

TREVI - Finanziaria Industriale S.p.A.

Registered office in Sede in Cesena (FC) Via Larga n. 201 Italy

Share capital Euro 32.000.000

Tax code, VAT no. and Forlì-Cesena business registry: 01547370401

Forlì – Cesena Chamber of Commerce Business Register No. 201,271

Adoption of the Self-Regulatory Code of Conduct for Listed Companies - Annual Report as at 31 December 2006

Adoption of the Self-Regulatory Code of Conduct for Listed Companies

In March 2006 the Committee for Corporate Governance published a new self-regulatory code of conduct for listed companies which replaced that introduced in 1999 and amended in 2002; pursuant to the ruling of the Mercato Organizzati e Gestiti by Borsa Italiana S.p.A. section IA.2.6 and that confirmed in statements published jointly by Borsa Italiana and Assonime on 16 November 2006, the present instruction will make reference to the preceding version of the code of 2002; in an appropriate section information will be given regarding the adoption by the end of 2006 of the Code published in March 2006.

The company has adopted the general principles of the Self-Regulatory Code of Conduct (2002 version) as a means of improving its own corporate governance rules and internal organization and in order to direct management to the creation of shareholder value and to reflect positively also on other stakeholders (clients, creditors, suppliers, employees, the community and general social environment).

This report, which will be available to shareholders, together with the necessary documentation for the Annual General Meeting to approve the Financial Statements, and at the same time forwarded

to Borsa Italiana and posted on the company website, will inform the market and shareholders of the internal corporate governance of the company and its adoption of the Self-Regulatory Code of Conduct. The organizational structure of TREVI – Finanziaria Industriale S.p.A. is based on the traditional model where management is assigned exclusively to the Board of Directors, the central governing body of the company; the supervisory functions are assigned to the Board of Statutory Auditors and accounting verification to the independent auditors appointed by the Shareholders Meeting.

BOARD OF DIRECTORS

The regulations governing corporate entities emphasise the central role of the Board of Directors as the governing body and details its relations with other corporate entities. Article 23 of the company articles vests the Board of Directors with the most wide-ranging and unlimited powers for the ordinary and extraordinary management of the company, excluding only those matters that by law are explicitly reserved for the Shareholders' Meeting.

Meetings of the Board of Directors are convened by the Chairman or, in his absence or in the event of incapacity, by the Managing Directors or by written request of at least one member of the board or a member of the Board of Statutory Auditors to be sent to members of the Board of Directors and Board of Auditors at least three days before the meeting, containing a summary of the agenda to be discussed. Board meetings can also be held via video or teleconference. Timely information on the agenda for discussion is provided to all Board members and auditors. The Board of Directors meets regularly, at least every two months, and has the main responsibility of defining the strategic objectives of all the operating companies and ensuring their achievement. The Board is responsible for:

- defining the operating structure of the group and deciding on the setting up and/or closure of operating companies
- examining and approving the annual and quarterly strategic, financial and industrial plans of the Group companies and periodically comparing the results achieved with those planned
- assigning and revoking the powers of the Managing Directors and defining the limits and ways in which they will be exercised; at the first board meeting of the year the activities carried out through the exercise of the powers received or granted in the period will be discussed;
- examining and approving any operations of significant impact on

the assets, the economic or financial position of the company; with reference to operations with related parties when approved by the independent board members; in cases under Article 2391 of the Civil Code, “board members’ interests”, the Board must vote with the abstention of those having an interest

- deciding on the acquisition of companies and investments in fixed assets
- appointing the directors of directly controlled companies
- deliberating the recruitment of senior management in the parent company and in the subsidiaries, as well as the remuneration and incentive schemes of senior management
- regulating the conduct of subsidiaries in inter-group transactions
- monitoring the regular progress of management with particular attention to possible conflicts of interest, in particular taking into account information received from the Managing Directors and from the general managers of the operating companies, and referring to shareholders in Shareholders’ Meetings.

The company articles state that the Board of Directors must be composed of a minimum of three and a maximum of eleven members.

The Board of Directors, as appointed on 30 April 2004, is composed of nine members, four executive members and five independent non-executive members

On 31 July 2006, the Board of Directors accepted the resignation of the independent non-executive member, Roberto Pinza, and co-opted Franco Mosconi as an independent non-executive member.

Table 1) shows the current composition of the Board of Directors and Committees. The current Board of Directors expires with the approval of the Reports and Accounts as at 31 December 2006.

Pursuant to Article 30 of the company articles, the Chairman of the Board of Directors is responsible for signing on behalf of and representing the company with third parties and in court. Within the limits of the powers accorded them, the Managing Directors can also represent and sign on behalf of the company.

The three Managing Directors, one of which is the Chairman, have wide-reaching powers for the ordinary management of the company, a choice motivated by and connected to the activities of the Group, which is an industrial holding company that provides services predominantly for other group companies.

On the occasion of the last renewal of corporate appointments at the Shareholders Meeting of 30 April 2004, the curriculum vitae of each candidate was deposited at the company’s registered office.

During 2006, the Board of Directors met eight times.

The company articles do not stipulate a minimum frequency for board meetings.

The remuneration of Board Members, detailed in the Notes to the Accounts for the financial year 2006, is not linked to the company's results or the achievement of specific objectives. The Report of the Board of Directors also contains details of the shareholdings of each member of the Board of Directors in the parent company and in its subsidiaries.

Corporate positions held by board members in other companies listed on regulated markets are given below:

- Pio Fabbri Teodorani:
- Member of the Boards of IFIL S.p.A. and I.F.I. S.p.A. Important positions held in unlisted companies of significant size: Member of the Board of Lloyd Adriatico S.p.A. (Allianz Group), of which he is a member of the executive committee, and a member of the Managing Board of Assonime.
- During the 2005 financial year, the Member of the Board, Claudio Antonio Guglielmo Moscato, ended his mandate as a Member of the Board of ENI S.p.A. and member of the internal control committee and of the oil and gas committee; he is currently the President of Eni Corporate University.

In order to improve operating ability and policy making and to adhere to the Self-Regulatory Code of Conduct for Listed companies, the Board of Directors has set up two committees.

COMMITTEE FOR DIRECTORS' REMUNERATION

The company has set up the Committee for Directors' Remuneration which is composed of three independent non-executive members. The Board of Directors of 15 May 2004 appointed as committee members the independent non-executive board members, Avv. Mario Amoroso (Chairman) and Ing. Enrico Bocchini, and, at the Board of Directors meeting of 13 November 2006, appointed the third member of the committee, Dott. Franco Mosconi; this takes account of the fact that the Board of Directors was nominated at the Shareholders Meeting of 30 April 2004 and its mandate expires with the approval of the 2006 Financial Statements.

INTERNAL CONTROL COMMITTEE

The company has set up the Internal Control Committee, composed of three independent non-executive members. At the meeting of the Board of Directors of 15 May 2004, the independent non-executive

board members, Avv. Mario Amoroso (Chairman) and Ing. Enrico Bocchini, were appointed as committee members, and, at the meeting of the Board of Directors of 13 November 2006, the third member of the committee, Dott. Franco Mosconi, was appointed. The committee reported every six months to the Board of Directors and met three times in the course of the financial year. The President of the Board of Statutory Auditors was also present at these meetings.

COMMITTEE FOR BOARD APPOINTMENTS

A Committee for Board Appointments, as suggested in the Self-Regulatory Code, has not been set up. Nominations to the Board are put forward by shareholders, and in particular the majority shareholders, who make a provisional selection from among the nominations.

BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors, pursuant to Article 149 of Decree Law n. 58/98 monitors the correct observance of the law and of the company memorandum of association with regard to management and the adequacy of the management structure of the company; it monitors those aspects of the internal control, administrative and accounting systems that fall within its remit

The Board of Statutory Auditors is made up of three statutory and two alternate members elected for a period of three years by the Shareholders' Meeting of 30 April 2004 and due to expire with the approval of the 2006 Financial Statements. Table 2) shows the composition of the Board of Statutory Auditors, the number of meetings held during the financial year and attendance percentage at each meeting.

Pursuant to Article 18 of the company articles, and barring any incompatibilities under the law, members may not be elected if they already act as a member of the Board of Statutory auditors in more than five other companies listed on regulated markets, excluding those companies which directly or indirectly control the company or are controlled by it, or if they do not have the necessary good name and professionalism as required by the law.

Minority shareholders have the right to elect one statutory and one alternate auditor; those shareholders who alone or collectively hold shares representing at least 3% of the share capital have the right to propose lists of candidates for election.

The lists must be deposited at the company's registered office at least five days before the date of the Shareholders' Meeting and

must be published in at least one national daily newspaper within the same period.

No minority shareholders presented a list of candidates at the Shareholders' Meeting of 30 April 2004, when the sitting Board of Statutory Auditors was appointed.

In the financial year 2006, the Board of Statutory Auditors met thirteen times; the Board of Statutory Auditors was fully represented at all eight Board of Directors Meetings.

None of the statutory or alternate auditors hold the position of Director or Auditor in other companies listed on regulated markets.

INDEPENDENT AUDITORS

The auditing of the accounts is assigned to a company of auditors listed on the official register of accounting auditors, as required by law, and is appointed by the Shareholders' Meeting. The current auditors are PricewaterhouseCoopers S.p.A., which was appointed for three years at the Shareholders' Meeting of 13 May 2005 and whose mandate expires at the approval of the 2007 Financial Statements.

SHAREHOLDERS' MEETING

The Shareholders' Meeting, when the Directors of the Company meet with its shareholders, is both ordinary and extraordinary, under the law, and any decisions taken in compliance with the law and the company articles are binding on all shareholders.

To enable shareholder participation, proxy votes are permitted in pursuant to enacted law. The company has not adopted procedural regulations given the limited number of shareholders present, which has always permitted the meeting to be held in an orderly manner with those present able to take part in any discussion. At the Ordinary and Extraordinary Shareholders' Meeting of 28 April 2006, the shareholders were given appropriate information on the company's adoption of the Self-Regulatory Code for Listed Companies; those shareholders present at the meeting were offered the possibility of a guided visit of the Cesena production facilities; the initiative was aimed at giving them a fuller understanding of the company and was an important opportunity for shareholders and the company management to meet and exchange ideas.

On 13 September 2006 an Extraordinary Shareholders' Meeting was held which, pursuant to articles 2443 and 2441 of the Civil Code, gave the Board of Directors a mandate to increase the share capital, in one or more occasions, for a maximum period of five years

from the date of deliberation, and for a maximum nominal amount equivalent to 10% (ten per cent) of the issued share capital at the time the mandate was given without taking into account any eventual share price premium. The amount was to be raised from the issue of 6,400,000 (six million four hundred thousand) ordinary shares of nominal value Euro 0.50 (zero point fifty) each, with the Board having the ability to (i) hold a rights issue and/or (ii) reserve all or part of the shares for Italian or foreign institutional investors thereby circumscribing the subscription rights. The mandate was exercised by the Board of Directors at the meeting of 23 November 2006 when it voted in favour of a share capital increase, with no subscription rights, to service the indirect conversion rights of the underwriters of the convertible bonds, of 6,194,690 ordinary shares of nominal value Euro 0.50 each. Details of the Indirect Convertible Bond Loan are given in the Notes to the 2006 Parent Company Accounts.

THE COMPANY ARTICLES

The current company articles, approved by the Extraordinary Shareholders' Meeting of 13 September 2006, are deposited with Borsa Italiana and available on the company website. There are 37 articles. The Board of Directors' report commenting and presenting the proposed new company articles has also been properly deposited at the registered offices of Borsa Italiana S.p.A. and is available to shareholders. The Extraordinary Shareholders' Meeting to approve new company statutes in accordance with Law 262/2005 and subsequent amendments has been convoked for a first calling on 30 April 2007 and a second calling on 7 May 2007; the Board of Directors report commenting and presenting the new articles will be deposited at the company's registered offices and Borsa Italiana and available to shareholders according to law.

COMMUNICATION WITH SHAREHOLDERS AND INSTITUTIONAL INVESTORS

To facilitate an open dialogue with all shareholders and, in particular, with institutional investors, the company has nominated a person to be responsible for financial communications (the Investor Relations Manager) and to make available information released by the company (reports and accounts, reviews, press releases) on its website, www.trevifin.com, both in Italian and English. In the financial year 2006 the website was updated and it is now possible not only to obtain available information on the parent company but also to access the websites of its main subsidiaries.

Contact details of the Investor Relations Manager are:

Stefano Campana

Tel. -39 (0)547-319411

Fax: -39 (0)547-319313

e-mail: scampana@trevifin.com

The company promotes regular meetings with institutional investors and, in conjunction with AIAF (The Italian Association of Financial Analysts), organises twice yearly presentations at the Italian Stock Exchange in Milan to the financial community for its half-year and full-year results and the strategies of the principal business sectors. In the last financial year, the company actively promoted meetings with the financial community involving a guided tour of its production facilities as well as one-to-one meetings with individual shareholders and investors both in Italy and abroad. The company intends to follow the guidelines of the “Guida per l’informazione al mercato” (Guide for communicating with the market) compiled by Forum ref. and Borsa Italiana for its corporate communications.

The calendar of corporate events has been sent by NIS to the Italian Stock Exchange and is available on the company website.



2006 was a positive year for the Italian stock market; the Mibtel index rose 17.9%. “Trevi” shares had the second strongest performance over the year of all shares listed on the Milan stock exchange rising 113.7%. This followed a 274.7% rise in the share price in 2005 and was accompanied by a strong increase in daily traded volumes. The share price at the balance sheet date was Euro 9.40. The market particularly appreciated the organic growth strategy of the company in all its main markets and the further significant improvement in all its principal financial and economic figures.

SHARE CAPITAL

The issued share capital of TREVI – Finanziaria Industriale S.p.A. at 31 December 2006 totaled Euro 32,000,000 fully paid-up and comprising 64,000,000 ordinary shares of nominal value Euro 0.50 each.

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

At 31 December 2006, from data held by CONSOB, JP Morgan Asset Management (UK) Ltd had a holding that exceeded 2% of the company share capital, namely 2.135%; on 31 January the company declared that it had increased its stake to 5.178%.

Shares held by board members and statutory auditors are listed in the Notes to the 2006 Financial Statements.

At 31 December 2006, the company held none of its own shares either directly or through its subsidiaries.

ADDITIONAL INFORMATION

The attachment, Table 3), has been included, as directed in the guide to the preparation of the corporate governance review by Assonime, to give other information and estimates under the Self-Regulatory Code.

CODE OF ETHICS

On 13 November 2006 the Board of Directors approved an internal code of ethics which is available on the company website

NEW SELF-REGULATORY CODE OF PRACTICE

As mentioned above, in March 2006 a new Self-Regulatory Code of Practice was published, seven years after the original version, by the Corporate Governance Committee of the Italian Stock Exchange. The new code, with the growing awareness of best practice and the efficacy of good corporate governance in evaluating and protecting the investment of a company's shareholders, requires all listed Italian companies to strengthen their own governance systems.

The company will adopt this new code in its entirety during the 2007 financial year, also because of the imminent renewal of the directors' mandates due with the approval of the 2006 Financial Statements; to date, the company has already adopted some of the principles contained therein. Franco Mosconi has been named as the third independent non-executive member of the Internal Control Committee and of the Committee for Board Members Remuneration; Gianluigi Trevisani has been named Executive Administrator to monitor the

functioning of the internal control system; and authorization has been given for the task of strengthening and implementing the internal control system to be given to a company of consultants. A review of corporate governance will be included in the Financial Statements to 31 December 2007, pursuant to the March 2006 edition of the Self-Regulatory Code.

Law 262/2005 for the protection of savings and investments, with subsequent modifications and amendments, has led to a substantial change in the regulations for listed companies regarding the administrative bodies, controls and governance, which has also led to companies giving added emphasis to the application of best practice.

TABLE 1: STRUCTURE OF BOARD OF DIRECTORS AND COMITEE

Board of Directors						Internal Control Committee	Remuneration Committee	Committee Appointments#	Executive Committee					
Position Held	Member	Executive	Non-Executive	Independent	****	Number of positions held **	***	****	***	****	***	****	***	****
Chairman and Managing Director.	Trevisani Davide	X			100%									
Deputy Chairman and Managing Director	Trevisani Gianluigi	X			87,5%									
Managing Director	Trevisani Cesare	X			87,5%									
Board Member	Trevisani Stefano	X			75%									
Board Member	Amoroso Mario		X	X	75%	X	67%							
Board Member	Moscato Guglielmo		X	X	50%									
Board Member	Teodorani Fabbri Pio		X	X	75%									
Board Member	Bocchini Enrico		X	X	87,5%	X	100%							
Board Member	Pinza Roberto		X	X	25%									
Board Member	Franco Mosconi		X	X	80%	X								
° Summary of reasons for any absence from the committee, or different composition from that recommended in the code of practice:														
°° Summary of reasons for any absence from the committee, or different composition from that recommended in the code of practice:														
# Summary of reasons for any absence from the committee, or different composition from that recommended in the code of practice: Not envisaged														
Number of meetings held during the year in question	Board of Directors:	Internal Control Committee:		Remuneration Committee:		Committee Appointments:		Executive Committee:		Executive Committee:				
	8	3		---		---		----		---				

NOTES:

*The asterisk indicates if the board member has been appointed by minority shareholders.

** This column indicates the number of appointments held by board members or auditors in other companies quoted on regulated markets, including overseas, in finance, banking, insurance companies or of relevant size. In the corporate governance report appointments are given in greater detail.

*** In this column, the "X" denotes a board member appointed to a committee.

**** This column indicates the attendance percentage of members at board and committee meetings.

As indicated in the corporate governance report, the remuneration committees and the internal control committees are been supplemented with a third component by the Board of Directors resolution of 13th November 2006

In 31st July 2006 meeting, the Board of Directors took note of Roberto Pinza's resignation, the independent and not executive Director, and it provided to co-opt Franco Mosconi

TABLE 2: BOARD OF AUDITORS

Carica	Members	Attendance percentage at auditors' meetings	Number of other appointments**
Chairman	Leonardi Adolfo	100%	
Statutory auditor	Alessandri Giacinto	100%	
Statutory auditor	Poletti Giancarlo	100%	
Statutory auditor	Daltri Giancarlo	----	
Statutory auditor	Alessandri Marco	----	

Number of meetings held in the business year in question: 12

Required quorum for minority shareholders presenting lists of election candidates for one or more statutory members (from art. 148 TUF): at least 3% of the total capital stock

NOTE:

* The asterisk indicates if the auditor has been appointed by minority shareholders.

** This column indicates the number of appointments held by board members or auditors in other companies quoted on regulated Italian markets.

In the corporate governance report these appointments are given in greater detail.

TABLE 3: OTHER PROVISIONS OF THE SELF-REGULATORY CODE OF PRACTICE

	YES	NO	Summary notes for any diversions from the recommendations of the code
System of delegation and operations with other associated parties			
Has the Board delegated powers defining their:			
a) limits	x		
b) implementation methods	x		
c) reporting intervals?	x		
Does the board retain the right to examine and approve operations with a significant effect on assets or on the economic and financial standing of the company (including those with other associated parties)?			
	x		
Has the board set guidelines and defined criteria to identify "significant" operations?			
	x		
Are the above guidelines and criteria described in the report?			
	x		
Has the board defined appropriate procedures to examine and approve operations with other associated parties?			
	x		
Are the procedures for approving operations with associated parties described in the report?			
	x		
Procedures for appointing the most recent board members and auditors			

Was notice of the candidature for board membership deposited at least ten days in advance?	x
Was the candidature for board membership accompanied by complete information?	x
Was the candidature for board membership accompanied by indications that s/he was suitably qualified as independent?	x
Was notice of the candidature as an auditor deposited at least ten days in advance	x
Was the candidature notice accompanied by complete information?	x

General Shareholder Meetings

Has the company approved a regulation procedure?	x	Limited number of shareholders present
Is the regulation procedure attached to the report (or is there an indication where it can be obtained/downloaded)?		

Internal Control

Has the Company appointed personnel responsible for internal control?	x
Organisational unit responsible for internal control (from article. 9.3 of the code)	Consolidated Balance Sheet and Management Control Office

Investor relations

Has the company appointed an investor relations manager?	x
Organisational unit and contact details (address/telephone/fax/e-mail) of the investor relations manager	Campana Stefano based at the Company's registered office in Cesena (FC) Via Larga, 201 - tel. 0547-319411 fax 0547-319313 E mail: scampana@trevifin.com

Internal Dealing

In the 2006 financial year there were eighteen communications concerning internal dealing by the company Managing Directors, Davide Trevisani (also in the person of his wife, Caterina Santagata), Gianluigi Trevisani, Cesare Trevisani; by Simone Trevisani, Managing Director of the subsidiary Soilmec S.p.A.; and by the Administrative and Finance Director, Daniele Forti (in the person of his wife, Anna Biscaglia). All these communications were deposited with Borsa Italiana and are available on its website.