850)</b>
<b>205,565</b>	<b>E) NET INVESTED CAPITAL (C+D)</b>	<b>214,357</b>	<b>205,358</b>	<b>8,999</b>
	<i>Financed by:</i>			
<b>97,882</b>	<b>F) Stockholders' equity</b>	<b>89,957</b>	<b>105,498</b>	<b>(15,541)</b>
4,567	G) Minority interests	4,131	3,379	752
<b>103,116</b>	<b>H) Net financial position</b>	<b>120,269</b>	<b>96,481</b>	<b>23,788</b>
<b>205,565</b>	<b>I) TOTAL FINANCING SOURCES (F+G+H)</b>	<b>214,357</b>	<b>205,358</b>	<b>8,999</b>

**NET CONSOLIDATED FINANCIAL POSITION**

(in thousands of Euro)

12.31.2001		09.30.2002	09.30.2001	CHANGES
(53,150)	Short term borrowings from banks	(84,881)	(50,271)	(34,610)
(18,385)	Short term borrowings from other lenders	(26,597)	(14,743)	(11,854)
26,711	Short term cash	26,085	15,098	10,987
<b>(44,824)</b>	<b>Short term total</b>	<b>(85,393)</b>	<b>(49,916)</b>	<b>(35,477)</b>
(35,578)	Medium and long term borrowings from banks	(20,655)	(29,286)	8,631
(22,714)	Medium and long term borrowings from other lenders	(14,221)	(17,279)	3,058
<b>(58,292)</b>	<b>Medium and long term total</b>	<b>(34,876)</b>	<b>(46,565)</b>	<b>11,689</b>
<b>(103,116)</b>	<b>Net financial position</b>	<b>(120,269)</b>	<b>(96,481)</b>	<b>(23,788)</b>

***Notes to the Consolidated Financial Statement for the third quarter 2001***  
***In thousands of Euro***

**Notes to the key financial information**

Total revenues for the third quarter 2002 amount to 83,716 thousand € hence registering a decrease of 2,661 thousand € equal to 3.1 % compared to the corresponding period of the previous fiscal year.

The following tables report, respectively, the distribution per geographic area and per productive sector, of the revenues from sales and services and the change in the works in progress to order.

<b>Geographic area</b>	<b>IIIrd Quarter 2002</b>	<b>%</b>	<b>IIIrd Quarter 2001</b>	<b>%</b>	<b>Changes</b>
Italy	12,438	15.5%	14,007	16.6%	(1,569)
Europe (excluding Italy)	17,127	21.3%	7,810	9.2%	9,317
U.S.A. and Canada	15,189	18.9%	22,269	26.4%	(7,080)
Latin America	4,013	5.0%	6,991	8.3%	(2,978)
Africa	21,592	26.9%	5,344	6.3%	16,248
Middle East	2,591	3.2%	16,488	19.5%	(13,897)
Far East	7,381	9.2%	11,529	13.7%	(4,148)
<b>TOTAL</b>	<b>80,331</b>	<b>100%</b>	<b>84,438</b>	<b>100%</b>	<b>(4,107)</b>

The above prospect, besides highlighting the international status of the Group, also underlines a general decrease of revenues except for the European and African area, This decrease is mainly due to seasonal phenomena, the difficulties encountered by some companies of the Group in Latin America following the disorders recently occurred and the conclusion of some contracts.

The sales' drop in Middle East, mainly ascribable to the Soilmec Division, is due to the current wait for an American intervention in Iraq.

Anyway, the volume of the orders' portfolio guarantees a sound recovery, mainly in the African and American areas.

The distribution among the main sectors of activity of the Group is the following:

<b>Productive sector</b>	<b>IIIrd Quarter 2002</b>	<b>%</b>	<b>IIIrd Quarter 2001</b>	<b>%</b>	<b>Changes</b>
Production of special foundation rigs	15,240	19.0%	18,155	21.5%	(2,915)
Production of drilling rigs for oil, gas and water wells	14,011	17.4%	18,149	21.5%	(4,138)
Drilling activity	1,323	1.6%	4,151	4.9%	(2,828)
Special foundation works	49,286	61.4%	43,958	52.1%	5,328
Car parks	472	0.6%	25	0.0%	447
<b>TOTAL</b>	<b>80,331</b>	<b>100%</b>	<b>84,438</b>	<b>100%</b>	<b>(4,107)</b>

The main datum of this quarter 2002, also highlighted in the above prospect, is the temporary slowdown of the activity in the drilling sector, meant as production of well drilling rigs and mere drilling activity, In this connection, it is possible to refer to what stated above about the sales' drop of the Soilmec division and the reduced activity carried out by the controlled Petreven C.A. in Venezuela.

The traditional sector of foundation works and relevant production of rigs maintained its growth trend, although in a more contained way compared to the previous fiscal years.

The added value of the quarter equal to 28,034 thousand €(25,494 thousand in the third quarter 2001) proves to be aligned with the third quarter of the previous year.

The EBITDA for the quarter amounts to 9,101 thousand €(5,161 thousand €in the third quarter 2001), equal to 10.9% of total revenues, Compared to the previous year, the increase - both in absolute and percentage terms - is mainly ascribable to the positive results achieved by the job orders recently awarded in West Africa.

The operating income of the quarter is equal to 1,679 thousand €(773 thousand in the third quarter 2001), This result decreased due to amortizations and depreciations charges amounting to 7,422 thousand € The increase of amortizations compared to the same period of the previous year is due to the investments made by the Group following to the procurement of new job orders and the continuous research aimed at improving plants and rigs from a technological point of view, Provisions for possible credit and contractual risks have been carefully made, reaching an amount of 1.8 million €

Net financial charges for the first nine months of the fiscal year amount to 6,677 thousand € showing a slight decrease compared to the same period of the previous year.

The positive amount of exchange differences for the quarter of reference, amounting to 5,193 thousand € shows how operations undertaken in this period - as above mentioned - led to a correction of negative exchange differences with regard to 06/30/2002.

### **Notes to the main assets and liabilities**

The net invested capital of 214,357 thousand €increases of only 9 million €compared to 31<sup>st</sup> December 2001, and is partly ascribable to the investments made in plants and equipments and mostly in working capital.

The reduced activity of the first nine months in 2002 led to a reduced increase both of credits with clients and to the stocks in the storehouse.

Gross investments for the first nine months 2002 were equal to about 18,952 million € and refer to investments for rigs and equipment functional to job orders started during the quarter and also to contracts that will start in the following quarter.

Moreover drilling rigs have been capitalized which had been produced and then destined to leasing by the engineering division; anyway, it should be added that such equipments are often object of purchase and sale.

The storehouse as at 30th September 2002 amounts to 98,402 thousand €, on the up compared to as at 31st December 2001, which was equal to 15,389 thousand € (83,013 thousand € as at 31<sup>st</sup> December 2001).

The increase in inventories compared to 31st December 2001 is due both to the several deliveries foreseen in the next months in the engineering sector and to the change in the balance of works in progress which is mainly ascribable to the contracts managed by the controlled Trevi S.p.A. in Venezuela and in Italy.

### **Notes to the net financial position**

The net financial position of the Trevi Group, as shown in the relevant cash flow statement, was of 120,269 thousand € as at 09/30/2002, pointing out an increase compared to the one as at 12/31/2001 (equal to 103 thousand €), as effect of the increase of the circulating and fixed capital, and of a prolongation of collecting times from the clients.

Over the first nine months of 2002, the Group managed to contain the level of the money cost, although in presence of contrasting signals.

