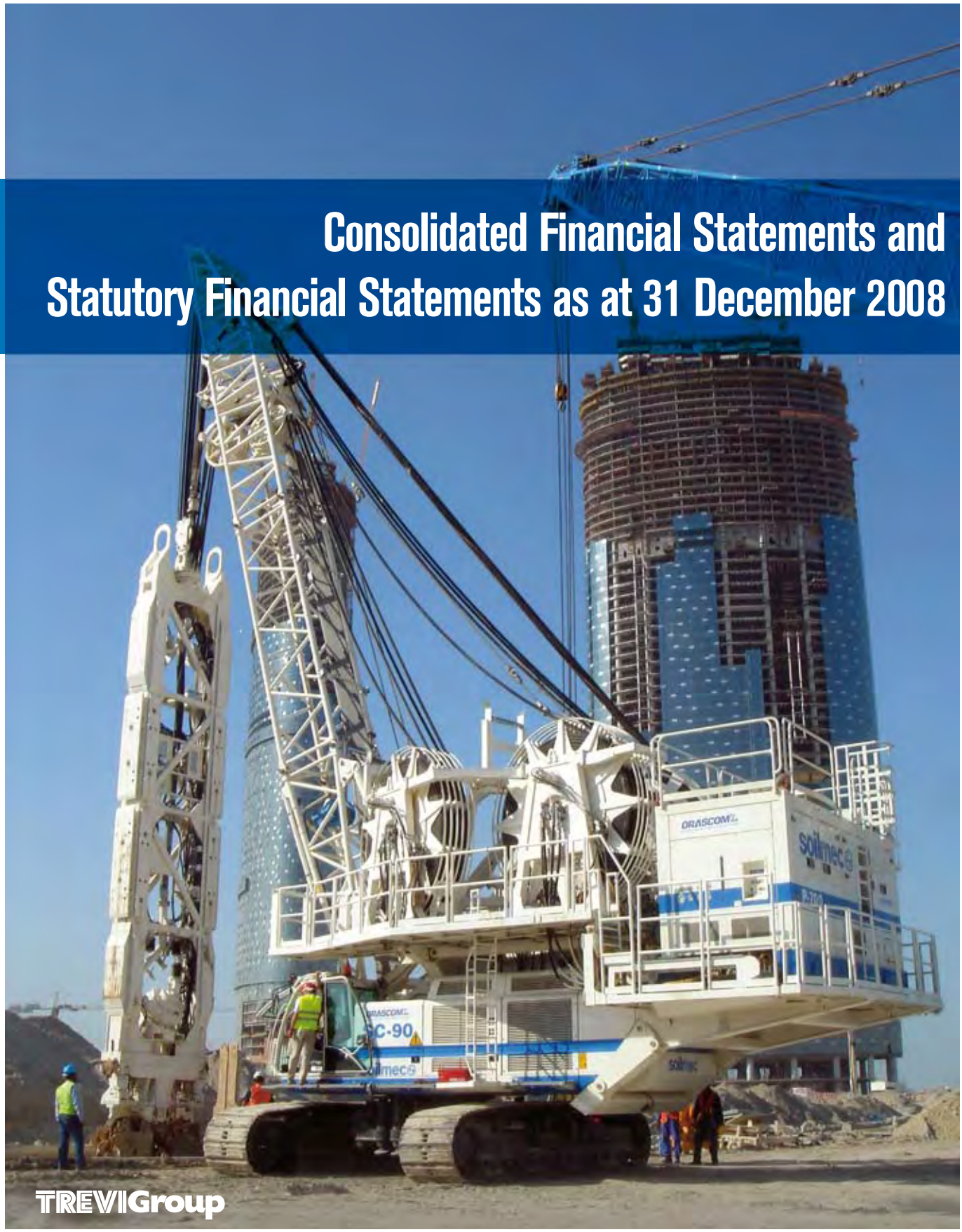
TREVI - Finanziaria Industriale S.p.A.

# Consolidated Financial Statements and Statutory Financial Statements as at 31 December 2008




TREVIGroup

TREVI Group

# TREVI - Finanziaria Industriale S.p.A.

## Consolidated Financial Statements and Statutory Financial Statements as at 31 December 2008

TREVI – Finanziaria Industriale S.p.A.
Registered Office Cesena (FC) - Via Larga 201 - Italy
Share capital Euro 32,000,000
Forlì – Cesena Chamber of Commerce Business Register No.201,271
Tax code, VAT no. and Forlì – Cesena Business Registry: 01547370401
Website: www.trevifin.com

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## BOARD OF DIRECTORS

**Chairman**
Davide Trevisani

**Managing Directors**
Gianluigi Trevisani
Cesare Trevisani
Stefano Trevisani

**Directors**
Riccardo Pinza
Guglielmo Antonio Claudio Moscato
Pio Teodorani Fabbri
Enrico Bocchini
Franco Mosconi

**Board of Statutory Auditors**

**Statutory Auditors**
Adolfo Leonardi (Chairman)
Giacinto Alessandri
Giancarlo Poletti
**Supplementary Auditors**
Silvia Caporali
Giancarlo Daltri

**Committee for Internal Audit and Remuneration**
Enrico Bocchini – Independent Director - Chairman
Franco Mosconi - Independent Director
Riccardo Pinza - Independent Director

**Group Chief Financial Officer**
Daniele Forti
Appointed manager responsible for the preparation of company accounts by the Board of Directors on 14 May 2007

**Lead Independent Director**
Enrico Bocchini

**Independent Auditors**
Reconta Ernst & Young S.p.A

# BOARD OF DIRECTOR

Davide Trevisani
TREVI Fin. & Ind. S.p.A. - Chairman

Gianluigi Trevisani
TREVI Fin. & Ind. S.p.A. - CEO & Director

Cesare Trevisani
TREVI Fin. & Ind. S.p.A. - CEO & Director

Stefano Trevisani
TREVI Fin. & Ind. S.p.A. - CEO & Director

# KEY PEOPLE
## Gruppo TREVI

Simone Trevisani
SOILMEC CEO

Leonardo Biserna
TREVI General Manager Foreign Dpt.

Claudio Cicognani
DRILLMEC CEO

Antonio Arienti
TREVI General Manager Domestic Dpt.

Stefano Mancini
DRILLMEC General Manager

Daniele Vanni
TREVI Design, R&D Executive Manager

Daniele Forti
Group CFO

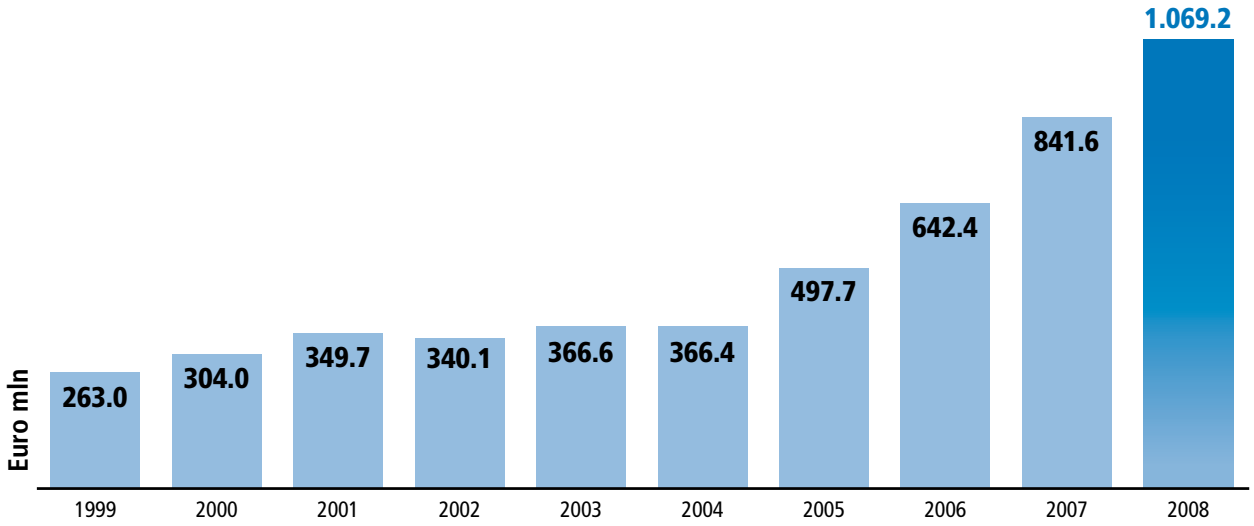
Sergio Alessandro
GROUP HR Executive Manager

Fabio Marcellini
PETREVEN General Manager

Federico Pagliacci
SOILMEC General Manager

## KEY FIGURES[1]

| | (Euro 000) 31/12/2008 | (Euro 000) 31/12/2007 | change |
|---|---|---|---|
| Value of production | 1,201,784 | 878,928 | 36.7% |
| Total revenues | 1,069,155 | 841,606 | 27.0% |
| Value added | 313,212 | 255,601 | 22.5% |
| as % of Total revenues | 29.3% | 30.4% | |
| Gross operating profit | 166,307 | 134,028 | 24.1% |
| as % of Total revenues | 15.6% | 15.9% | |
| Operating profit | 127,601 | 103,954 | 22.7% |
| Operating profit/Total revenues | 11.9% | 12.4% | |
| Group net profit | 74,661 | 55,788 | 33.8% |
| Gross technical investments [2] | 117,230 | 50,329 | 132.6% |
| Net invested capital [3] | 557,422 | 306,118 | 82.1% |
| Net debt [4] | (322,084) | (142,642) | -125.8% |
| Total net equity | 235,339 | 163,476 | 44.0% |
| Group net equity | 226,436 | 156,475 | 44.7% |
| Minority interests | 8,903 | 7,001 | 27.2% |
| Employees (no.) [5] | 5,898 | 5,067 | |
| Order portfolio | 1,108,962 | 709,258 | 56.4% |
| Earnings per share (Euro) | 1.178 | 0.875 | |
| Fully diluted earnings per share (Euro) | 1.107 | 0.821 | |
| Net operating profit/ Net invested capital (R.O.I.) | 22.89% | 33.96% | |
| Net profit/ Net equity (R.O.E.) | 31.8% | 34.1% | |
| Net operating profit/ Total revenues (R.O.S.) | 11.9% | 12.4% | |
| Net debt/ EBITDA | 1.94 | 1.06 | |
| EBITDA /Net financial income (costs) | 9.68 | 9.82 | |
| Net debt/Total net equity (Debt/Equity) | 1.37 | 0.87 | |




(1) Values are reconciled with the Balance Sheet values at the foot of the Consolidated Income Statement and Balance Sheet tables below.
(2) See note (1) of the Consolidated Balance Sheet (changes in intangible fixed assets).
(3) See relevant table in the Review of Operations.
(4) See relevant table in the Review of Operations and in the Notes to the Accounts.
(5) See note 25 of the Consolidated Income Statement.

# BOARD OF DIRECTORS REVIEW OF OPERATIONS FOR THE CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS AT 31 DECEMBER 2008

Dear shareholders,

We present the Consolidated Financial Statements of TREVI - Finanziaria Industriale S.p.A. (henceforth "the Company") and its subsidiaries ("TREVI Group") at 31 December 2008 prepared according to IAS/IFRS accounting standards. Revenues totalled about Euro 1,069 million (+27%) and Group net profit was Euro 74.7 million (+33.8%); earnings per share increased to Euro 1.178 from Euro 0.87 and fully diluted earnings per share was Euro 1.107. This is, therefore, the fourth consecutive year of growth, a reflection of the Group's presence in markets worldwide but also of our strategy based on the sectors of Special Foundations and of Drilling.

2008 confirms the growth trend in both sectors. The results reflect the performance of the Mechanical Engineering Division which had an increase in total revenues of about 30.6% and gross operating profit that rose by 8.4%. The Special Foundations and Drilling Services Division had excellent growth in revenues of about 28.5% and a 42.5% increase in the gross operating profit. At the end of the financial year, the Group had an order backlog worth about Euro 1,109 million (+56.4%). Net debt was Euro 322 million, a deterioration of 126% year-on-year.

The gradual internationalization of TREVI Group continued apace. Revenues in foreign markets grew 83% and accounted for 88% of total consolidated revenues.

The Value of Production rose from Euro 879 million to Euro 1,202 million (+36.7%), in part due to a Euro 50 million increase in fixed assets for internal use. These fixed assets were mainly machinery built by companies in the Mechanical Engineering Division for use by companies in the Special Foundations and Drilling Services Division.

**TREVI GROUP**
**Consolidated Income Statement**

(Euro 000)

| | 31/12/2008 | 31/12/2007 | change | % |
|---|---|---|---|---|
| **TOTAL REVENUES (6)** | **1,069,155** | **841,606** | **227,549** | **27.0%** |
| Changes in inventories of finished and semi-finished products | 82,351 | 10,864 | 71,487 | |
| Increase in fixed assets for internal use | 50,278 | 26,063 | 24,215 | |
| Other non-ordinary operating revenues | 0 | 395 | (395) | |
| **VALUE OF PRODUCTION (7)** | **1,201,784** | **878,928** | **322,856** | **36.7%** |
| Raw materials and external services (8) | 878,107 | 613,607 | 264,500 | |
| Other operating costs (9) | 10,465 | 9,720 | 745 | |
| **VALUE ADDED (10)** | **313,212** | **255,601** | **57,611** | **22.5%** |
| Personnel expenses | 146,904 | 121,573 | 25,332 | |
| **GROSS OPERATING PROFIT (11)** | **166,307** | **134,028** | **32,279** | **24.1%** |
| Depreciation | 32,398 | 26,432 | 5,966 | |
| Provisions and write-downs | 6,308 | 3,642 | 2,666 | |
| **OPERATING PROFIT (12)** | **127,601** | **103,954** | **23,647** | **22.7%** |
| Financial revenue/ (expenses) (13) | (17,176) | (13,652) | (3,524) | |
| Gains/ (losses) on exchange rates | (1,250) | (4,428) | 3,178 | |
| Profit/ (loss) from associates | 0 | 0 | 0 | |
| **PRE-TAX PROFIT** | **109,175** | **85,874** | **23,302** | **27.1%** |
| Tax | 31,820 | 28,074 | 3,746 | |
| Minorities | 2,694 | 2,012 | 682 | |
| **GROUP NET PROFIT** | **74,661** | **55,788** | **18,874** | **34.0%** |

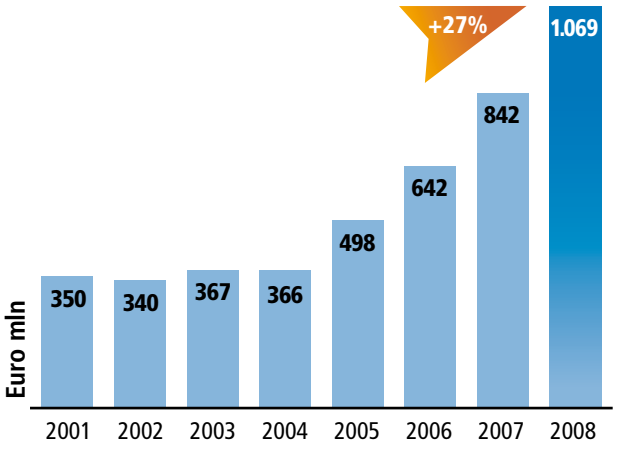
The Income Statement above, and the related notes, are a reclassified summary of the Consolidated Income Statement

(6) Total revenues include the following items: revenues from sales and services and other operating revenues, excluding those of an extraordinary nature.
(7) Value of production includes the following items: revenues from sales and services, increases in capitalised work for internal use, other operating revenues, changes in inventories of finished products and of work in progress.
(8) The entry, Consumption of raw materials and external services, includes the following items: raw materials, changes in inventory of raw materials, other material input costs, and other miscellaneous operating costs not included in other operating costs (Note 26).
(9) For further details on the item Other operating costs, see Note 26 of the Consolidated Income Statement
(10) Value added is the sum of the value of production, raw material costs and external services, and other operating costs.
(11) EBITDA (gross operating profit) is an economic indicator not defined by IFRS, adopted by TREVI Group beginning with the Consolidated Financial Statements at 31 December 2005. EBITDA is a measure used by Trevi's management to monitor and evaluate the operating performance of the Group. The management believes that EBITDA is an important parameter for the measurement of Group performance insofar as it is not influenced by the volatility generated by the various factors used in determining taxable income, by the amount and nature of capital employed and by depreciation policies. At the current date (in the absence of more detail concerning the evolution of alternative corporate performance measurement criteria), EBITDA (earnings before interest, taxes, depreciation and amortisation) is defined by Trevi as profit/loss for the period gross of depreciation and amortisation of tangible and intangible fixed assets, provisions and devaluations, financial income and expenses, and taxes.
(12) EBIT (operating profit) is an economic indicator not defined by IFRS, adopted by TREVI Group beginning with the Consolidated Financial Statements at 31 December 2005. EBIT is one of the measures used by Trevi's management to monitor and evaluate the operating performance of the Group. The management believes that EBIT is an important parameter for the measurement of Group performance insofar as it not influenced by the volatility generated by the impact of various factors used in determining taxable income, the amount and nature of capital employed and by depreciation policies. EBIT (earnings before interest and taxes) is defined by Trevi as profit/losses for the period gross of financial income and expenses and taxes.
(13) The entry, financial income/ (expenses), includes the following items: financial income (Note 28) and (financial expenses) Note 29.

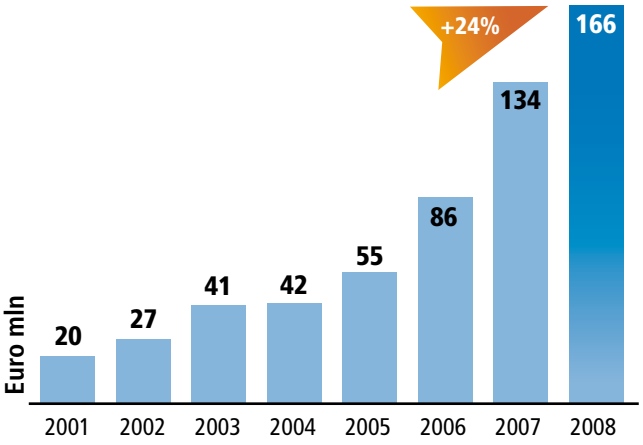
The Value Added increased by Euro 57.61 million, from Euro 255.6 million to Euro 313.2 million (+22.5%); as a percentage of total revenues it was 29.3% (30.4% in 2007). The gross operating profit was Euro 166.3 million (+24%), 15.6% of revenues; in 2007, it was Euro 134 million, 15.9% of revenues. After depreciation of Euro 32.4 million and provisions of Euro 6.3 million, the operating result was Euro 127.6 million, an increase of 22.7% (and 11.9% of total revenues); in 2007, the operating profit was Euro 103.9 million (12.4% of total revenues).

Net financial costs were Euro 17.2 million and rose by Euro 3.5 million compared to 2007. Net exchange rate losses were Euro1.2 million (Euro4.4 million in 2007). Regarding the latter, it should be highlighted that the operating economic benefits generated in Venezuela by the translation of values originally in currencies other than the Euro used by clients to meet their contractual obligations have been classified under the entry, Revenues for sales and services; for comparative purposes only, the numbers pertaining to similar transactions in 2007 have been reclassified.
The pre-tax profit was Euro 109.2 million (+27.1%), which, net of current, deferred and prepaid taxes gave Group net profit of Euro 74.7 million.

## Revenues



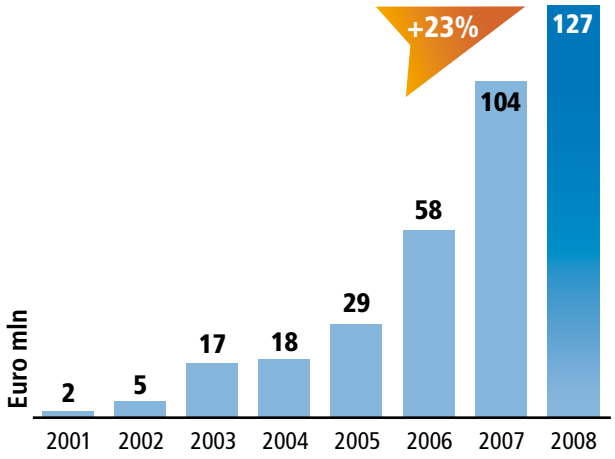

## EBITDA



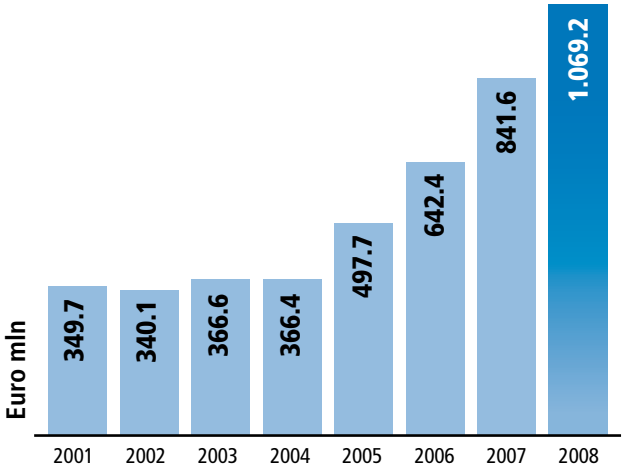
The strong presence of the Group in international markets has already been alluded to and is obvious in the percentage of revenues made outside Italy, 88% of total revenues; the weight of Italian sales on Group revenues fell slightly compared to the previous financial year and was around 12%; this reflects a decline in activity mainly attributable to the contraction in the domestic market.

Sales in the Rest of Europe increased by Euro 39 million or 28.5%. The weight of Middle East revenues on total revenues rose sharply from 22.4% to 34%, growth of Euro 175 million; the Group's presence also increased in Africa (+4.8%), Latin America (+15.7%), Far East (+2.4%) and in Australasia, particularly due to the new Australian subsidiaries.

## EBIT



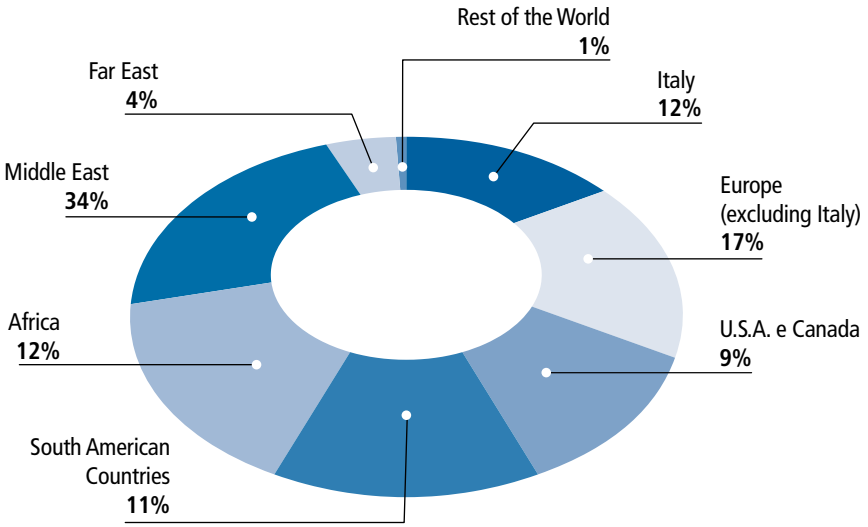

## Revenues Trend 2001-2008



**TREVI GROUP**
**Sales by Geographical Area and by Production Sector**

(Euro 000)

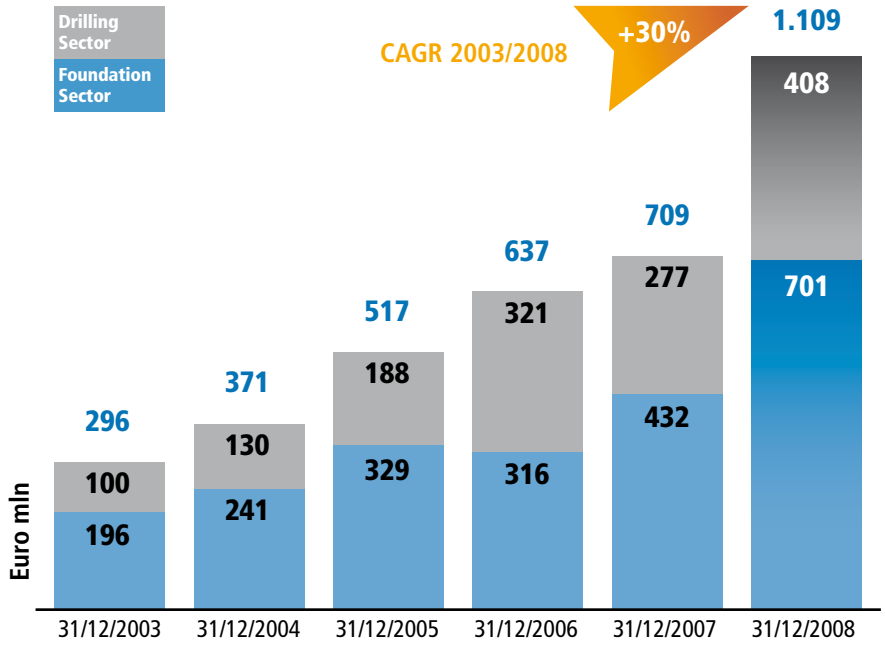
| Geographical area | 31/12/2008 | % | 31/12/2007 | % | change | % change |
|---|---|---|---|---|---|---|
| Italy | 127,938 | 12.0% | 141,371 | 16.8% | (13,433) | -9.5% |
| Europe (ex-Italy) | 178,777 | 16.7% | 139,128 | 16.5% | 39,649 | 28.5% |
| U.S.A. and Canada | 91,877 | 8.6% | 91,025 | 10.8% | 853 | 0.9% |
| Latin America | 118,405 | 11.1% | 102,300 | 12.2% | 16,105 | 15.7% |
| Africa | 132,346 | 12.4% | 126,319 | 15.0% | 6,027 | 4.8% |
| Middle East | 364,040 | 34.0% | 188,921 | 22.4% | 175,119 | 92.7% |
| Far East | 48,845 | 4.6% | 47,708 | 5.7% | 1,137 | 2.4% |
| Rest of the World | 6,928 | 0.6% | 4,835 | 0.6% | 2,093 | 43.3% |
| **TOTAL REVENUES** | **1,069,155** | **100%** | **841,606** | **100%** | **227,549** | **27.0%** |



The breakdown of total revenues by production sector is as follows:

| | 31/12/2008 | % | 31/12/2007 | % | change | % change |
|---|---|---|---|---|---|---|
| Manufacture of machinery for special foundation work | 319,236 | 30% | 280,873 | 33% | 38,363 | 13.7% |
| Manufacture of machinery for oil, gas and water drilling | 288,763 | 27% | 194,106 | 23% | 94,657 | 48.8% |
| Intergroup eliminations and adjustments | (775) | | (10,056) | | 9,281 | |
| **Sub-total of Mechanical Engineering Division** | **607,224** | **57%** | **464,923** | **55%** | **142,301** | **30.6%** |
| Special foundation services | 456,063 | 43% | 357,589 | 42% | 98,475 | 27.5% |
| Drilling services | 64,863 | 6% | 46,585 | 6% | 18,279 | 39.2% |
| Intergroup eliminations and adjustments | (3,164) | | (2,967) | | (196) | |
| **Sub-total of Special Foundation and Drilling Services Division** | **517,763** | **48%** | **401,206** | **48%** | **116,557** | **29.1%** |
| | | | | | | |
| Parent Company | 13,538 | | 13,411 | | 127 | 0.9% |
| Intergroup and Parent Company eliminations | (69,369) | | (37,934) | | (31,435) | |
| | | | | | | |
| **TREVI GROUP** | **1,069,155** | **100%** | **841,606** | **100%** | **227,549** | **27.0%** |

At 31 December 2008, the Group order portfolio was Euro 1,109 million (+56.4% year-on-year) of which about 75% was due for completion in 2009.



**TREVI GROUP**
**Consolidated Balance Sheet**

| | | 31/12/2008 | 31/12/2007 | change | % |
|---|---|---|---|---|---|
| **A)** | **Fixed Assets** | | | | |
| | - Tangible fixed assets (14) | 291,908 | 207,474 | 84,434 | |
| | - Intangible fixed assets | 7,988 | 5,389 | 2,600 | |
| | - Financial fixed assets (15) | 5,036 | 2,847 | 2,190 | |
| | | 304,933 | 215,710 | 89,223 | 41% |
| **B)** | **Net working capital** | | | | |
| | - Inventories | 373,753 | 220,693 | 153,060 | |
| | - Trade receivables (16) | 310,473 | 208,881 | 101,592 | |
| | - Trade payables (-) (17) | (340,223) | (236,657) | (103,567) | |
| | - Pre-payments (-) (18) | (94,732) | (76,004) | (18,728) | |
| | - Other assets/ (liabilities) (19) | 18,609 | (11,672) | 30,281 | |
| | | 267,880 | 105,241 | 162,639 | 155% |
| | | | | | |
| **C)** | **Invested capital less liabilities for the year (A+B)** | **572,813** | **320,951** | **251,862** | **78%** |
| | | | | | |
| D) | Post-employment benefits (-) | (15,391) | (14,833) | (558) | 4% |
| **E)** | **NET INVESTED CAPITAL (C+D)** | **557,422** | **306,118** | **251,304** | **82%** |
| | Financed by: | | | | |
| **F)** | **Group net shareholders' funds** | **226,436** | **156,475** | **69,961** | **45%** |
| G) | Minorities' share of net shareholders' funds | 8,903 | 7,001 | 1,902 | |
| **H)** | **Net Financial Position (20)** | **322,084** | **142,642** | **179,441** | **-126%** |
| **I)** | **TOTAL SOURCES OF FINANCING (F+G+H)** | **557,422** | **306,118** | **251,304** | **82%** |

The Balance Sheet above, referred to in the Notes, is a reclassified summary of the Consolidated Balance Sheet

(14) The entry for tangible fixed assets also includes investment property, note 3.
(15) The entry for financial fixed assets includes investments (note 4) and other non-current financial assets (note 8).
(16) Net trade receivable includes: non-current (note 9) and current (note 11) trade receivables and current receivables from subsidiaries (note 11).
(17) Trade payables includes: current payables to suppliers (note 19), current payables to subsidiaries (note 19).
(18) Advances include both non-current deposits (note 18) and current deposits (note 19).
(19) Other assets/ (liabilities) includes: other payables/ (receivables), accruals/ (prepayments), tax credits/ (payables), both non-current and current risk provisions (notes 9-11-11.a-16-18-19-20).
(20) The net financial position, used as an indicator of financial indebtedness, is the sum of the following positive and negative balance sheet items:
current and non-current positive items: cash and cash equivalents (cash, bank drafts and bank assets); readily realizable investments in working capital, financial credits.
Current and non-current negative items: bank debt, payables to other financial entities, leasing and factoring companies; payables to associates for financing. For more detail on this item, please refer to the relevant table in the Notes to the Accounts.

**Reconciliation of the Reclassified Balance Sheet with the Consolidated Balance Sheet in accordance with IAS 11:**

(Euro 000)

| Net working capital | 31/12/2007 | IAS 11 (21) | 31/12/2007 | 31/12/2008 | IAS 11 | 31/12/2008 |
|---|---|---|---|---|---|---|
| - Inventories | 220,693 | (49,938) | 170,755 | 373,753 | (38,202) | 335,551 |
| - Trade receivables | 208,881 | | 208,881 | 310,473 | 5,108 | 315,581 |
| - Trade payables (-) | (236,657) | | (236,657) | (340,223) | | (340,223) |
| - Pre-payments (-) | (76,004) | 64,115 | (11,889) | (94,732) | 27,606 | (67,126) |
| - Other assets (liabilities) | (11,672) | (14,177) | (25,849) | 18,609 | 5,488 | 24,097 |
| **TOTAL** | **105,241** | **0** | **105,241** | **267,880** | **0** | **267,880** |

(21) In order to reconcile the data shown above with those in the Financial Statements, the entries for inventories, pre-payments, trade receivables and other assets (liabilities) have been reclassified to show the value of inventories of contract work on order as required by Italian accounting standards in which inventories are shown gross of pre-payments received from the client and of loss provisions to completion.

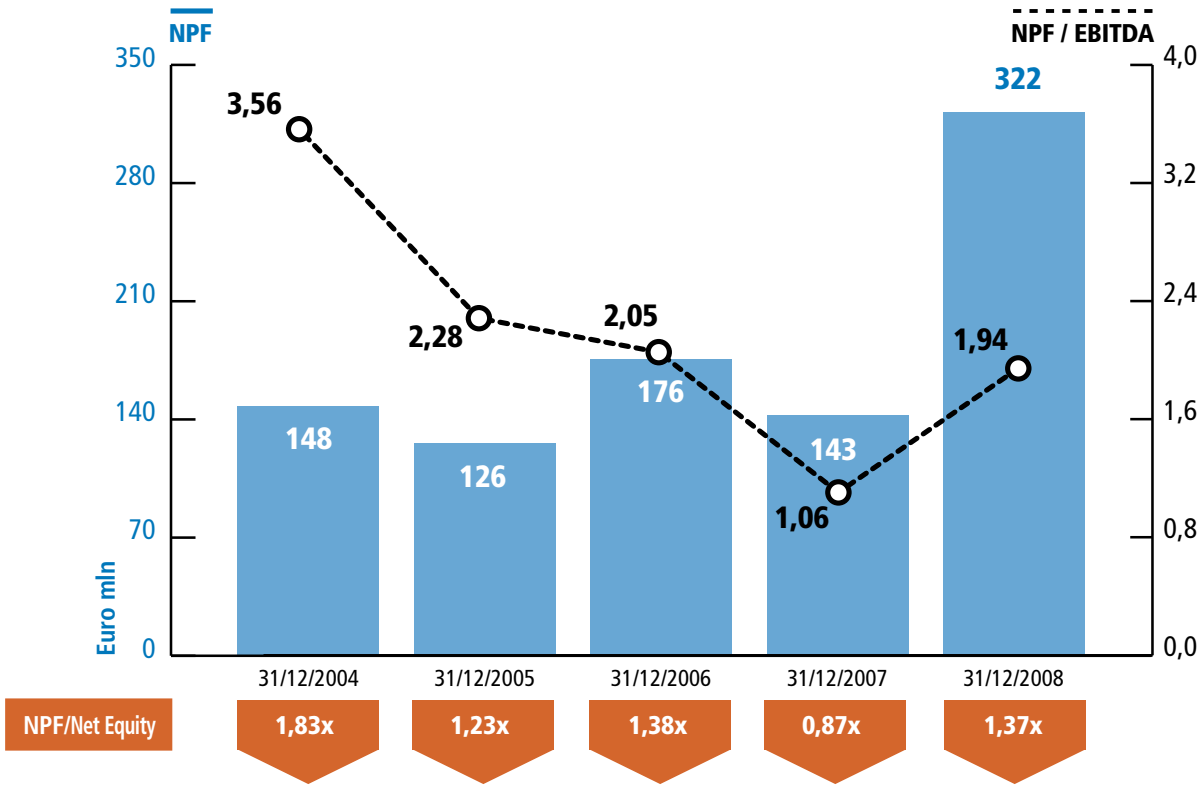
Net invested capital was about Euro 557.4 million, a higher figure than in 2007 due to the increase in net working capital (+155%) and in fixed assets (+41%). Group net equity rose by about Euro 70 million (+45%) as a result of the increase in Group net profit, which increased from Euro 55.8 million in the 2007 financial year to Euro 74.6 million in the 2008 financial year (+Euro 19 million); there was also a positive effect from the Translation Reserve (about +Euro 7.4 million) primarily attributable to the revaluation of the US dollar against the Euro (which moved from 1.4721 at 31 December 2007 to 1.3917 at 31 December 2008). The impact of the buyback of treasury stock was negative for Euro 4.3 million

**TREVI GROUP**
**Consolidated Net Financial Position**

(Euro 000)

| | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Current debt | (182,617) | (50,952) | (131,665) |
| Payables for other current financing | (9,557) | (10,246) | 688 |
| Current financial derivatives | 800 | 28 | 773 |
| Cash and cash equivalents | 88,065 | 90,754 | (2,689) |
| | | | |
| **Total current financing** | **(103,309)** | **29,585** | **(132,894)** |
| | | | |
| Non-current debt | (182,604) | (145,163) | (37,442) |
| Payables for other non-current financing | (36,166) | (27,152) | (9,014) |
| Non-current financial derivatives | (4) | 88 | (92) |
| | | | |
| **Total non-current financing** | **(218,775)** | **(172,227)** | **(46,547)** |
| | | | |
| **Net Financial Position** | **(322,084)** | **(142,642)** | **(179,441)** |

The current financial position deteriorated by about Euro 133 million compared to 31 December 2007, moving from cash of Euro 29.6 million to debt of Euro103.3 million; at the same time, non-current debt increased by Euro 46.5 million, going from Euro 172.2 million to Euro 218.7 million. Total net debt rose by about Euro 179 million during 2008. The increase in net debt was mainly to finance the investment and production activities of the Group.
The net debt/equity ratio was 1.37x.




Free cash flow was negative with Euro 162.9 million (in 2007, it was positive with Euro 51.8 million) and was affected by investments in tangible and intangible fixed assets of about Euro 120.8 million and an increase in net working capital of Euro 162.6 million. The net debt/ Ebitda ratio was 1.94x (1.06x at 31 December 2007).

# Investments

Gross investments in tangible fixed assets for TREVI Group totalled about Euro 117 million in 2008 due to the acquisition of plant and machinery mainly destined for the engineering and oil drilling services division. The largest investments were those made in the United Arab Emirates, Africa and South America. Divestments were made of Euro 7 million at historical cost for assets almost entirely depreciated. Depreciation totalled Euro 32 million.

# Research and Development

Research and development activity had the following aims:

1. to create a dedicated team;
2. to manage, promote and protect the intellectual property and know-how of the Company;
3. to test new technologies and relaunch strategic ones by renewing specific machine models;
4. to develop functional groups to improve performance, safety and profitability.

With reference to the first point, a Service was set up which manages the full-time research and development resources. Communication channels were opened up among the technological and operational departments of the companies within the Group and with Company clients in order to encourage the discovery of new market niches and to carry out joint experiments.

With reference to the second point, research activity resulted in the request for six new patents.
Patent monitoring was started in order to pinpoint those technologies of primary interest to competitors and to plan their future development. Internal training resulted in many of the technical analyses, which previously were done using external legal expertise, being managed in-house (in more than twelve different areas). It also meant that a continuous consultancy service was provided to the technical design department and to other companies within the Group.
With reference to the third point:

- a new technology for excavating deep cut tunnels, the most important application for which will be in consolidation work carried out on dams. A new implement that can be directionally manipulated as it excavates and may be combined with several other equipment (piling equipment, deep tunnel bores, top drive pile drivers or cranes) was designed and patented and is already in use in a US project of one of the Group companies;
- in the ground consolidation sector and, in particular, Jet grouting technology, drilling and control systems were developed which, combined with new control techniques, have resulted in a new and highly efficient system. Drilling tools with improve energy

efficiency, drill string with increased inner passage, monitoring system for detection of drilling direction, "elliptical" (patented) treatment systems were tested and perfected and are now ready to be launched commercially as part of a technological package;

- also the control system of the Turbojet technology used in the ground consolidation sector was completely redesigned following a demand for new specifications from projects already executed;
- the refinement of the CTJet technology system, used in the ground consolidation sector, was completed and successfully used for the first time on several projects of one Group company. The performance of the system was excellent when compared directly with competitive systems;
- Idrofresa diaphragm technology was extended to new applications on cranes for depths in excess of ninety metres;
- in the sector of pile machinery, the top-of-the range pile driver was enhanced by a model specifically for helical tube piles, a technology known as CAP (Case Augured Piles) – CSP (Cased Secant Piles). It has an innovative spoil disposal feature and is capable of automated drilling by using the electronic control system;
- also in the pile machinery sector, a new range is being perfected with vibrocompaction technology for vibrated columns in granular fills. This enhanced product is also the result of experience gained on client projects which was incorporated into new technical solutions;
- in the micropile sector, an alternative technology to the traditional percussion method was tested. It uses vibrating masses to reduce noise and realise improved depth performance. The technology is currently in the final stages of development;

With reference to the fourth point:

- the extension of the range of machinery dedicated to helical pile technology began with the design of two new models, one of which is suitable also for pile driver applications.
- the range of Soilmec ready-mix concrete pumps, crawler mounted was completed;
- the range of cranes is being enhanced by a new 60-tonne model;
- during 2008, the micropile range was expanded with the addition of an 18-tonne multifunctional model and one of 10 tonnes for drilling geothermal wells;
- new systems were designed for emergency halts to drilling activity, which are primarily destined for micropile machinery to increase the safety features for the machine operator;
- the use of Displacement technology pile machinery continued and considerable experience gained from its use on various projects;
- the Drilling Mate System was extended to the micropile sector with a special application enabling external use.

Numerous special applications for Turbojet and secant pile technologies for pile machinery are being developed. The DMS module for CAP-CSP technology has been finalised; in addition to control of the main features of the equipment and the excavation, it also acts on the main drilling parameters in order to adapt them to the conditions of the terrain through which the drill is passing. GSM/GPRS transmission allows monitoring to be carried out at Company headquarters for all machines let out on concession. In addition to on-line monitoring, it is also possible to amass performance data and check the effective demands made of the equipment so as to improve future design modifications.

# SECTOR REVIEW

## Parent Company Performance

The 2008 Financial Statements, prepared by the Company in accordance with IAS/IFRS accounting principles, show revenues from sales and services of Euro 12,055 thousand (an increase of Euro 1,715 thousand on the Euro 10,341 thousand of 2007), financial income of Euro 17,922 thousand (an increase of Euro 2,160 thousand on the Euro 15,763 thousand of 2007); and profit for the year of Euro 9,420 thousand (a decrease of Euro 639 thousand on the Euro 10,104 thousand of the preceding period).
The increase in revenues is due to the strong growth in the Group's business and the continuing process of centralisation of some services within the Parent Company. These activities include planning, research and development, plant and equipment hire, operational and administrative management and support, human resources and personnel, IT and integrated business software services, Group communications, and other activities related to TREVI Group's activity as an industrial holding company (management of investments and financing agreements with subsidiaries).
Financial management shows an improvement in income from investments (Euro 11,728 thousand in 2008 compared to Euro 9,234 thousand in 2007, an increase of Euro 2,494 thousand due to Euro4,850 thousand of dividends distributed by Soilmec S.p.A. and Euro 6,878 thousand of dividends from Drillmec S.p.A.), but a decrease in interest receivable from financing given by the Company to its subsidiaries (Euro 5,577 thousand in 2008 compared to Euro 6,071 thousand in 2007, a decrease of Euro 495 thousand), which is mainly attributable to decrease in financing of subsidiaries.
For tangible fixed assets, gross investments in Land and Buildings totalled Euro 3,615 thousand for the purchase of two plots, one in the industrial area of Gariga di Podenzano (PC), where the manufacturing business of Drillmec S.p.A. is located, and the other in the Pievesestina (FC) industrial area, where the production activities of Soilmec S.p.A. and Trevi S.p.A. are located, as well as the work carried out on the Gariga di Podenzano (PC) plant.
The only variations in directly held shareholdings were from a Euro 2,050 thousand payment on account for a future share capital issue made to TREVI Energy S.p.A. in support of its significant development plan in the renewable energy sector and, in particular, for the design, engineering and construction of off-shore wind farms, and from the subscription to the share capital increase of the subsidiary, TREVI S.p.A., for a total of Euro 19,957 thousand.
During 2008, with the authorization given at the Shareholders' Meeting of 7 May 2007, the Company purchased a further 406,500 of treasury shares for a total amount of Euro 4,061 thousand; at the end of the 2008 financial year, it held 773,389 shares (1.208% of the share capital) for a total value of Euro 8,460 thousand.
Guarantees given to credit institutions totalled Euro 141.961 at 31 December 2008, compared to Euro 190,593 thousand at the end of the previous financial year, a decrease of Euro 48,632 thousand. This reflects a greater concentration at the Parent Company level of the non-current financial exposure, which previously had been with the subsidiaries but guaranteed by the Company.
Guarantees given to insurance companies totalled Euro 82,110 thousand at 31 December 2008 compared to Euro 11,121 thousand in 2007, an increase of Euro 70,989 thousand. The increase was mainly due to guarantees given in 2008 to leading US insurance companies for the subsidiary, Trevi Icos Corporation, for the repair contracts of the Tuttle Creek dam in Missouri and the Wolf Creek dam.
For detailed comments on individual Balance Sheet items, please see the Notes to the Accounts.
For a reconciliation of the results of the financial period and the net equity of the Group with those of the Parent Company (DEM/6064293 of 28 July 2006), please see note (14) of the Notes to the Accounts.

## TREVI Energy S.p.A.

The establishment and development of the company, active in the renewable energy sector, was due to the desire of TREVI Group not only to adapt to that particular sector for which some of the technology was already developed, tried and tested in its core business and drilling activities, but also its desire to develop new appropriate and innovative technological systems for a sector that has strong growth in the foreseeable future.
The growth in the wind energy sector is definitely of interest, particularly the off-shore sector where the special foundations required by the wind turbines are a critical factor and one of the main cost components. During 2008, the company continued, in accordance with enacted law, the authorization process started in 2007 to obtain the specific authorizations (land grants, single permits and VIA) to develop three off-shore wind farms in Southern Italy where the sea depth and the favourable wind conditions represent critical success factors:

- Off-shore wind farm in the Gulf of Manfredonia with total nominal installed capacity of 300 MW;
- Torre S. Gennaro – Brindisi off-shore wind farm with total nominal installed capacity of 150 MW;
- Chieuti off-shore wind farm with total nominal installed capacity of 150 MW.
- During 2008, the company began the authorisation process to obtain the land grants for:
- the off-shore wind farm of Palma di Montechiaro in Sicily with total nominal installed capacity of 135 MW;
- the Cagliari off-shore wind farm with total nominal installed capacity of 99 MW

Also in 2008, the company started feasibility studies on other on-shore and off-shore wind farm projects.

Furthermore, in the 2008 financial year, design started on a 3 MW new generation turbine suitable for wind conditions typical in the Mediterranean Sea which can be used both on-shore and off-shore and an innovative patent was registered for the relative electrical system.

## Foundation and Drilling Services Division

The Foundation and Drilling Services Division had total revenues of Euro 517.7 million, up 29.1% on the preceding year. Value added rose from 36.6% to 37.3% of revenues. Gross operating profit was Euro 94.9 million (+45.9%). After depreciation of Euro 22.0 million and provisions of Euro 3.9 million, the operating profit was Euro 68.9 million (+53.1% on 2007), a margin of 13.3% on revenues

### The Americas

In 2008, Trevi had Euro 38.0 million of revenues from North America, about 4.0% of total consolidated revenues. The American business unit is primarily involved in infrastructure projects, the most important being the extraordinary repair contracts for the Tuttle Creek Dam in Kansas, the Wolf Creek Dam in Kentucky and the Herbert Hoover Dike in Florida. There are also several projects ongoing in New England for hospitals and for the leading universities of Harvard and M.I.T.

In Latin America, the special foundations division of TREVI Group executed contracts in Argentina, Venezuela, Colombia and Panama for a total of about Euro 39.0 million. In Argentina, the most challenging contract technologically was the building of ready-mix concrete diaphragms and underwater piles. The sub-contracted work on behalf of Italian construction companies for specialized railway tunnelling continued in Venezuela.
The oil drilling activities in Venezuela, Peru, Argentina and Colombia on behalf of Petrobras, RepsolYPF, Chevron Texaco and PDVSA generated revenues of Euro 64.9 million in 2008, an increase of 39% year-on-year. The subsidiary, Petreven C.A., operates ten oil drilling rigs, five in Argentina, two in Venezuela, one in Colombia and two in Peru.
It should be noted that, from 2008, the operating economic benefits generated in Venezuela from the translation of figures into Euro have been classified under Revenues from Sales; for comparative purposes only, the corresponding figures for 2007 have also been reclassified. The increase in revenues is mainly due to more remunerative contractual tariffs as a result of greater business volumes in Venezuela with the production start-up of the new HH 301 plant, and the Rig Up activities in the YPF drilling sites in Argentina.

### Europe

In Italy, revenues were about Euro 73 million but the operating result proved unsatisfactory; in fact, profitability was most negatively affected by the domestic market.
This was largely due to the disappointing trend in some of the more important contracts carried out in the year. In addition, difficulties in establishing correct scheduling procedures, a feature that has been clarified in Public Administration contracts in Italy, makes it extremely difficult to schedule the resources assigned to projects, resulting in increased costs from consequent periods of inactivity and from the need to employ means greater than would normally be required for a standard project.
However, good results were obtained from projects with a high technological content, where competition remains limited, and in those that have traditionally been remunerative.
The outlook for 2009 is positive due to contracts already acquired. The order portfolio has increased substantially compared to the previous year. Contracts acquired cover a large part of 2009 production and the production volumes forecast in the business plan.
Projects acquired during 2008 and that have started in the first months of 2009 include: the CAPS garage in Cesena; the Cassia Tunnel in Rome, a project won from ANAS; the Mirelli Arch in Naples; and the Archimedes Marina in Syracuse, Sicily.

Among the most important projects underway should be mentioned the SIS in Palermo, for the construction of the Palermo – Mondello railway, which started in 2008 and is fully operative in 2009.

There is also an accounting entry of Euro 7 million for a claim relating to an Austrian contract (the Stans Tunnel).

## Africa

TREVI Group generated revenues of Euro 68 million in Africa. 2008 results in Nigeria are to be considered satisfactory given the social and political problems that continued to beset the country during the year and which significantly influenced production.
Two main trends were distinguishable in 2008:

**1. The public sector:**
despite the high price per barrel of oil in the first nine months of the year, investments foreseen in the budget were not made and the country suffered a period of political indecision caused by the various legal disputes over the winners and losers of the elections. Large infrastructure projects were halted as reviews were implemented by the new political administration.

**2. The private sector:**
investments grew exponentially, mainly in civil construction and on harbour expansion. Many contracts for substantial private residences were won in the Lagos area. The outlook remains positive for 2009 despite a very strict new law regarding building contracts in the State of Lagos and the international financial crisis, which has affected the willingness of local banks to lend money. However, large amounts of capital are being repatriated (private investments from ex-pat Nigerians) and are expected to be invested in the private and industrial construction market.
The major contracts include:
In Lagos (building construction and transport sector):

- EKO Suites (ITB)
- Julius Berger PLC- CBN Remodelling
- CCECC: Ago Palace and Okota to Itire Overhead Link
- Triniton Walter Carrington

In Port Harcourt (connected to the oil/energy sector):

- Port Terminals & Operators
- Shore Protection/Platform Abonnema- Moni Pulo Ltd
- F.O.T. BERTHS 4,5 and 6
- Rockson

The technical characteristics and the logistic difficulties of the Angolan contract for foundation piles for an LNG plant also make this contract worthy of mention.
In Algeria, the Group began some important contracts for the new stretch of the Algiers underground as part of a Temporary Business Association with the German company, Dywidag International AG, and the Algerian company, Cosider Travaux Publics; these works have a total value of Euro 250 million, of which Euro 50 million is for special foundations work to be carried out by Trevi S.p.A. Two other important foundation engineering contracts for a value of Euro 33 million were also carried out. The first was for the US group, Kellogg Brown & Root International Inc., to extend the LNG (liquefied natural gas) plant at Skikda, which belongs to the Sonatrach oil company; this contract was worth Euro 47.5 million and was carried out in joint venture with the Egyptian construction company, Orascom (TREVI share: 50%). The second contract, for Euro 10 million, was for special foundations for the East-West motorway and was acquired by a consortium made up of Japanese companies and called Cojaal; this contract is not due to be completed until mid-2009.
In Libya the construction of the Gaddafi Tower is continuing. Mention should also be made of the foundations for the San Vicente Bridge in Guinea Bissau, which have just been completed.

## Middle East

In 2008, TREVI Group had revenues of almost Euro 195.0 million (Euro 92.0 million in 2007) and an excellent operating result in the Middle East. Business in the UAE was driven by important foundation engineering contracts, the most important of which were the following:

U.A.E. (Dubai – Abu Dhabi):

- Pentominium Tower, a project for a 516 metre high tower.
- Canal Residence - Dubai, a project in the Sport City area, which is a complex that includes not only sporting facilities but which is planned also to have shopping centres and residential areas.
- Ferrari experience: the construction of a Formula 1 circuit and a theme park, which includes logistics structures, and recreational and commercial buildings inspired by the Ferrari brand.
- Al Naboodah-Sowah Island Bridges, a project in Abu Dhabi for the construction of a bridge on a new artificial island.
- Taweelah Aluminium Smelter, located halfway between Dubai and Abu Dhabi in a new industrial area. The contract is for the drilled piles for an aluminium factory.

Qatar:

- Barwa Financial District (1st and 2nd phases), a project to build one of the major financial districts in the Middle East to include banks, insurance companies, leading financial institutions and consultancy companies.
- New Doha International Airport – North Node.
- Al Baker.

On the other side of the Straits of Hormuz in Iran, Trevi is completing the second phase of the enlargement of the docks at the port of Bandar Abbas.

## Mechanical Engineering Division: production of special foundation and drilling equipment

Total revenues rose from Euro 464.9 million to Euro 607.2 million (+30.6%) and the operating profit was Euro78.3 million (+8.4%). After depreciation of Euro 6.6 million and provisions of Euro 2.4 million, the operating result was Euro 69.2 million (+8.2% year-on-year), a margin on sales of 11.4%.

### Soilmec S.p.A.

2008 closed with net profit of Euro 10.2 million (Euro 12.7 million in 2007); the value of production was Euro346.3 million (Euro 250.7 million in 2007). This result was achieved by the company consolidating its leadership in its principal operating sector of medium and small machinery and by gaining market share in the high-end machinery sectors, in hydraulic diaphragm wall equipment, foundation cranes and micropile equipment. The increase in inventories from Euro 70.2 million to Euro 117.9 million reflects the scheduling of production and deliveries, which is to guarantee higher year-on-year sales for the remaining part of 2009.
Among the positive factors of 2008 was, once again, the strong performance of the subsidiaries, Soilmec Ltd (U.K.), Soilmec (Hong Kong) Ltd, PSM S.r.l., Soilmec France S.a.S., and Soilmec North America.

### Drillmec S.p.A.

The company had 2008 net profit of Euro 19.7 million (Euro 13.6 million in 2007) and production value totalled Euro 291.4 million (Euro 187 million in 2007). It continued to consolidate its commercial and production activities, particularly in the Middle East, with specific actions and projects focused on promoting the HH hydraulic drill. As part of the project started in 2007, the company implemented a reorganization of its internal structure, creating new positions with personnel dedicated to specific processes and projects. The last quarter of the year was characterised by a sharp drop in the oil price and the deep financial crisis. This led to a general slowdown in demand for equipment which, for Drillmec, did not affect 2008 figures and only marginally affected the order portfolio for 2009. The work on the production facilities at Gorizia by the associate company, Gomec Srl, continued, as did those on the production facilities in Parma. The works in Parma stem from the lease of the division for the manufacture of drills for the water sector, which is part of Ellettari Srl.
Drillmec S.p.A. has an order backlog that covers almost all 2009 production and there are also several other important projects underway for the development and use of the HH series range of machinery, as well as for the technological update of the mechanical rig range. New efforts will be made to enter the off-shore drilling sector where, currently, the company has only a marginal presence. Given the current international financial crisis, it is increasingly important to compete on quality and technology through the continuous research and development of innovative solutions, a capacity that has been acquired and demonstrated by the company in recent years. This ability, combined with the flexibility to provide clients with "tailor made" choices, will ensure the company remains competitive in increasingly demanding markets.

## Group related party transactions with non-consolidated subsidiaries, associate and controlling companies, companies controlled by the latter and with other related parties

TREVI- Finanziaria Industriale S.p.A. has limited relations with SOFITRE S.r.l., a company controlled 100% by the Trevisani family, and with the companies it controls, which are mainly involved in the construction and management of car parks. In the accounting period under review, this relationship gave rise to revenues of Euro 1.101 million, costs of Euro 74,000 and, at 31 December 2008, receivables of Euro1,639 thousand and payables of Euro 53,000.
Transactions with related companies are done at normal market conditions.
There still exist sureties and guarantees for Euro 967 thousand (Euro 1,451 thousand at the end of the preceding year) given by TREVI – Finanziaria Industriale S.p.A., prior to its market listing, to some banks on behalf of companies belonging to the SOFITRE Group. These relate primarily to Parcheggi S.p.A. for the construction of automated car parks
There are no financial or capital relations with the Danish parent company, Trevi Holding APS, and any relations with non-consolidated subsidiaries and associated companies, as described in Attachment 1d, are not material.

## Risks and uncertainties

### Exchange rate and interest rate risk

Due to its international structure, the Group is subject to market risks from exchange rate fluctuations. It has a policy for covering financial risk, which includes fixed term currency contracts, and financing and hedging in foreign currencies to cover expected cash flows. Detailed information on the methods used to hedge exchange rates and the valuation criteria adopted for these are given in the Notes to the Accounts.

### Credit risks

The sector and geographical diversification of the Group means that it has no significant credit risk concentration.
Where possible, the Group demands suitable guarantees and also sets up ad hoc procedures for constant monitoring of client receivables.

### Liquidity risks

The Group aims to maintain a balance between demand and supply using suitable bank financing.
In particular, the Group has signed long-term financing agreements aimed at covering its investment programme and business development.

### Risks pertaining to business activities abroad

The Group is exposed to the typical risks of doing business internationally; these include risks pertaining to local political and economic instability and risks related to changes in the macro-economic, fiscal and legislative environments. Identifying new initiatives for the Group in foreign countries is always preceded by a careful evaluation of such risks, which are then constantly monitored. It should be stressed that the activities of the Group are concentrated mainly in countries which are covered by international insurance or where bilateral agreements exist between the Italian government and the local government.

### Use of estimates

The special foundations sector operates with contracts that foresee a consideration that is determined at the time the contract is awarded. Any higher costs that the Group incurs or suffers in executing these contracts must be met by the Group but may be recouped from the client according to the laws and/or conditions contractually agreed. Consequently, the margins made on such contracts may vary from the original estimates.

### Risks pertaining to fluctuations in the cost of raw materials

The fluctuations, in some cases significant, in the costs of some raw materials can lead to an increase in production costs, which, however, the Group tends to offset by a diversified supply policy, framework agreements with strategic suppliers, and contractual clauses for revising prices.
It should also be mentioned that sales of drill rigs are subject to the investment policies of leading oil nationals or companies, which are themselves influenced by the trend in the oil price.

## Human resources

Given the business of the Group, personnel training is usually "on the job" or through special courses; the work environment is free of conflict.

## Environmental awareness and the safety and health of personnel

Environmental awareness and the safety and health of personnel have always been among the top priorities of the Group.
The Group constantly strives to maintain a work environment that is safety conscious and to provide personnel, according to their roles, all the equipment necessary to avoid any risk or danger to their persons.
The Group maintains its production facilities, offices and operating systems in accordance with all safety standards.
The Group also acts in a way that preserves and protects the environment, respecting all environmental legislation, as well as the rules and procedures that the Group itself has drawn up.
Security systems are used to guard Company property and, in particular, all forms of inventories.

## Outlook for 2009

Since the second half of 2008, there has been a consistent weakening in the macroeconomic environment relevant to the Group and this has had a varying effect on its different reference markets. Uncertainty, combined with the severe credit crunch, has had an important impact on liquidity and has affected industrial growth in many companies.
In recent months, there has been massive intervention by the governments of some large countries to try and avoid a shut-down of the main economies worldwide. These measures are gradually contributing to stabilising the credit markets and restoring the faith of those who work in them. However, it is evident that the current level of uncertainty makes any attempt at forecasts difficult and risks that they are immediately and heavily refuted.
The strength of the market sectors in which the Group operates, the record size of the order backlog, the geographical diversity of its markets (further enhanced by recent initiatives) and the technological excellence, which for over fifty years has marked out TREVI Group, lead management to be relatively serene about the 2009 results.
Following four years characterised by very strong growth, in 2009 the Group will start a market expansion process and will consolidate its business model and organisational structure in order to build a solid base to guarantee further growth in the future.

## Relevant events subsequent to 31 December 2008

Subsequent to 31 December 2008, TREVI Group finalised the acquisition of two companies in two different sectors. These operations are part of a wider project to grow and diversify in foreign markets, which will, in the short and medium-term, help the Group grow its presence in important infrastructure projects.
The Services Division was involved in the acquisition of a company specialised in foundations, ARABIAN SOIL CONTRACTORS LTD (ASC) in Saudi Arabia, while the Group's Mechanical Engineering Division acquired a US company, WATSON INC.
The acquisition of ASC gives TREVI Group a presence in the Saudi Arabian market, which is expected to have strong economic growth in 2009 and future years. At the same time, TREVI Group has consolidated and reinforced its leadership position in the Gulf region through this acquisition.
WATSON INC, an American company that for four generations has manufactured foundation machinery, guarantees Soilmec not only an extension of its product range but also the opportunity to enter another market, that of the mid-West and South of the United States.
The synergies deriving from the merger of the experience of Watson and the technology of Soilmec will be the key to the success of the new American company, which will be capable of producing highly competitive products.
The acquisition reinforces Soilmec's leadership in North America, in terms of number of plant sold, and ensures it can take the best advantage of the opportunities, offered primarily to US companies, by the "Stimulus Package".

## Report on Corporate Governance

Information given is in accordance with the Self-regulatory Code of Conduct for listed companies drawn up by the Committee for Corporate Governance – Borsa Italiana S.p.A. in March 2006, which replaced that which was drawn up in 1999 and amended in 2002.
The Company has adopted the general principles of the Self-Regulatory Code of Conduct 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 for the advantage of 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 in the way and within the time limits laid down, and posted on the company website (www.trevifin.com), 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 Statutory 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 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 and 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 related party 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 7 May 2007, is composed of nine members, four executive members and five independent non-executive members. In keeping with corporate governance best practice, the majority of the directors are non-executive and independent members of the Board.
Table 1 below 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 2009.
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. At the meeting of the Board of Directors of 28 March 2008, the Director, Stefano Trevisani, was appointed Managing Director
The four Managing Directors, one of which is the Chairman, have wide-reaching powers for the ordinary management of the company; the wide-ranging powers given the Chairman are motivated by and connected to the activities of the Group, which is an industrial holding company that provides services predominantly for other group companies.
Given that the Chairman has a significant role in the operations of the Company and is the person who indirectly controls the Company, in accordance with the recommendations of the Self Regulatory Code, the Board of Directors has appointed the independent and non-executive Director, Mr Enrico Bocchini, to be the lead independent director to act as a reference point and to coordinate the requests and contributions of the independent and non-executive directors.

On the occasion of the most recent renewal of corporate appointments at the Shareholders' Meeting of 7 May 2007, the curriculum vitae of each candidate were deposited at the Company's Registered Offices.
During 2008, the Board of Directors met six 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 2008, particularly of the four Managing Directors, representing the Trevisani family, the majority shareholder, 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 and of the Statutory Auditors 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:
- Vice President of EXOR S.p.A., and independent board member of Allianz S.p.A.
Among positions held in unlisted companies, he is a member of the Managing Board of Assonime.
- Guglielmo Claudio Moscato:
- Non-executive director of Gas Plus S.p.A., of which he is a member of the E&P Strategy Committee.
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.
At the Board of Directors meeting of 14 May 2007, the independent non-executive board members Mr Enrico Bocchini (Chairman), Mr Franco Mosconi, and Mr Riccardo Pinza, were appointed as committee members. The Committee met once during the 2008 financial year.

## 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 14 May 2007, the independent non-executive board members, Mr Enrico Bocchini (Chairman), Mr Franco Mosconi and Mr Riccardo Pinza, were appointed to the Committee. Until 7 May 2007, when the corporate appointments were renewed, the Committee was made up of Mr Mario Amoroso (Chairman) Mr Enrico Bocchini and Mr. Franco Mosconi.
All three members of the Committee have accounting and financial experience.
The committee reported every six months to the Board of Directors and met three times in the course of the financial year. The Chairman of the Board of Statutory Auditors was also present at these meetings. Other than the meetings of the Board of Statutory Auditors, the Chairman of the Internal Control Committee had several meetings with the Managing Directors, the Executive Director responsible for overseeing the internal control system, the managers of the Company and, in particular, the Manager responsible for the preparation of Company accounts.
In carrying out its duties, the Committee adhered to the recommendations of the Self-Regulatory Code and evaluated the adequacy of the internal control system. The Company has its own organizational model that meets the requirements of Decree Law No. 231 of 8 June 2001 and which is currently being implemented.

## 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.

## Executive director appointed to oversee the internal control system

The Board of Directors appointed Gianluigi Trevisani to be Executive Director to oversee the internal control system.

## Head of internal audit

During 2008, the Board of Directors appointed Baker Tilly Consulaudit S.p.A. (in the person of Mr Francesco Lo Cascio) to replace Mr Piergiorgio Marini, who had previously been appointed.
The Board of Directors decided that, given the dimensions of the Group and its geographical diversification, at least in the initial phase, the internal audit should be given to an external company whose main duties are:
a) to verify that the internal control system is always fit for purpose, operating properly and functional;
b) to evaluate any significant risks and the measures to be taken;
c) to spot check the functioning of the system.
The company appointed will coordinate the other control committees (the Board of Statutory Auditors, the Internal Control Committee, the executive director appointed to oversee the internal control system, and the independent auditors).

## Board of statutory auditors

The Board of Statutory Auditors, pursuant to Article 149 of Decree Law no. 58/98 monitors the correct observance of the law and of the company articles 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. Under Article 159 of Decree Law no. 58 of 24 February 1998 and subsequent modifications, it is the duty of the Board of Statutory Auditors to propose that the Shareholders' Meeting awards a mandate for the audit of the Financial Statements and the Consolidated Financial Statements, as well as a limited audit of the Half-Yearly Financial Statements, for a period of nine years and determines the relative remuneration.
The Board of Statutory Auditors is made up of three statutory and two supplementary members appointed for a period of three years by the Shareholders' Meeting of 7 May 2007 and is due to expire with the approval of the 2009 Financial Statements. Table 2) shows the composition of the Board of Statutory Auditors, the number of meetings held during the financial year and the percentage of attendance at each meeting.
Pursuant to Article 18 of the company articles, and barring any incompatibilities under the law, members may not be appointed 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 is controlled by it, or if they do not have the necessary good name and professionalism required by law.
Minority shareholders have the right to elect one statutory and one supplementary 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.
At the Shareholders' Meeting of 7 May 2007, which appointed the current Board of Statutory Auditors, no list of candidates was presented by minority shareholders.
During the 2008 financial year, the Board of Statutory Auditors met twelve times. The Board of Statutory Auditors was represented at the six Board of Directors meetings as follows:
Mr Adolfo Leonardi (Chairman): attended all six meetings (100%);
Mr Giacinto Alessandri (Acting Auditor): attended all six meetings (100%);
Mr Giancarlo Poletti (Acting Auditor): attended five of the six meetings (83%).
None of the Acting or Supplementary Auditors holds the position of Director or Auditor in other companies listed on regulated markets.
On 28 March 2008, the Board of Statutory Auditors put forward the proposal that the auditing of the Financial Statements and the Consolidated Financial Statements should be given for a period of nine years (2008 – 2016) to a company registered in the special register under Article 161, in accordance with Article 159, paragraph 1, of Decree Law 59/98.

## Independent auditors

the auditing of the accounts is assigned to an audit company listed on the official register of accounting auditors (Article 159 of Decree Law 58/98) and appointed by the Shareholders' Meeting.
It is the duty of the Board of Statutory Auditors to propose a company.
The auditors PricewaterhouseCoopers S.p.A., appointed for three years at the Shareholders' Meeting of 13 May 2005, held the mandate until the approval of the 2007 Financial Statements, which took place at the Shareholders' Meeting of 29 April 2008.
The current auditors are Reconta Ernst & Young S.p.A., appointed for nine years (2008 – 2016) by the Shareholders' Meeting of 29 April 2008.

## 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 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 Shareholders' Meeting of 29 April 2008, 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 Company management to meet and exchange ideas.

## Manager responsible for the preparation of company accounts

The Board of Directors meeting of 14 May 2007 appointed Mr Daniele Forti, currently Group Chief Financial Officer, as Manager responsible for the Preparation of Company Accounts pursuant to Article 23 of the Company articles and Article 154-bis of Decree Law No. 58 of 24 February 1998. The Board has conferred on him the necessary powers and means to carry out his duties, taking into account the actual operations of the Company and of the Group, as well as market procedures and the recommendations of the relevant associations (as an indication and a non-binding example, those expressed by Andaf – the National Association of Administrative and Financial Directors); the appointment is for an unspecified length of time and until it is revoked by the Board of Directors.

## The company articles

The current Company Articles, approved by the Extraordinary Shareholders' Meeting of 7 May 2007, are deposited with Borsa Italiana and are available on the Company website. There are 37 articles.
The report of the Board of Directors 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.

## 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 (Financial Statements, reports, press releases) on its website, www.trevifin.com, both in Italian and English. In the financial year 2008, the website was updated and now contains more complete information and also gives access to the websites of the Company's main subsidiaries.
The 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 investorrelations@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 for the financial community at the Milan stock exchange for its half-year and full-year results and to illustrate the strategies of the principal business sectors. In the last financial year, the Company actively promoted meetings with the financial community involving guided tours of its production facilities, as well as one-to-one meetings with individual shareholders and investors, particularly abroad and in the main financial centres.
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.

2008 proved to be an overall negative year for the Italian stock market and for all the main stock markets worldwide. The Mibtel index fell 48.5% with a more marked decline in the second half of the year due to the growing problems of all international financial markets caused by the deepening financial crisis. TREVI shares, despite a very positive performance in the first half when they reached a record high of Euro 17.40 per share, closed the financial year in line with the market and down 39.3%. At the close of 2008, the share price was Euro 7.365 per share.
The share price performance in 2008 showed little correlation with the underlying business performance of the Group but was negatively affected by the international context which in the final months of the year particularly penalised listed companies.

Average Price:
Maximum Price: 17,30 EURO
Minimum Price: 6,35 EURO
Performance 2008:

## Share capital

The issued share capital of TREVI – Finanziaria Industriale S.p.A. at 31 December 2008 totalled Euro32,000,000 fully paid-up and comprising 64,000,000 ordinary shares of nominal value Euro 0.50 each.
Following the meeting of the Board of Directors of 23 November 2006, a share capital increase of Euro3,097,345 made up of 6,194,690 ordinary shares of nominal value Euro 0.50 per share was deliberated to service the conversion rights of the bonds of the Indirect Convertible Bond Loan.
At 31 December 2008, the authorised share capital was Euro 35,097,345 made up of 70,194,690 shares with a nominal value of Euro 0.50 per share.
The company is controlled by Trevi Holding Aps which holds 53.125% of the share capital.
At 31 December 2008 data held by Consob showed that JP Morgan Asset Management (UK) Ltd had a stake in excess of 2%, a holding of 4.995%. During 2008, Fidelity International Limited reduced its holding to below 2% of the share capital.
At 31 December 2008, the Company owned 770,389 of its own shares, equivalent to 1.20% of the share capital.
On 4 February 2009, JP Morgan Asset Management (UK) declared that it had reduced its holding to below 2% whilst on 5 March 2009, the Oppenheimer (USA) fund declared that it had a stake in excess of 2% (2.01%).
Shares held by board members and statutory auditors are listed in the Notes to the 2008 Financial Statements.

## Additional information

Attachment 3 has been included, as recommended in the Guide to Preparing a Review of Corporate Governance prepared by Assonime, to provide further 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.

## TABLE 1: STRUCTURE OF THE BOARD OF DIRECTORS & OTHER COMMITTEES

| Board of Directors | | | | | | |
|---|---|---|---|---|---|---|
| **Position** | **Members** | **Executive** | **Non-executive** | **Independent** | ******** | **No. of positions **** |
| Chairman & MD | Davide Trevisani | X | | | 100% | |
| VP & MD | Gianluigi Trevisani | X | | | 83% | |
| MD | Cesare Trevisani | X | | | 100% | |
| MD | Stefano Trevisani | X | | | 100% | |
| Director | Guglielmo Moscato | | X | X | 83% | |
| Director | Pio Fabbri Teodorani | | X | X | 50% | |
| Director | Enrico Bocchini | | X | X | 100% | |
| Director | Riccardo Pinza | | X | X | 100% | |
| Director | Franco Mosconi | | X | X | 67% | |

| Board of Directors | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | **Internal Audit Committee °** | | **Remuneration Committee °°** | | **Appointments Committee #** | | **Executive Committee** | |
| **Position** | **Members** | ******* | ******** | ******* | ******** | ******* | ******** | ******* | ******** |
| Chairman & MD | Davide Trevisani | | | | | | | | |
| VP & MD | Gianluigi Trevisani | | | | | | | | |
| MD | Cesare Trevisani | | | | | | | | |
| MD | Stefano Trevisani | | | | | | | | |
| Director | Guglielmo Moscato | | | | | | | | |
| Director | Pio Fabbri Teodorani | | | | | | | | |
| Director | Enrico Bocchini | X | 100% | X | 100% | | | | |
| Director | Riccardo Pinza | X | 100% | X | 100% | | | | |
| Director | Franco Mosconi | X | --- | X | 100% | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| No. of meetings held during the financial year | Board meetings: 6 | Internal Audit Committee: 3 | Remuneration committee: 1 | Appointments Committee: --- | Executive committee: ---- | Executive committee: --- |

° 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: None foreseen

NOTES:
* The asterisk indicates if the Board member has been appointed by minority shareholders.

## TABLE 2: BOARD OF STATUTORY AUDITORS

| Position | Members | Percentage of attendance at Auditors' meetings | No. of other positions held** |
|---|---|---|---|
| Chairman | Adolfo Leonardi | 100% | |
| Acting Auditor | Giacinto Alessandri | 100% | |
| Acting Auditor | Giancarlo Poletti | 100% | |
| Supplementary Auditor | Giancarlo Daltri | ---- | |
| Supplementary Auditor | Silvia Caporali | ---- | |

Number of meetings held in the financial year: 12
Required quorum for minority shareholders presenting lists of nominations for one or more acting members (from Article 148 TUF): a minimum of 3% of the share capital

NOTES:
* The asterisk indicates if the Auditor has been appointed from lists presented by minority shareholders.
** This column indicates the number of appointments as Director or Auditor held by the person in other companies listed on Italian regulated markets.
Greater detail on appointments is given in the Corporate Governance Report.

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

| | YES | NO | Summary reasons for differences to the recommendations of the Code |
|---|---|---|---|
| **System of delegation and related party transactions** | | | |
| Has the Board established their: | | | |
| a) limits | x | | |
| b) implementation methods | x | | |
| c) reporting intervals? | x | | |
| Does the Board retain the right to examine and approve operations having a significant effect on assets or on the economic and financial standing of the Company (including those with related parties)? | x | | |
| Has the Board set guidelines and defined the criteria to define "significant" operations? | x | | |
| Are the above guidelines and criteria described in the Report? | x | | |
| Has the Board defined appropriate procedures to examine and approve related party transactions? | x | | |
| Are the procedures for approving related party transactions 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 full information? | x | | |
| Was the candidature for Board membership accompanied by indications that she/he was suitably qualified to be independent? | x | | |
| Was notice of the candidature to be an Auditor deposited at least ten days in advance? | x | | |
| Was the candidature to be an Auditor accompanied by full information? | x | | |
| | | | |
| **Shareholders' Meetings** | | | |
| Has the Company approved procedure rules? | | x | Limited number of shareholders present |
| Are the Procedure Rules attached to the Report (or is there an indication of where they may be obtained/downloaded) | | x | |
| | | | |
| **Internal Control** | | | |
| Has the Company appointed a Head of Internal Control | x | | |
| | | | |
| Organisational unit for internal control (from Article 9.3 of the Code) | | | Baker Tilly Consulaudit S.p.A. |
| **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 Stefano Campana based at the Company's Registered Offices in Cesena (FC), Via Larga 201 – tel. 0039 (0)547-319411 fax 0039 (0)547-319313 e-mail: scampana@trevifin.com

## Register of persons having access to privileged information

The Board of Directors approved from 1 April 2006 the procedure relating to the existence and maintenance of the register of persons with access to privileged information, in accordance with Article 115-bis of the Finance Consolidation Act. The procedure was updated following the deliberation of the Board of Directors on 16 February 2009.

## Internal Dealing

In the 2008 financial year, there were six communications concerning internal dealing, of which one concerned the Managing Director of the Company, Davide Trevisani; two the Managing Director Gianluigi Trevisani; two the Managing Director Cesare Trevisani; and one the Managing Director of the subsidiary, Soilmec S.p.A. . All these communications were deposited with Borsa Italiana and are available on its website.

## Treasury shares and shares in the controlling shareholder

At 31 December 2008, the Company held 773,389 treasury shares, equivalent to 1.20% of the share capital of the Company.
The Company holds no shares and/or stakes in the controlling company, Trevi Holding APS.

## Additional information

The company has had a subsidiary in Venezuela since March 2004 for the purpose of running the consortium that includes Trevi SpA (50%), TREVI – Finanziaria Industriale (45%) and SC Sembenelli Srl (5%), which won the contract awarded by CADAFE in Venezuela for the repair of the "Borde Seco" dam.
With regards to personal data protection, the Company has introduced and implemented the Prospectus Document on the Security of Personal Data (Dps) as required under Articles 33-34-35-36 and rules 19 and 26 of Appendix B, Technical Instructions for Minimum Security Measures, of Decree Law 196/2003.
In accordance with Consob ruling 11971 of 14 May 1999, shares held personally by Board members and acting and supplementary auditors in the Company and in its subsidiaries are shown in the following table:

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

| Surname and name | Ownership capacity | No. of shares held at 31/12/07 | No. of shares purchased | No. of shares sold | No. of shares held at 31/12/08 |
|---|---|---|---|---|---|
| Trevisani Davide | Held directly | 1,565,575 | | 355,000 | 1,210,575 |
| | Held by spouse | 56,447 | | | 56,447 |
| | | | | | |
| Trevisani Gianluigi | Held directly | 222,700 | 31,000 | | 253,700 |
| Trevisani Cesare | Held directly | 186,414 | 28,500 | | 214,914 |
| Trevisani Stefano | Held directly | - | 1,210 | | 1,210 |
| Moscato Antonio Claudio | | - | | | - |
| Franco Mosconi | | - | | | - |
| Teodorani Fabbri Pio | | - | | | - |
| Bocchini Enrico | Held directly | 1,000 | | | 1,000 |
| Leonardi Adolfo | | - | | | - |
| Alessandri Giacinto | | - | | | - |
| Poletti Giancarlo | | - | | | - |
| Daltri Giancarlo | | - | | | - |
| Caporali Silvia | | - | | | - |

2- Shares held in the subsidiary SOILMEC S.p.A., with registered offices in Cesena (FC) Via Dismano, 5819 – Business Register of Forlì – Cesena no. 00139200406, share capital of Euro 5,160,000 fully paid-up, representing 1,000,000 ordinary shares of nominal value Euro 5.16 each.

| Surname and name | Ownership capacity | No. of shares held at 31/12/07 | No. of shares purchased | No. of shares sold | No. of shares held at 31/12/08 |
|---|---|---|---|---|---|
| Trevisani Davide | Owner | 16,800 | - | - | 16,800 |
| Trevisani Gianluigi | Owner | 10,200 | - | - | 10,200 |
| Trevisani Cesare | Owner | 3,000 | - | - | 3,000 |

## Control and significant influence on the company

In accordance with Article 93 of the Consolidation Act, it is declared that, at 31 December 2008 and at the date the current Financial Statements were prepared, TREVI – Finanziaria Industriale SpA is indirectly controlled by I.F.I.T. S.r.l. (a company with registered offices in Cesena) and directly controlled by the Danish company TREVI Holding Aps, a company controlled by I.F.I.T. S.r.l.
With regard to company data pursuant to Article 2497 of the Italian Civil Code, concerning control and any eventual influence exercised by controlling companies, it is stated that at 31 December 2008 and at the date the current Financial Statements were prepared, no declaration had been made concerning control or significant influence by controlling companies, as the Board of Directors of TREVI – Finanziaria Industriale S.p.A maintain that, while the corporate strategies and policies of TREVI Group are indirectly controlled by IFIT S.r.l., the Company is both operationally and financially completely independent of the controlling company, and has not carried out either in 2008 or any preceding financial periods any corporate transaction in the interests of the controlling company.

The Company, at the date the current Financial Statements were prepared, is the Parent Company of TREVI Group (and as such compiles the Consolidated Financial Statements of the Group), and exercises, in accordance with Article 2497 of the Italian Civil Code, control and influence on the activities of the companies it directly controls:

- TREVI S.p.A., held directly for 99.78%;
- SOILMEC S.p.A., held directly for 97.00%;
- DRILLMEC S.p.A., held directly for 98.25%.
- R.C.T. S.r.l., held indirectly for 99.78% (100% held by TREVI S.p.A.).
- TREVI ENERGY S.p.A., held directly as the sole shareholder for 100%

## Proposed allocation of profits

The profit in the TREVI – Finanziaria Industriale S.p.A. Financial Statements for the year ending 31 December 2008 was Euro 9,420,428 which is proposed should be allocated as follows:

- 5%, equal to Euro 471,021, to the legal reserve;
- Euro 0.12 per share (and, therefore, about Euro 7,680,000) to the shareholders ranking for dividend, with an ex-dividend date of 13 July 2009 and payment from 16 July 2009;
- the residual amount of about Euro 1,269,407 to the extraordinary reserve.

Dear shareholders,
2008 ranks as an excellent year in our fifty-year history. The Group has a solid financial position with which we are ready face the very demanding challenges that the markets will present in 2009 and perhaps for some time to come.
We believe that the wide geographical spread of our business, the reputation we have acquired as a company capable of delivering orders in any given time, under the safest working conditions for our personnel, and with strict quality control, enable us to pursue our aims of further growth and profitability.

Cesena, 30 March 2009

For the Board of Directors
The Chairman
Mr Davide Trevisani

# CONSOLIDATED FINANCIAL STATEMENTS AS AT 31 DECEMBER 2008

CONSOLIDATED FINANCIAL STATEMENTS

# CONSOLIDATED BALANCE SHEET

(Euro 000)

| ASSETS | Note | 31/12/2008 | 31/12/2007 |
|---|---|---|---|
| **Non-current Assets** | | | |
| **Tangible Fixed Assets** | | | |
| Land and buildings | | 59,525 | 39,187 |
| Plant and equipment | | 178,658 | 125,091 |
| Industrial and commercial equipment | | 25,830 | 19,142 |
| Other assets | | 21,903 | 17,628 |
| Fixed assets under construction and pre-payments | | 5,919 | 6,318 |
| **Total Tangible Fixed Assets** | **(1)** | **291,835** | **207,365** |
| | | | |
| **Intangible Fixed Assets** | | | |
| Development costs | | 3,987 | 3,179 |
| Industrial patents | | 615 | 726 |
| Concessions, licences, brands | | 960 | 893 |
| Goodwill | | 1,915 | 0 |
| Fixed assets under construction and pre-payments | | 1 | 0 |
| Other intangible fixed assets | | 511 | 591 |
| **Total Intangible Fixed Assets** | **(2)** | **7,988** | **5,389** |
| | | | |
| Investment property | (3) | 73 | 109 |
| Investments | (4) | 1,299 | 1,179 |
| Investments valued at equity | | 339 | 339 |
| Investments valued at cost | | 960 | 840 |
| Tax assets for pre-paid taxes | (5) | 15,395 | 9,704 |
| Tax assets for non-current taxes | (5) | 0 | 2,592 |
| Non-current financial derivative instruments | (6) | 0 | 92 |
| Held to maturity investments | (7) | 200 | 200 |
| Other non-current financial receivables | (8) | 3,738 | 1,669 |
| Trade receivables and other non-current assets | (9) | 11,127 | 7,333 |
| - of which with related parties | | 1,133 | 1,065 |
| **Total Financial Fixed Assets** | | **31,832** | **22,876** |
| | | | |
| **Total Non-current Assets** | | **331,656** | **235,630** |
| | | | |
| **Current Assets** | | | |
| Inventories | (10) | 335,551 | 170,755 |
| Trade receivables and other current assets | (11) | 378,127 | 254,070 |
| - of which with related parties | | 13,596 | 15,001 |
| Tax assets for current taxes | (11.a) | 23,966 | 10,298 |
| Current financial derivative instruments | (12) | 956 | 65 |
| Cash and cash equivalents | (13) | 88,065 | 90,754 |
| **Total Current Assets** | | **826,666** | **525,942** |
| **TOTAL ASSETS** | | **1,158,322** | **761,573** |

# CONSOLIDATED BALANCE SHEET

(Euro 000)

| Shareholders' Funds | Note | 31/12/2008 | 31/12/2007 |
|---|---|---|---|
| **Share Capital and Reserves** | | | |
| Share capital | | 31,614 | 31,817 |
| Other reserves | | 21,296 | 19,395 |
| Accumulated profits | | 98,864 | 49,476 |
| Group share of net profit | | 74,661 | 55,788 |
| **Group Net Shareholders' Funds** | **(14)** | **226,436** | **156,475** |
| | | | |
| Minorities share of capital and reserves | | 6,209 | 4,989 |
| Minorities share of profit for the period | | 2,694 | 2,012 |
| **Minorities** | | **8,903** | **7,001** |
| | | | |
| Total Net Shareholders' Funds | | 235,339 | 163,476 |
| LIABILITIES | | | |
| **Non-current Liabilities** | | | |
| Non-current debt | (15) | 182,604 | 145,163 |
| Payables for other non-current financing | (15) | 36,166 | 27,152 |
| Non-current financial derivative instruments | (15) | 4 | 4 |
| Tax liabilities for deferred taxes | (16) | 22,751 | 23,180 |
| Post-employment benefits | (17) | 15,391 | 14,833 |
| Non-current provisions | (16) | 5,307 | 5,229 |
| Other non-current liabilities | (18) | 475 | 1,288 |
| **Total Non-current Liabilities** | | **262,698** | **216,850** |
| | | | |
| **Current Liabilities** | | | |
| Trade payables and other current liabilities | (19) | 442,135 | 290,494 |
| - of which with related parties | | 4,565 | 6,431 |
| Tax liabilities for current taxes | (20) | 25,819 | 29,519 |
| Current debt | (21) | 182,617 | 50,952 |
| Payables for other current financing | (22) | 9,557 | 10,246 |
| Current financial derivative instruments | (23) | 156 | 37 |
| **Total Current Liabilities** | | **660,285** | **381,247** |
| **TOTAL LIABILITIES** | | **922,983** | **598,097** |
| TOTAL NET SHAREHOLDERS' FUNDS AND LIABILITIES | | 1,158,322 | 761,573 |

# CONSOLIDATED INCOME STATEMENT

(Euro 000)

| | Note | 31/12/2008 | 31/12/2007 |
|---|---|---|---|
| Revenues from sales and services | (24) | 1,049,501 | 821,535 |
| - of which with related parties | | 13,936 | 15,242 |
| Other operating revenues | (24) | 19,654 | 20,466 |
| - of which non-recurring | | - | 395 |
| - of which with related parties | | - | 395 |
| Increased in fixed assets for internal use | (24) | 50,278 | 26,063 |
| Changes in inventories of finished and semi-finished products | | 82,351 | 10,864 |
| Raw materials and consumables | | 714,684 | 460,609 |
| Changes in inventories of raw materials, ancillary materials, consumables and products | | (76,955) | (36,831) |
| Personnel expenses | (25) | 146,904 | 121,573 |
| - of which non-recurring | | 0 | (1,141) |
| Other operating expenses | (26) | 250,844 | 199,549 |
| - of which with related parties | | 3,207 | 8,117 |
| Depreciation | | 32,398 | 26,432 |
| Provisions and write-downs | (27) | 6,308 | 3,642 |
| **Operating Profit** | | **127,601** | **103,954** |
| Financial revenue | (28) | 3,532 | 3,325 |
| (Financial expenses) | (29) | (20,708) | (16,978) |
| Gains/ (losses) on exchange rates | (30) | (1,250) | (4,428) |
| **Sub-total of Financial Income/ (Costs) and Gains/ (Losses) on Exchange Rates** | | **(18,426)** | **(18,081)** |
| Profit/ (loss) from associates | (31) | 0 | 0 |
| **Pre-tax Profit** | | **109,175** | **85,873** |
| Tax | (32) | 31,820 | 28,074 |
| **Net Profit** | | **77,355** | **57,800** |
| **Attributable to:** | | | |
| Parent Company shareholders | | 74,661 | 55,788 |
| Minorities | | 2,694 | 2,012 |
| Basic Group Earnings per Share (€: | (33) | 1.178 | 0.875 |
| Diluted Group Earnings per Share (€: | (33) | 1.107 | 0.821 |

## CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY

(Euro 000)

| Description | Share capital | Other Reserves | Accumulated profits | Group net profit | Minorities share of capital & reserves | Minorities share of profit | Total shareholders' funds |
|---|---|---|---|---|---|---|---|
| **Balance at 31/12/2006** | **32,000** | **37,296** | **25,916** | **26,760** | **4,251** | **1,169** | **127,392** |
| Allocation of profit for 2006 and dividend distribution | | | 23,560 | (26,760) | 903 | (1,169) | (3,466) |
| Changes in the translation reserve | | (10,958) | | | (166) | | (11,124) |
| Effects of convertible loan issue | | (2,495) | | | | | (2,495) |
| Cash flow hedge reserve | | (50) | | | | | (50) |
| Purchase of own shares | (183) | (4,398) | | | | | (4,581) |
| Net profit for the period | | | | 55,788 | | 2,012 | 57,800 |
| **Balance at 31/12/2007** | **31,817** | **19,395** | **49,476** | **55,788** | **4,989** | **2,012** | **163,477** |
| Allocation of profit for 2007 and dividend distribution | | | 49,388 | (55,728) | 1,482 | (2,012) | (6,870) |
| Changes in the translation reserve | | 7,425 | | | (262) | | 7,163 |
| Other changes | | (1,361) | | (60) | | | (1,421) |
| Cash flow hedge reserve | | (99) | | | | | (99) |
| Purchase of own shares | (203) | (4,061) | | | | | (4,264) |
| Net profit for the period | | | | 74,661 | | 2,694 | 77,355 |
| **Balance at 31/12/2008** | **31,614** | **21,296** | **98,864** | **74,661** | **6,209** | **2,694** | **235,339** |

## STATEMENT OF PROFIT/(LOSS) TAKEN TO NET EQUITY

(Euro 000)

| | 31/12/2008 | 31/12/2007 |
|---|---|---|
| Profit/ (loss) taken directly to cash flow hedge reserves | (99) | (50) |
| Profit/ (loss) for tax adjustments | 0 | 278 |
| Profit/ (loss) taken directly to translation reserves | 7,163 | (11,124) |
| **Profit/ (loss) taken directly to net equity** | **7,064** | **(10,896)** |
| Net profit | 77,355 | 57,800 |
| **Net profit for the period** | **84,418** | **46,904** |
| **Attributable to:** | | |
| Parent Company shareholders | 81,986 | 45,058 |
| Minorities | 2,432 | 1,846 |

# CONSOLIDATED CASH FLOW STATEMENT

(Euro 000)

| | | Note | 31/12/2008 | 31/12/2007 |
|---|---|---|---|---|
| | Net income for the year | | 77,356 | 57,800 |
| | Income taxes for the year | (32) | 31,820 | 28,074 |
| | **Pre-tax profit** | | **109,175** | **85,874** |
| | Depreciation | (1)-(2) | 32,398 | 26,432 |
| | Financial (income)/ expenses | (28)-(29) | 17,176 | 13,652 |
| | Changes in reserves for risks and costs, and for post-employment benefits | (16)-(17) | 70 | (493) |
| | Provisions for risks and costs, and for post-employment benefits | (16)-(17) | 11,739 | 7,662 |
| | Provisions for risks, and for post-employment benefits | (16)-(17) | (7,295) | (5,374) |
| | (Gains) / losses from sale or write-downs of fixed assets | (24)-(26) | 380 | 1,209 |
| **(A)** | **Cash Flow from Operations before Changes in Working Capital** | | **163,644** | **128,962** |
| | | | | |
| | (Increase)/Decrease trade receivables | (9)-(11) | (106,701) | 1,488 |
| | - of which with related parties | | 1,337 | (3,441) |
| | (Increase)/Decrease inventories | (10) | (164,795) | (52,416) |
| | (Increase)/Decrease other assets | | (39,988) | (23,680) |
| | Increase/(Decrease) trade payables | (19) | 103,567 | 54,180 |
| | - of which with related parties | | 1,866 | (2,508) |
| | Increase/(Decrease) other liabilities | | 54,118 | 17,070 |
| **(B)** | **Changes in Working Capital** | | **(153,799)** | **(3,358)** |
| (C) | Cash out for interest and other expenses | (28)-(29) | (15,519) | (12,080) |
| (D) | Cash out for taxes | (13) | (48,342) | (15,323) |
| **(E)** | **Cash Flow generated (absorbed) by operations (A+B+C+D)** | | **(54,017)** | **98,200** |
| | Investments | | | |
| | Operating (investments) | (1)-(2) | (123,388) | (47,192) |
| | Operating divestments | (1)-(2) | 3,576 | 4,142 |
| | Net change in financial assets | (4) | (120) | (336) |
| **(F)** | **Cash Flow generated (absorbed) by investments** | | **(119,932)** | **(43,386)** |
| | Financing activities | | | |
| | Increase/(Decrease) in share capital for purchase of own shares | (14) | (202) | (183) |
| | Other changes including those in minorities | (14) | 1,640 | (18,067) |
| | Increase/(Decrease) in debt, financing and derivative instruments | (15)-(21) | 167,596 | (38,032) |
| | Increase/(Decrease) in leasing liabilities | (15)-(22) | 8,326 | 5,683 |
| | Dividend distribution | (13) | (6,930) | (3,466) |
| **(G)** | **Cash Flow generated (absorbed) from financing activities** | | **170,430** | **(54,064)** |
| **(H)** | **Net Change in Cash Flows (E+F+G)** | | **(3,518)** | **750** |

| | | |
|---|---|---|
| **Opening Balance of Net Liquid Funds** | **89,062** | **88,312** |
| Net Changes in Liquid Funds | (3,518) | 750 |
| **Closing Balance of Net Liquid Funds** | **85,543** | **89,062** |

Note: the entry Closing Balance of Net Liquid Funds includes: cash and cash equivalents (note 13), net of bank overdrafts (note 21).

| Description | Note | 31.12.2008 | 31.12.2007 |
|---|---|---|---|
| Cash and cash equivalents | (13) | 88,065 | 90,754 |
| Bank overdrafts | (21) | (2,522) | (1,692) |
| **Cash and cash equivalents net of bank overdrafts** | | **85,543** | **89,062** |

The Notes to the Accounts are an integral part of the Financial Statements below.

# NOTES TO THE 2008 CONSOLIDATED FINANCIAL STATEMENTS

(Tables in Euro 000)

## Profile and Business of the Group

TREVI - Finanziaria Industriale S.p.A. (henceforth "the Company") and the companies it controls (henceforth known as "TREVI Group" or "the Group") is active in the following two sectors:

- Foundation engineering services for civil works and infrastructure projects and oil drilling services (henceforth "Special Foundations and Drilling Services Division");
- Manufacture of equipment for special foundations and drilling rigs for the extraction of hydrocarbons and water exploration (henceforth the "Mechanical Engineering Division").

These business sectors are organised within the four main companies of the Group:

- Trevi S.p.A., which heads the sector of foundation engineering;
- Petreven C.A., active in the drilling sector providing oil drilling services;
- Soilmec S.p.A., which heads the relative Division and manufactures and markets plant and equipment for foundation engineering;
- Drillmec S.p.A., which produces and sells drilling equipment for the extraction of hydrocarbons and water exploration.

TREVI – Finanziaria Industriale S.p.A is controlled by Trevi Holding A.P.S which, in turn, is controlled by I.F.I.T. S.r.l.. TREVI – Finanziaria Industriale S.p.A has been listed on the Milan stock exchange since July 1999.

These Financial Statements were approved by the Board of Directors on 30 March 2009. The Shareholders' Meeting has the power to alter the Financial Statements on the recommendation of the Board of Directors.

For information on the business areas in which the Group operates, on related party transactions and on events subsequent to the balance sheet date, please see the Review of Operations.

## General presentation criteria

Pursuant to EC Regulation no. 1606/2002 of 19 July 2002, the Consolidated Financial Statements of TREVI Group to 31 December 2008 have been prepared and presented in accordance with the International Accounting Standards issued by the I.A.S.B. – International Accounting Standards Board - and adopted by the European Commission (henceforth singly IAS or IFRS, together IFRS) and currently in force, and according to the SIC/IFRC interpretive standards published to date by the Standing Interpretations Committee and by the International Financial Reporting Interpretations Committee.

## Preparation of Financial Statements

The Consolidated Income Statement uses aggregated costs as this classification is deemed more useful for understanding the results of the Group.

The Balance Sheet is classified using the operating cycle of the Company to make the distinction between current and non-current items. On this basis, assets and liabilities are considered current if it is assumed that they will be realized or settled within a normal operating cycle of the Group and within twelve months of the balance sheet date.

The Cash Flow Statement is prepared using the indirect method to determine financial flows deriving from financial or investment activities.

In preparing the Consolidated Financial Statements, the Parent Company and the Italian and foreign subsidiaries have prepared their income statements, balance sheets and cash flow data in accordance with IAS/IFRS principles, adjusting the figures that have been prepared under the regulations enacted locally.

# Principles of Consolidation

## Subsidiaries:

Companies are considered subsidiaries when the Parent Company has the right to directly or indirectly exercise control over the management of the company and to obtain the benefits of its activities. Control is presumed to exist when the Group holds the majority of the voting rights; the definition of control also assumes any potential voting rights which at the date of the Financial Statements can be exercised.
The accounts of subsidiaries are consolidated using the line by line method from the time that control is acquired until such time as this control is relinquished.
Under IFRS 3 (Business Combinations), the purchase method is used for the acquisition costs of subsidiaries acquired by the Group whereby:

- the acquisition cost is made up of the fair value of assets given, taking into account any equity instruments issued or any liabilities assumed, plus any costs directly attributable to the combination;
- the excess of the cost of the business combination over the fair value of the share of the net assets acquired by the Group is accounted as goodwill;
- if the acquisition cost is lower than the fair value of the share of the net assets acquired by the Group, the difference is recognized in the Income Statement

The reciprocal debit/credit and cost/revenue relationships for companies within the area of consolidation, and the effects of all significant transactions among these companies, are transparent. Unrealised profits with third parties deriving from intergroup transactions, including those from a valuation done at the balance sheet date of inventories, are eliminated
The share of net equity pertaining to minority shareholders has an appropriate entry in the Financial Statements whilst that pertaining to third parties is shown as a specific item in the Consolidated Income Statement.

## Associated companies:

Associated companies are those in which the Group exercises significant influence but where it does not have operating control. It is deemed to have significant influence when it holds an important share (between 20% and 50%) of the voting rights in the Shareholders' Meeting of a company.
The Group's share of the profits or losses of associated companies, following acquisition of the shareholdings in these companies, is recognized in the Consolidated Income Statement.
The equity accounting method is as follows:

- The Group's share of the profit or losses are recognized in the Consolidated Income Statement of the Consolidated Financial Statements from the date on which significant influence or joint control began until the date on which such influence or joint control ceases. The variations in the asset values of companies valued using the equity method and not included in the Income Statement are taken as an adjustment to reserves in the balance sheet;
- Unrealised profits and losses resulting from transactions between the Parent Company or its subsidiaries and associates are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated except where they represent a reduction in the value of the associate.
- The excess of the cost of acquisition over the fair value of the Group's interest in the net assets acquired is recognized as goodwill; if the acquisition cost of the net assets is lower than the fair value of the interest of the Group in the associate, the difference is recognized immediately in the Income Statement.

## Joint Ventures:

IAS 31 (Financial Reporting of Interests in Joint Ventures) defines a Joint Venture as a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.
Under proportional consolidation, adopted by the Group, the balance sheet of the venture includes its share of the assets, liabilities, revenues and costs of the jointly controlled entity. Investments acquired or divested in the course of a financial year are consolidated for the period of joint control.

## Translation to Euro of Financial Statements of foreign companies

The financial statements of foreign companies that are consolidated are converted into Euro applying exchange rates prevailing at the year-end to assets and liabilities and the average exchange rates for the financial period for the Income Statements. Exchange rate differences deriving from the conversion of the opening assets and liabilities at the exchange rate prevailing at the year end and that prevailing at the start of the year and those deriving from the translation of the Income Statement using average exchange rates are recognized in a translation reserve included in shareholders' equity.

The exchange rates used in the 2008 Financial Statements are as follows (foreign exchange: Euro 1.00):

| Currency | | Average exchange rate for the period | Exchange rate at balance sheet date | Average exchange rate for the period | Exchange rate at balance sheet date |
|---|---|---|---|---|---|
| | | 31.12.2008 | 31.12.2008 | 31.12.2007 | 31.12.2007 |
| Sterling | GBP | 0.7965 | 0.9525 | 0.6846 | 0.7334 |
| Japanese Yen | JPY | 152.331 | 126.14 | 161.2408 | 164.9300 |
| US Dollar | USD | 1.4706 | 1.3917 | 1.3706 | 1.4721 |
| Turkish Lira | TRL | 1.9072 | 2.1488 | 1.7866 | 1.7170 |
| Argentine Peso | ARS | 4.6409 | 4.80444 | 4.2708 | 4.6369 |
| Venezuelan Bolivar | VEB | 3.16 | 2.988 | 2,943.1750 | 3,161.0400 |
| Nigerian Naira | NGN | 174.7118 | 193.249 | 172.1348 | 174.3700 |
| Singaporean Dollar | SGD | 2.0761 | 2.0040 | 2.0636 | 2.1163 |
| Philippine Peso | PHP | 65.1283 | 65.930 | 63.0188 | 60.7240 |
| Chinese Renmimbi | CNY | 10.2247 | 9.4956 | 10.4186 | 10.7524 |
| Malay Ringgit | MYR | 4.8879 | 4.8048 | 4.7076 | 4.8682 |
| U.A.E. Dirham | AED | 5.4013 | 5.1118 | 5.0334 | 5.4066 |
| Algerian Dinar | DZD | 94.9913 | 98.3946 | 95.3201 | 98.2547 |
| Swedish Krona | SEK | 9.6169 | 10.87 | 9.2521 | 9.4415 |
| Hong Kong Dollar | HKD | 11.4527 | 10.7858 | 10.6928 | 11.4800 |
| Iranian Rial | IRR | 13,868.72 | 13,701.30 | 12,721.5333 | 13,664.00 |
| Indian Rupee | INR | 63.7012 | 67.636 | 56.5888 | 58.0210 |
| Australian dollar | AUD | 1.9093 | 2.0274 | - | - |
| Libyan dinar | LYD | 1.7155 | 1.7375 | - | - |

## Area of consolidation

The area of consolidation has varied in respect of 31 December 2007 as follows:

- Soilmec North America, 80% controlled by Soilmec B.V. (Holland), was established;
- Soilmec Deutschland, 100% controlled by Soilmec B.V. (Holland), was established;
- Soilmec Investments Pty Ltd, 100% controlled by Soilmec B.V. (Holland), was established;
- Soilmec Australia Pty Ltd, 80% controlled by Soilmec Investment Pty Ltd.(Australia), was established;
- Petreven S.A. Argentina, 100% controlled by TREVI - Finanziaria Industriale S.p.A., was established;
- Trevi Asasat J.V. (Libya), 65% controlled by Trevi S.p.A.;
- Galante Foundations SA (Panama), 100% controlled by Trevi Panamericana SA;
- Galante S.A. (Colombia), 99% controlled by Galante Foundations SA and 1% by Trevi Panamericana SA.
- Trevi Orascom/Skikda Ltd (registered offices in the UAE), 50% controlled by Trevi S.p.A.;
- Trevi Icos / Soletanche JV (USA), a joint venture 50% controlled by Trevi Icos Corporation.

During the 2008 financial year, the companies above generated total revenues of about Euro 18.5 million, mainly attributable to the activities of Soilmec North America (Euro 10 million), Trevi Orascom/Skikda (Group share equivalent to Euro 3.3 million) and Galante SA (Euro 2.4 million). The other companies are in a start-up phase. Management maintains that these acquisitions did not significantly influence the comparability of the Consolidated Financial Statements at 31 December 2008 with those at 31 December 2007.

The Attachments to the Notes to the Accounts includes a table showing the Group structure, which lists the companies consolidated at 31 December 2008.

Associated companies in which the Parent Company has a direct or indirect holding which does not constitute control, as well as non-operative Joint Ventures, where the work for which they were set up is almost complete or is about to be completed, are equity accounted. Attachment 1 shows the holdings valued using the equity accounting method. The values under the equity accounting method use the most recent Financial Statements approved by these companies as the point of reference.
Minority holdings and minority stakes in consortia or non-operative companies are valued using the cost accounting method and adjusted for persistent impairment losses. In particular, limited liability consortia and consortia specifically set up as operating entities for projects or works acquired by a consortium including other companies and in existence for a limited period, which have financial statements with no operating result because they off-set any direct costs by a corresponding debit to the combined businesses of the consortium, are cost accounted

Profuro International Lda, Trevi Park PlC, Hercules Trevi Foundation A.B., and Trevi Spezialtiefbau Gmbh, have been accounted for at cost since they are considered of insignificant size. These companies were set up in prior years for specific projects in their relative countries. On completion of these projects, the Group retained these companies, albeit completely inoperative, in case of future business opportunities. The percentage held in these companies is as follows:

| Company | % held |
|---|---|
| Profuro International Lda | 47.50% |
| Trevi Park Plc | 26.50% |
| Hercules Trevi Foundation A.B. | 49.50% |
| Trevi Spezialtiefbau Gmbh | 99.00% |

For further details, please see the table showing the Group Structure (Attachment 2)

# Valuation criteria

The most significant criteria adopted in the preparation of the Financial Statements at 31 December 2008 are the following:

## NON-CURRENT ASSETS:

### Tangible fixed assets

The operating tangible fixed assets are valued using the cost method as required by IAS 16. In accordance with this, tangible assets are stated at their acquisition or construction cost, including contingent costs and costs incurred, and subsequently adjusted for depreciation, impairment losses and revaluations.
Depreciation is calculated and charged to the Income Statement on a straight line basis over the useful life of the asset on the depreciable amount, equal to the cost of the asset at the recognition date less its residual value.
The cost to purchase or produce the asset is the cash price equivalent at the recognition date, except where the payment is deferred beyond the normal credit terms when the difference between the cash price equivalent and the total payment is recognized as interest over the period of the credit.

Financial costs contingent on the acquisition, construction or manufacture of a tangible fixed asset are charged to the Income Statement.
The capitalization of costs contingent on adding to, updating or improving assets for the Group's own use or in use from third parties is only effected when these costs meet the requirement for them to be classified as a separate asset or part of an asset.
The depreciable amount of each significant element of a tangible fixed asset with a different useful life is apportioned on a straight line basis over its estimated useful life.

| Description | Years | % |
|---|---|---|
| Land | Indefinite useful life | |
| Industrial buildings | 33 | 3% |
| Lightweight buildings | 10 | 10% |
| Generic equipment and accessories | 20 | 5% |
| Drilling equipment | 13 | 7.5% |
| Various and smaller equipment | 5 | 20% |
| Motor vehicles | 5-4 | 18.75% - 25% |
| Transport vehicles | 10 | 10% |
| Excavators and piles | 10 | 10% |
| Office furniture and fittings | 8.3 | 12% |
| Electromechanical office machinery | 5 | 20% |
| Motorised tenders | 20 | 5% |

Note: The estimated useful life of the industrial building at Gariga di Podenzano (PC), the headquarters of Drillmec S.p.A., is 20 years.

The criteria for the depreciation rate used, the useful life and the residual value are calculated at least as often as the end of each financial year in order to take account of any significant changes.
The capitalized costs for improvements to third-party assets are recognized in the relevant fixed asset category and depreciated for the shorter of either the residual length of the leasing contract or the residual useful life.
The carrying value of tangible fixed assets remains on the balance sheet as long as that value can be recouped from their use.
Ordinary maintenance costs are entirely charged to the Income Statement. Those increasing the value of the asset, by extending its useful life, are capitalized.

## Leasing contracts

Financial leasing contracts are accounted for in accordance with IAS 17. This requires that:

- The cost of leased assets is recognized in fixed assets and is depreciated on a straight line basis for the estimated useful life of the asset; there is a corresponding entry for financial payables towards the lessor for an amount equal to the fair value of the leased asset;
- Lease payments are recognized in such a way as to separate the financial element from the capital element, considered as repayment of the outstanding liability to the lessor.

Leasing contracts where the lessor retains almost all the risks and rewards of the asset are classed as operating leases and the lease payments are recognized as an expense in the Income Statement over the lease term on a straight line basis.

## Intangible fixed assets

Intangible assets acquired or produced internally are recognized at the cost of acquisition or production when it is probable that use of the asset will produce future economic benefits and when the cost of acquiring or producing the asset can be reliably determined. These assets are valued at acquisition or production cost.

Those intangible assets having a finite useful life are depreciated on a straight line basis over the estimated useful life of the assets as follows:

| Description | Years | % |
|---|---|---|
| Development costs | 5 | 20% |
| Industrial patents and use of intellectual property and software | 5 | 20% |
| Concessions, licences and brands | 5 | 20% |
| Other intangible fixed assets | 5 | 20% |

Assets with an indefinite useful life, such as goodwill, are not depreciated but are subject to annual assessments (impairment tests) to identify any impairment losses or, more frequently, if there is any indication that the assets might be impaired.

## Development costs:

Research costs are recognized in the Income Statement at the time they are incurred. Development costs that are required by IAS 38 to be classified as an asset (when there is the technical capacity, the intention and capability, the availability of necessary resources to complete the asset for use or sale, or the ability exists to make a reliable assessment of the attributable development costs) are usually depreciated over five years on the basis of their estimated future useful life from the moment such assets are available for economic use. The useful life is assessed and modified if there is any estimated change in its future usefulness.

## Industrial patents, use of intellectual property, concessions, licences and brands:

These are valued at cost net of accumulated depreciation, calculated on a straight line basis for the duration of the useful life barring any significant impairment. The criteria for depreciation, useful life and residual value are examined and measured at least as often as the end of each financial year in order to take account of any significant changes.

## Investment property

This balance sheet item contains fixed assets which under IAS 40 (Investment Property) are not considered essential to the business activities of the company.

Such assets include property held to earn rentals or for capital appreciation when the cost of the property can be reliably measured and the future economic benefits associated with it will flow to the business; the cost is depreciated on the basis of the estimated future economic life of the asset.

## Investments

For details of the investment values in subsidiaries not fully consolidated or in associate companies, please refer to the information provided in the above section, Area of Consolidation.

## Financial assets

Financial assets are designated under the following categories:

### Held-to-maturity investments:

investments in financial assets with fixed maturities and determinable or fixed payments which the Group has the intention and capacity to hold to maturity;

### Available for sale financial assets:

financial assets other than those in the preceding paragraph or those designated as such from the start.

The Group decides the designation of the financial assets at the moment of purchase; the initial recognition is the fair value at the purchase date, including transaction costs; for purchase or sale date, the settlement date of the transaction is intended.
After the initial recognition, the financial assets at fair value through profit and loss and the available-for-sale financial assets are measured at fair value. Gains or losses deriving from variations in the fair values of the financial assets at fair value through profit and loss are recognized in the Income Statement in the financial year they occur. The unrealised gains or losses deriving from variations in the fair value of assets designated as financial assets available for sale are recognized in equity.
The held-to-maturity investments, as well as loans receivable and other financial receivables, are measured at amortised cost net of any persistent impairment loss.
The fair value of financial assets is measured on the basis of listed offer prices or financial models. The fair value of unlisted financial assets is estimated using valuation techniques appropriate to the characteristics of the issuer. Financial assets for which the current value cannot be reliably determined are accounted for at cost less impairment.
At each balance sheet date the presence of any indications that assets may be impaired is assessed and any losses are charged to the Income Statement. Previously recognized impairment losses are reversed if the reason for the original recognition of the impairment no longer exists.

## Treasury shares

In accordance with IAS 32, when the Group's own equity instruments are reacquired, these treasury shares are deducted from equity under the entry Treasury shares. Gains or losses are not recognized in the Income Statement on the purchase, sale or cancellation of treasury shares.
Any consideration paid or received, including any transaction cost directly attributable to the capital transaction, net of any associated tax benefit, is recognized directly as a change in net equity

## Grants

In accordance with IAS 20 (Accounting for Government Grants and Disclosure of Government Assistance), grants are recognized, even without a formal confirmation, when there is a reasonable assurance that the company will adhere to the conditions attached to the grant and that the grant will be received.
The grant is recognized in the Income Statement on the basis of the useful life of the benefit for which it is given, by means of the deferral method in order to deduct the calculated depreciation.
A grant relating to expenses and costs already incurred or for immediate financial support to a company, with no future related costs, is recognized as income in the period in which it is received.

## Impairment

A tangible or intangible asset is impaired when the carrying value in the Balance Sheet exceeds the recoverable value. Under IAS 36, the aim of the impairment test is to ensure that tangible and intangible assets do not have a carrying amount in the accounts that exceeds their recoverable amount, the greater of their net selling price or the value in use.
The value in use is the discounted present value of estimated future cash flows expected to arise from the asset or the cash-generating unit to which the asset belongs. The expected cash flows are discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset.
If the carrying amount exceeds the recoverable cost, the assets or the cash-generating units to which the assets belong, are adjusted down to reflect the recoverable amount. The impairment losses are charged to the Income Statement.
The impairment test is carried out when conditions either internal or external to the company indicate that the assets have been impaired. Goodwill or other intangible assets of indefinite useful life are tested for impairment at least annually.
If the conditions that caused the impairment no longer exist, the impairment loss is reversed proportionally until, as a maximum level, the value the asset would have had, net of depreciation calculated on its historical cost, is reached. Reversal of an impairment loss is recognized as income in the Income Statement.
Reversal of an impairment loss for goodwill is prohibited under international accounting standards.

# CURRENT ASSETS

## Inventories

Inventories are carried at the lower of purchase cost and net realizable value; any impairment losses accounted for are reversed if in future financial periods the causes of the impairment no longer exist.
The cost is calculated using the average weighted cost method for raw materials, ancillary materials, consumable and semi-finished materials and the specific cost for the other categories of inventories.

## Contract work in progress

A construction contract is defined by IAS 11 (Accounting for Construction Contracts) as a contract specifically negotiated for the construction of an asset or a group of interrelated assets or interdependent as far as regards their planning, technology and function or their final use. Contract costs are expensed in the financial year they are incurred. Contract revenues are recognized in proportion to the stage of completion of contract activity at the date of the financial statements when the outcome of the contract can be estimated reliably.
When the outcome of a contract cannot be estimated reliably, the revenues are recognized only to the extent that contract costs incurred are expected to be recoverable.
When it is likely that the total costs of a contract exceed the total revenues of the contract, the total estimated losses are immediately recognized as a cost.
Contract revenues are recognized in proportion to the stage of completion of contract activity, on a cost-to-cost basis, whereby the proportion of contract costs incurred for work performed at balance sheet date to the estimated total contract costs is calculated.
Contract work in progress is shown in the Balance Sheet as follows:

- The amounts due from contractors is included in assets, under trade receivables and other current assets, when the costs incurred, plus the related profits (less the related losses) exceed any advances received;
- The amounts due to contractors is included in liabilities, under trade payables and other current liabilities, when the advances received exceed the costs incurred plus the related profits (less the related losses).

## Trade receivables and other current assets

Receivables due within the credit terms or which carry interest at market rates are not discounted but are recognized at nominal value net of an allowance for doubtful receivables so that their value is in line with the estimated realizable value.
Receivables are recognized at their estimated realization value; this value approximates the amortised cost. If this is expressed in foreign currency, it is translated using the exchange rate at the balance sheet date.
This Balance Sheet item also includes the share of costs and revenues spread over two or more years to reflect the time proportion principle correctly.
Receivable sales with recourse and those without recourse, which under IAS 39 do not classify for elimination of the assets from the balance sheet because the relative risks and benefits have not substantially been transferred, remain in the Balance Sheet of the Group even if they have been legally transferred.

## Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.
If there is any objective evidence that a loan or a receivable carried at amortised cost is impaired, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the effective interest rate of the instrument at initial recognition.

The carrying amount of the asset is reduced by establishing an allowance for impairment losses. The amount of the loss is recognized in the Income Statement.
The Group assesses the objective evidence for impairment losses individually. If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment was originally recognized, the previously recognized impairment loss is reversed. Any previously recognized impairment losses are reversed through the Income Statement, to the extent that the carrying amount of the asset does not exceed the amortised cost at the date the impairment loss is reversed. For trade receivables, an impairment allowance is made when there is objective evidence (for example, evidence that the debtor is insolvent or in significant financial difficulty) that the Group will not receive in full the amount due under the original agreement
The carrying amount of the receivable is reduced by establishing a related allowance account. Impaired receivables are written off if considered irrecoverable.

## Cash and cash equivalents

Cash and cash equivalents are highly liquid short-term investments (with an original maturity of no more than three months), easily convertible into considerable sums of cash and subject to no relevant variation from fair value.
In the Cash Flow Statement, cash and cash equivalents include cash, bank accounts, net of bank overdrafts. In the Balance Sheet, bank overdrafts are included in financial debt as part of current liabilities.

## EQUITY AND LIABILITIES:

- ### Issued share capital

This item is the subscribed and fully paid up share capital; it is shown at nominal value. The acquisition of treasury shares, valued at the consideration paid, including any related costs, is recognized as a change in shareholders' funds and the nominal value of the treasury stock is deducted from shareholders funds whilst the difference between the purchase cost and the nominal value of the treasury stock is deducted from reserves.

- ### Share price premium

This item is the excess of the issue price of the shares compared to their nominal value and this reserve also includes the difference of the conversion price of the bonds to shares.

- ### Other reserves

These include capital reserves with a specific destination within the Parent Company and the adjustments made on the first-time adoption of IAS/IFRS.

- ### Accumulated profits (losses)

This item includes the economic results of prior financial years which have not been distributed or taken to reserves (in the case of profits) or covered (in the case of losses), and movements from other equity reserves when the need for which the latter were set up no longer exists.

## Financing agreements

These are initially recognized at cost on the day they are raised, which is equal to the fair value of the sum received net of related costs. Subsequently, financing transactions are valued with the amortised cost method using the current interest rate.

## Indirect Convertible Bond

The liability part of the Indirect Convertible Bond is shown in the Balance Sheet as debt, net of transaction costs, whilst payments related to this instrument are shown as financial costs in the Income Statement.
At the time of issue, the fair value of the debt component is calculated using the market value of equivalent non-convertible bonds; this amount, classed as long-term debt, is accounted for by the amortised cost method until extinction through conversion or repayment.
The residual amount is the conversion option, which is recognised in equity, net of transaction costs and the related tax effect. Subsequently, the accounting value of the conversion option remains unchanged.
The transaction costs for the issue of the financial instrument are attributed to the liability and capital parts of the instrument in proportion to the value of each component as recognised when first entered in the Financial Statements.

# Employee benefits

## • Short-term benefits

Short-term employee benefits are charged to the Income Statement in the period of service rendered by the employee.

## • Post-employment benefits

The group recognizes certain benefits to its employees post-employment (TFR [Staff Termination Fund] for the Italian companies of the Group and pension benefits for the foreign companies). These benefits fall into the category of defined benefits, verifiable as to their existence and quantifiable as regards the amount payable but uncertain as to when payment will be required. Under IAS 19, the liability is valued using the Projected Unit Credit Method and calculated by independent actuaries. This method calculates the present value of the defined benefit obligation that an employee will receive at the estimated date when the service rendered by the employee ceases using actuarial assumptions (for example, the mortality rate, the rotation rate of personnel) and financial assumptions (for example, the discount rate). The present value of the defined benefit obligation is calculated annually by an external, independent actuary. Actuarial gains and losses are recognised in full in the Income Statement in the year in which they are realized. The Group has not used the so-called "corridor" method for recognising actuarial gains and losses.

The Italian Accounting Commission (OIC), with the document approved by the Executive Committee on 26 September 2007, referring to Appendix 1 of the Operating Guide of 2005 for the transition to International Accounting Standards (IAS/IFRS), has given further indications, in addition to those in the original document, concerning the calculation and disclosure of the staff termination indemnities (TFR) of employees of Italian companies within the Group, following the new rules in Law 296 of 27 December 2006 (the Finance Law 2007) and of the relative enactment decree of the Ministry for Employment and Social Security No. 70 of 3 April 2007.
The OIC document does not alter the previous opinion on staff-leaving indemnities matured to 31 December 2006, which remain within the Company and are considered defined benefit plans. However, the new document asserts that, to comply with IAS 19 for the accounting treatment of settlement or curtailment changes to the post-employment plan, the staff leaving indemnity matured must be subject to a different calculation, which results in a significant change due to the absence of the previous actuarial assumptions concerning salary increases. In other words, the liability for staff-leaving indemnities which remain within the Company may no longer be modified by subsequent events.

## • Defined benefits plan

The Group participates in state defined contribution plans. The contributions paid fulfil the obligations of the Group towards its employees. The contributions are costs recognized in the period in which the benefit is earned.

# Provisions for potential risks and costs, assets and liabilities

Risk and costs provisions are probable liabilities where the amount and/or timing of the obligation derive from a past event and where the fulfilment of that obligation will result in an outflow of financial resources. Provisions are made exclusively for existing obligations, either legal or implicit, deriving from a past event where at the balance sheet date a reliable estimate of the amount of the obligation can be made. The amount provided represents the best estimate of the amount necessary to fulfil that obligation made at the balance sheet date. Provisions made are re-assessed at the end of each accounting period in the year and adjusted to reflect the best current estimate.
Where settlement of the obligation is likely to be beyond the normal credit terms, the amount of the provision represents the estimated value of the future obligation discounted to its present value.
Potential assets and liabilities are not entered in the balance sheet; however information is provided for those of a significant amount.

## Income taxes

Current income taxes are determined on the basis of estimated taxable income for the financial year according to the enacted legislation and at the tax rates payable on the balance sheet date.
Deferred taxes are calculated for all temporary differences between the carrying values of assets and liabilities and the fiscal valuation of assets and liabilities (the liability method). Deferred taxes are calculated using the tax rates expected to apply when the temporary differences will be realized or settled.
Current and deferred taxes are shown in the Income Statement except where they refer to entries directly debited or credited in the Balance Sheet.
Pre-paid taxes relating to consolidation operations or the temporary differences between taxable results and the results of the companies, as derived from the financial statements used for the consolidation, are recognized to the probable amount that there will be future taxable income against which they can be offset.

## Derivative instruments

TREVI Group has adopted a Group policy approved by the Board of Directors on 1 February 2008. Under IAS 39, recognition of changes in fair value differs according to the designation of the derivative instrument (held for trading or cover) and the nature of the risk covered (Fair Value Hedge or Cash Flow Hedge).
For those contracts designated as held for trading, changes in fair value are recognized directly in the Income Statement.
For those contracts like a Fair Value Hedge, changes in fair value of the hedging instrument and of the hedged item are recognized in the Income Statement, independent of the valuation criteria adopted for the latter.
For Cash Flow Hedges, changes in fair value are recognized directly in equity if the hedging instrument is determined to be an effective hedge whilst the portion determined as ineffective is recognized in the Income Statement. The changes recognized in equity are recycled to the Income Statement in the same financial period or periods in which the hedged asset or liability affects profit or loss.
Purchase or sale of derivative instruments (for trading or cover) is recognised at the trade date.

## Debts

Debts are recognized at their presumed settlement value, approximately the amortised cost. If expressed in foreign currency, the values are determined using the exchange rate at the balance sheet date.

## Guarantees and potential liabilities

These include guarantees and sureties given, as well as goods received on deposit for various reasons. They are recognized at nominal value.

# INCOME STATEMENT:

## Revenues and expenses

Revenues are recognized and accounted for to the extent that the economic benefits are probable and the relative amounts can be reliably estimated. Revenues deriving from the sale of an asset are recognized upon transfer of the risks of ownership, normally at the time of shipping; where the contract includes testing, the revenues are recognised when the testing has been successfully completed. Revenues for contract work are recognized according to the stage of completion of the contract, as illustrated above.
Expenses are recognized on a similar basis to revenues and always recognized on a time-proportion basis.

## Financial revenues and expenses

Financial revenues and expenses are recognized in the Income Statement on a time-proportion basis and using the effective interest method.

## Dividends

These are recognized in the financial year when the shareholders have the right to receive the payment, usually the year in which the Shareholders' Meeting decides on the dividend distribution.
Dividends distributed to shareholders are recognized as a liability in the Financial Statements of the year in which the distribution is approved by the Shareholders, Meeting.

## Earnings per share

Basic earnings per share is calculated by dividing the share of the Group's economic result attributable to the ordinary shareholders by the average weighted number of outstanding ordinary shares, excluding any treasury shares.
Diluted earnings per share is calculated by taking the share of the profit or loss attributable to the shareholders of the Parent Company and dividing it by the average weighted number of shares in circulation, taking into account all potential dilutive securities.

## Criteria for translation of foreign currency items

Receivables and payables in currencies other than Euro are originally translated into Euro at the historical rates prevailing at the date of the relative transactions.
Exchange rate differences realized on the payment of receivables or the settlement of payables in foreign currencies are recognized immediately in the Income Statement.
Assets and liabilities in currencies other than Euro, excluding tangible and intangible fixed assets and investments, are determined using the exchange rate of the balance sheet date and any related exchange rate gains or losses are recognised in the Income Statement.
Fixed-term currency contracts are used to cover the fluctuation risk of foreign currencies. The foreign subsidiaries of Trevi S.p.A. draw up accounts in the currency of the main economic area in which they operate (the functional currency). At the balance sheet date, the amounts of the financial statements expressed in local currencies are translated using the exchange rates of 31 December published on the website of the Ufficio Italiano Cambi and any differences arising are recognized in the Income Statement.

### Comment on accounting estimates

The preparation of the Consolidated Financial Statements requires Management to apply accounting principles and methodologies that, in some cases, employ complex and subjective valuations and estimates. These are based on past experience and assumptions, which are always considered reasonable and realistic given the information available at the time. Given the recent joint document from the Bank of Italy/Consob/Isvap No. 2 of 6 February 2009, it is specified that estimates are based on the most recent information available to management at the time the Financial Statements were prepared without, however, damaging their reliability.
The application of these estimates and assumptions affects the figures in the Financial Statements - the Balance Sheet, the Income Statement and the Cash Flow Statement, as well as those given as additional information. Real results may differ from these estimates given the uncertainty surrounding the assumptions and conditions on which the estimates are based.

Listed below are the items from the Financial Statements requiring the greatest degree of subjectivity on the part of management in establishing estimates and, for which any change in the conditions underlying the assumptions used, would have a significant impact on the Consolidated Financial Statements of the Group:

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

Estimates and assumptions are reviewed periodically and the effects of any changes are recognised in the Income Statement for the period in which the change was made.

## Recent changes in accounting standards

The accounting standards adopted in these Financial Statements are substantially the same as those adopted for the preparation of the previous Financial Statements except as follows:

## 1. Accounting standards, amendments and interpretations applied in 2008

From 1 January 2008, the Group adopted the following new or revised IFRSs and the following new or revised interpretations of IFRIC.

### IFRIC 11 IFRS 2 – Group and Treasury Share Transactions

The Group has adopted IFRIC 11 where applicable to the Consolidated Financial Statements.
The interpretation requires that transactions where employees are granted rights to equity instruments of the Company are accounted for as equity-settled even when the entity buys its own equity instruments on the market or they are assigned by the shareholders. The Group has, therefore, modified its accounting principles. The Group has issued no equity instruments governed by this standard.

### IAS 39 and IFRS 7

On 13 October 2008, the IASB issued an amendment to IAS 39 – Financial Instruments: Recognition and Measurement and to IFRS 7 – Financial Instruments: Disclosures. This amendment permits the reclassification of non-derivative financial assets, other than those designated at fair value through profit or loss, under particular circumstances. Moreover, it permits the transfer from the available-for-sale category to the held-to-maturity category if the entity has the intention and ability to hold the financial asset for the foreseeable future. The amendment is applicable from 1 July 2008. However, its adoption has given rise to no effect on these Financial Statements since the Group has not implemented any reclassification allowed under the amendment.

## 2. Standards and interpretations approved but not applied early by the Group

### IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This Standard provides a guide to the measurement of the limit of a defined benefit asset that can be accounted for under IAS 19 Employee benefits. As a result, the Group has changed its own valuation criteria. The introduction of this Standard should have no impact as the Group defined benefit plans carry a capital loss.

### IFRS 2 Share-based payment (Amendment)

In January 2008, the IASB published an amendment to IFRS 2 which clarifies vesting conditions and the treatment of certain cancellations of share-based payments. The amendment will be applied retrospectively by the Group from 1 January 2009. The Group maintains that adoption of this amendment will not give rise to any significant effects.

### IFRS 8 Operating segments

The IASB issued IFRS 8 in November 2006 and it replaces IAS 14 Segment Reporting from the effective date indicated.
IFRS 8 requires the Company to identify and assess the performance of segments based on internal reports that management uses to make

decisions about operating matters.
The Group is evaluating the effects of this amendment.

### IAS 23 Borrowing costs:

The definition of borrowing costs has been revised to ensure that all borrowing costs are measured at fair value as required by IAS 39.
The Group is evaluating the effects of this amendment

## 3. Standards issued but not yet effective

### Amendments to IFRS 1 - First-time Adoption of International Financial Reporting Standards and IAS 27 - Consolidated and Separate Financial Statements.

The amendments to IFRS 1 permit the entity to measure the cost of investments in subsidiaries, associates and jointly controlled entities when adopting IFRSs for the first time in accordance with IAS 27 or when using a "deemed cost" approach.
The amendment to IAS 27 requires that all dividends from subsidiaries, associates and jointly controlled entities are shown separately in the Income Statement. Both amendments are effective for annual periods beginning on or after 1 January 2009. The amendment to IAS 27 must be applied on a prospective basis.
The amendments (to IAS 27) have an impact only on the separate financial statements of the Parent Company and have no impact on the Consolidated Financial Statements.

### IFRS 3R – Business Combinations and

### IAS 27R – Consolidated and Separate Financial Statements

The main amendments were issued in January 2008 and are to be applied to annual periods beginning on or after 1 July 2009.
IFRS 3R introduces several changes to the accounting for business combinations that take place after that date and which have an impact on the amount of goodwill recognised and on the income statement at the time of acquisition and afterwards.
IAS 27R governs changes in the amount held in a subsidiary (while control is retained). Following such a transaction, any difference between the value of minorities (whether acquired or divested) and the fair value of the sum paid or received is an equity transaction to be attributed to the majority shareholders.
In addition, the standard changes the accounting for losses realized by the parent company and for disposals that result in loss of control of a subsidiary.
The changes in IFRS 3R and IAS 27R affect future business combinations, and transactions leading to loss of control of a subsidiary and transactions with non-controlling interests. Early application of the standards is permitted but the Group does not intend to avail itself of this opportunity.

### IAS 1 - Revised Standard on Presentation of Financial Statements

The revised standard was issued in September 2007 and is effective for annual periods beginning on or after 1 January 2009.
The standard governs the presentation of changes in a company's equity resulting from transactions with owners and those with non-owners. The statement of changes in net equity must only include details pertaining to Group net equity whilst transactions involving minority interests should be shown in a separate entry.
In addition, the standard also introduces the Statement of Comprehensive Income:
This requires that all items of income and expense be presented either in a single statement, a statement of comprehensive income, or in two statements, a statement of the components of profit and loss and a statement of other comprehensive income. The Group is evaluating which of the two options to adopt.
The standard also requires that assets and liabilities from derivative financial instruments not held for trading purposes are classified in the Balance Sheet identifying them as current and non-current assets and liabilities.

### IAS 32 - Financial Instruments: Presentation

### IAS 1- Presentation of Financial Statements – Puttable Instruments and Obligations Arising on Liquidation

These amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for annual periods starting on or after 1 January 2009.
The amendments allow for one exception, with limited scope for application, which permits a puttable instrument and similar instruments such as capital instruments if they meet specified requirements. The amendments to the standard have no impact on the Balance Sheet or Income Statement of the Group.

### IAS 39 – Financial Instruments – Recognition and Measurement – Eligible Hedged Items

The amendments to IAS 39 were issued in 31 July 2008 and become effective for annual periods starting on or after 1 July 2009. The amendment

addresses the designation of a one-sided risk in a hedged item and the designation of inflation as a hedged risk or as a hedged portion in particular situations. The amendment clarifies that the entity may designate a portion of the variation in the cash flows or fair value of a financial instrument as a cash flow hedge. The Group has concluded that the amendment will have no impact on the financial position or profitability of the Group.

### IAS 16 - Property, Plant and Equipment

Items of property, plant and equipment held for leasing purposes and which, at the end of the lease contracts, are systematically sold must be classified as inventories at the end of the leasing contract and when they become available for sale.

### IAS 19 – Employee Benefits

Amendments to definitions of "post-employment benefit expenses", "return on plan assets", "short-term benefits" and "other long-term benefits". Changes to a benefit plan which translate into a reduction of related benefits for future services are recognized as a cost. Reference to recognition of potential liabilities has been deleted to ensure compatibility with IAS 37.

### IAS 38 – Intangible Assets:

To date, the Group has applied the straight line method to the depreciation of intangible assets.
The standard regarding the depreciation method of intangible fixed assets has been revised to permit use of the unit of production method of amortisation. The Group is evaluating the effects that would derive from the adoption of this revision.

### IAS 40 – Investment Property

The definition has been modified to include property under construction or development to be held for future use as investment property.
If a reliable fair value cannot be measured, the investment property under construction may use cost as a proxy for fair value until such time as construction is complete or a fair value may be reliably determined.
It also clarified that the fair value of an investment property held under lease must reflect estimated financial flows (including potential hire payments expected). Consequently, the carrying amount of investment property held under lease is determined using the fair value model but requires any recognized lease liability to be added back if the valuation obtained for a property is net of all payments expected to be made.
Lastly, the conditions with respect to voluntary changes in accounting policies were modified to be consistent with IAS 8.
The Group is evaluating the effects that would derive from the adoption of this amendment.

### IFRIC 15 – Agreements for the Construction of Real Estate

IFRIC 15 was issued in July 2008 and is effective for annual periods starting on or after 1 January 2009 and is to be applied retrospectively. The interpretation provides guidance on when and how the revenues and costs deriving from the sale of real estate must be recognised if an agreement between the constructor and the purchaser was reached prior to completion of the construction. The interpretation also gives guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 or IAS 18. The Group is evaluating the effects that would derive from the adoption of this interpretation.

## 4. Accounting standards, amendments and interpretations not applicable to the Group

### IFRIC 13 – Customer Loyalty Programmes

IFRIC 13 was issued in June 2007. The interpretation requires that award credits given as a customer loyalty programme are accounted for separately from the sales to which they are related. Part of the fair value of the payment received must be deferred and recognized as revenue when the award is supplied.
Application of this standard has no impact on the Group as it has no such programmes.

### IAS 20 – Accounting for Government Grants

In the future, loans at nil or lower than market rates will no longer be exempt from the requirement that interest received is recognised. The difference between the initial carrying value and the proceeds received is accounted as a government grant. The terminology used was also revised in order that it is consistent with other IFRSs.

### IAS 41 - Agriculture

The requirement to use a pre-tax discount rate in measuring fair value has been deleted. Taking into account the cash flows deriving from any additional transformation when estimating the fair value of a biological asset is no longer prohibited. Lastly, the term "point of sale costs" has been replaced with "costs to sell".

## Risk management

The Finance Management of the Parent Company and the financial officers of the individual companies within the Group manage the financial risks to which the Group is exposed following the guidelines laid down in the *Treasury Risks Policy*, approved by the Board of Directors on 1 February 2008.

## Risk factors

The financial assets of the Group are mainly cash and short-term deposits linked directly to the operating activities.
The financial liabilities include bank financing, indirect bond loans and leasing agreements which are primarily to finance the operating activities.
The general risks associated with these financial instruments are interest rate, exchange rate, liquidity and credit risks.
TREVI Group constantly monitors the aforementioned financial risks, intervening, if necessary, also through the use of derivative instruments, to reduce the risks to a minimum.
Risk management of interest rate and exchange rate risks is mainly carried out by the Parent Company and the sub-holding companies; the individual operating companies of the Group monitor credit risk.
The following paragraphs include some sensitivity analyses to measure the impact of potential scenarios on some of the risks to which the Group is exposed.
To manage and reduce interest rate and exchange rate risk, both deriving from the Group's operating business, the Group has had recourse to derivative instruments in the 2008 financial period.

## Interest rate risk

Interest rate risk is linked to current and non-current financing at variable rates.
The Group policy is to conclude variable rate funding agreements and then to evaluate the need to cover the interest rate risk by exchanging the exposure from a variable rate to a fixed rate. To do this it has taken out Interest Rate Swap contracts whereby the Group agrees to exchange, at determined intervals, the difference between the fixed rates and the variable rates calculated on a pre-determined notional capital.
At 31 December 2008, taking into account the effect of these contracts, about 17% of Group financing was fixed rate.
At 31 December 2008, TREVI Group had two interest rate swap contracts outstanding with leading financial counterparts, exclusively to cover existing operations and with not for trading purposes. They were:
(*) Euro 2,942,033 (originally Euro 9,775,196) Interest Rate Swap, on the depreciation plan of a leasing contract, of five years duration and maturing on 22/12/2009.
(*) Euro 2,443,735 (originally Euro 3,000,000) Interest Rate Swap, on the depreciation plan of a financing agreement, of six years duration and maturing on 31/12/2012.
(*) accounted as a cash-flow hedge as considered an effective hedge under IAS39.

To measure the interest rate risk, a sensitivity analysis was carried out by applying rates of Euribor different to that prevailing on all variable rate debt and all existing deposits at 31 December 2008.
The results were the following:

| | Interest rate risk | |
|---|---|---|
| | **-50 bps** | **+50 bps** |
| Cash and cash equivalents | (409) | 409 |
| Bank debt | 977 | (977) |
| Debt to leasing companies | 198 | (198) |
| **TOTAL** | **766** | **(766)** |

This analysis shows that, *ceteris paribus*, a 50 bp increase in Euribor results in an increase in consolidated net financial expenses of about Euro 766,000.

At 31 December 2007, *ceteris paribus*, a 50 bp increase in Euribor resulted in an increase in net consolidated financial expenses of about Euro 411,000.

A similar sensitivity analysis was carried out on the interest swaps accounted as cash-flow hedges in the Balance Sheet to 31 December:
A 50 bp increase in the reference Euribor rate implied a 45% increase in the fair value of these derivative instruments (a Euro 25,000 increase in the fair value reserve) *ceteris paribus*.
A reduction of 50 bps implied a 45% reduction (Euro 25,000) with respect to the fair value of these same derivative instruments.
The effect of these changes on the economic value of the IRS, valued at fair value as considered ineffective under IAS 39, is negligible.
For the aforementioned analyses, the fair value of the derivative contracts considered was calculated using the interest rates ruling at 31 December 2008.

## Exchange rate risk

The Group is exposed to the risk inherent in movements in exchange rates as these affect the financial results of the Group. Exchange rate exposure can be:

- **Transaction-related**: movements in the exchange rate between the date on which a financial undertaking between counterparts becomes highly likely and/or certain or the date in which the undertaking is settled; these movements cause a variation in expected and effective cash flows;
- **Translation-related**: movements in the exchange rate cause a variation in the figures of financial statements expressed in currency when these are translated into the currency of the Parent Company (Euro) in order to prepare the Consolidated Financial Statements. These movements do not cause an immediate variation in the expected cash flows compared to the effective cash flows but have an accounting effect on the Consolidated Financial Statements of the Group. The effect on the cash flows is only manifest when transactions are carried out on the capital of companies within the Group which prepare their accounts in foreign currencies.

The Group regularly assesses its exposure to exchange rate risks. It uses instruments that correlate the cash flows and counterbalance them in the same currency, advance commercial financing in the same currency as the sales contract, forward selling of currency, and derivative instruments. The Group does not use speculative instruments to cover its exchange rate risk; where the derivative instruments do not meet the conditions required for the accounting of derivative instruments under IAS 39, the changes in their fair value are recognized in the Income Statement as financial income/expenses.
In particular, the Group manages the transaction risk. Exposure to movements in exchange rates is due to its activities in many countries and in currencies other than the Euro, in particular the US dollar and those currencies linked to the US dollar. Since it has important operations in countries with US dollar-related currencies, the Group can be significantly affected by movements in the Euro/US dollar exchange rate.
At the end of 2008, in order to protect itself from movements in the Euro/US dollar exchange rate, the Group had fixed term put contracts with leading financial counterparts for a total of US$ 40,500,000 expiring during 2009, the fair value of which was Euro 233,460 (Mark to Market evaluation). Moreover, the Group had fixed term call contracts for a total of US$ 14,000,000 expiring during 2009, the fair value of which was positeve for Euro 93,811 (Mark to Market evaluation).

At the balance sheet date, the Group also had the following contracts:
hedging contracts for payments of sums connected to the business activities in Colombia for an amount of US$ 1,914,236 expiring in 2009 and with a mark to market fair value of minus Euro 80,112;
to protect against fluctuations in UK sterling/Euro exchange rate, at the balance sheet date, the Group had fixed term call options with leading financial institutions for Euro 4,200,000 with a mark to market fair value that was positive for GBP 582,195.
The fair value of a fixed term contract is measured by taking the difference between the exchange rate at the end of the contract and that of an opposite transaction but for the same amount and with the same expiry date, using the exchange rate and the difference in interest rates ruling at 31 December.
In 2008, the Group also took out hedging contracts against fluctuations in the currencies of the Latin American countries in which it operates. None of these contracts were open at the end of the financial year.
To assess the impact of movements in the Euro/US dollar exchange rate, a sensitivity analysis of likely movements in this exchange rate was carried out.

The Consolidated Balance Sheet entries considered to be the most important for this analysis were the following:
trade receivables, intergroup receivables and payables, trade payables, debt, cash and cash equivalents, and financial derivatives.
The sensitivity analysis was carried out on the values of these entries at 31 December 2008.

The analyses focussed only on those items in currencies different from the functional currency in the individual financial statements included in the Consolidated Financial Statements.

Assuming a 5% depreciation of the US dollar against the Euro, the impact on the pre-tax profit, *ceteris paribus*, would be negative for about Euro 1,540,000.
Assuming a 5% appreciation of the US dollar against the Euro, the impact on the pre-tax profit, *ceteris paribus*, would be positive for Euro 1,540,000. This impact is mainly attributable to the adjustment to intergroup trade-related transactions, payables to and receivables from suppliers in foreign currency, and financial items in foreign currency with third-parties.

The results of these analyses were as follows:

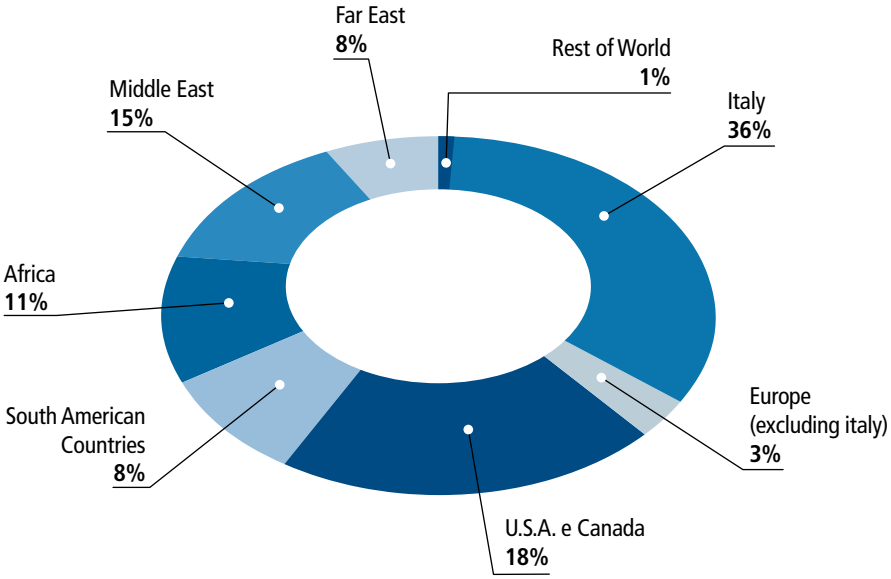
| (Euro '000) | EUR/US$ Exchange rate risk | |
|---|---|---|
| | **US$ + 5%** | **US$ - 5%** |
| Trade receivables in foreign currencies | 1,243 | (1,243) |
| Intergroup receivables and payables | 1,946 | (1,946) |
| Financial items to third parties | 565 | (565) |
| Payables to suppliers in foreign currencies | (884) | 884 |
| Hedging in foreign currencies | (1,325) | 1,325 |
| **TOTAL** | **1,545** | **(1,545)** |

At 31 December 2007, a 5% devaluation of the US dollar against the Euro would have had a negative impact on Pre-tax profit of about Euro 756,000.

## Liquidity risk

Liquidity risk is the risk that the available financial resources will be inadequate to meet maturing obligations. At the current date, the Group maintains that its cash flow generation, the wide range of financial resources and the availability of credit lines in all the technical forms necessary for the execution of its business, is sufficient to meet its budgeted financial requirements.
The Group controls liquidity risk by aiming at an appropriate mix of sources of financing for the various companies, which permits the Group to maintain a balanced Group capital structure (financial debt/equity) and debt structure (medium/long-term debt to short-term debt), as well as balancing the maturities of the debt financing.
In addition to the constant monitoring of the liquidity situation, all the companies within the Group produce periodic cash flow statements and projections, which are consolidated and analysed by the Parent Company.
In order to be adequately prepared to face the possibility of liquidity risk, the Group had about Euro 178 million in committed revolving credit lines, of which Euro 83 million unused, at the balance sheet date. These lines have been arranged with leading financial institutions.
In addition to these credit lines and the other existing medium/long-term financing, the Group has bank guarantees for commercial and financial operations worth about Euro 1,020 million, with both Italian and international counterparts; this takes the total available lines of credit to about Euro 1,200 million.

The funding activity is mainly carried out by the Parent Company and by the sub-holding companies; for certain operational necessities financing is also negotiated by the individual operating companies in the Group. The major part of the Group's existing financing is in Euro




The tables below show the breakdown of the current and non-current portions of bank debt at 31 December 2008:

| (Euro '000) Current financing | | | |
|---|---|---|---|
| **Geographical region** | **31/12/2008** | **31/12/2007** | **change** |
| Italy | 172,897 | 42,569 | 130,328 |
| Europe (ex-Italy) | 1,344 | 1,707 | (363) |
| USA and Canada | 527 | 741 | (214) |
| South America | 4,332 | 3,638 | 694 |
| Middle East | 1,116 | 1,086 | 31 |
| Far East | 2,402 | 1,213 | 1,189 |
| **Total** | **182,617** | **50,953** | **131,664** |

| (Euro '000) Non-current financing | | | |
|---|---|---|---|
| **Geographical region** | **31/12/2008** | **31/12/2007** | **change** |
| Italy | 171,633 | 134,125 | 37,508 |
| Europe (ex-Italy) | 1,570 | 932 | 639 |
| USA and Canada | | | |
| South America | 8,523 | 8,221 | 302 |
| Middle East | 878 | 1,886 | (1,008) |
| Far East | | | |
| **Total** | **182,603** | **145,163** | **37,440** |

The value of non-current financing in the Balance Sheet equates to its fair value; the entire debt is at variable rates with the exception of the convertible bond (Euro 64,788 thousand), which is fixed rate and therefore is valued at amortised cost.

The geographical breakdown of all the financial liabilities, including not only bank debt but also financial derivative liabilities, financial leases, payables for other financing and trade payables, are given in the following tables:

| Current financing | | | |
|---|---|---|---|
| **Description** | **31/12/2008** | **31/12/2007** | **change** |
| Italy | 394,052 | 206,712 | 187,340 |
| Europe (ex-Italy) | 33,716 | 30,489 | 3,227 |
| USA and Canada | 21829 | 8,492 | 13,337 |
| South America | 15,659 | 13,872 | 1,787 |
| Africa | 8,903 | 3,973 | 4,929 |
| Middle East | 50,486 | 29,525 | 20,961 |
| Far East | 4,313 | 2,570 | 1,743 |
| Rest of the World | 3,597 | 2,260 | 1,337 |
| **TOTAL** | **532,554** | **297,893** | **234,661** |

| Non-current financing | | | |
|---|---|---|---|
| **Description** | **31/12/2008** | **31/12/2007** | **change** |
| Italy | 195,634 | 150,951 | 44,683 |
| Europe (ex-Italy) | 1,930 | 1,779 | 151 |
| USA and Canada | 176 | 859 | (683) |
| South America | 19,067 | 16,847 | 2,221 |
| Africa | 0 | 0 | 0 |
| Middle East | 1,965 | 1,886 | 79 |
| Far East | (0) | 0 | (0) |
| Rest of the World | 0 | 0 | 0 |
| **TOTAL** | **218,772** | **172,321** | **46,451** |

## Credit risk

The Group is exposed to credit risk should a financial or commercial counterpart become insolvent.
The nature of the Group's business, which covers several sectors, with a marked geographical spread of its production units and the number of countries in which it sells its plant and equipment (about 80), means it has no concentrated client or country risk. In fact, the credit risk is spread over a large number of counterparts and clients.
The credit risk associated with normal commercial operations is monitored both by the company involved and by the Group finance division.
The aim is to minimise the counterparty risk by maintaining exposure within limits consistent with the credit rating given to each counterparty by the various Credit Managers of the Group, based on the past history of the insolvency rates of the clients.
The Mechanical Engineering Division is mainly active abroad and uses market financial instruments to cover credit risk, in particular letters of credit.
For large engineering projects, the Special Foundations and Services Division use advance payment instruments, letters of credit and SACE S.p.A. insurance policies and buyers' credits.
To a limited extent, the Group also uses without recourse sales of trade receivables more or less continuously throughout the financial year.
A more in-depth analysis and statement of exposure to credit risk in the commercial activities is given in paragraph 11.
Credit risk on cash assets is nonexistent since these are made up of cash and cash equivalents, bank current accounts and post-office accounts.

## Other information

As required by international accounting standards, a breakdown of financial assets and liabilities of the Group divided by category is given below:

**CONSOLIDATED FINANCIAL STATEMENTS**

# CONSOLIDATED BALANCE SHEET

(Euro '000)

| ASSETS | 31/12/2008 | Financial assets at fair value through profit and loss | Investments held to maturity | Financing and Receivables | Hedging derivatives | Income Statement effect |
|---|---|---|---|---|---|---|
| **Non-current Assets** | | | | | | |
| **Tangible Fixed Assets** | **291,835** | | | | | |
| **Total Intangible Fixed Assets** | **7,988** | | | | | |
| Investment property | 73 | | | | | |
| Investments | 1,299 | | 1,299 | | | |
| Tax assets for pre-paid taxes | 15,395 | | | | | |
| Non-current financial derivative instruments | 0 | | | | | |
| Financial assets held to maturity | 200 | | 200 | | | |
| Other non-current financial receivables | 3,738 | | | 1,942 | | |
| Trade receivables and other non-current assets | 11,127 | | | 9,502 | | |
| **Total Financial Fixed Assets** | **31,832** | | | | | |
| **Total Non-current Assets** | **331,656** | | | | | |
| | | | | | | |
| **Current Assets** | | | | | | |
| Inventories | 335,551 | | | | | |
| Trade receivables and other current assets | 378,127 | | | 306,079 | | (1,154) |
| Tax assets for current taxes | 23,966 | | | | | |
| Current financial derivative instruments | 956 | | | | 956 | 1,201 |
| Cash and cash equivalents | 88,065 | | | | | 1,533 |
| **Total Current Assets** | **826,666** | | | | | |
| **TOTAL ASSETS** | **1,158,322** | | | | | |

| NET SHAREHOLDERS' FUNDS & LIABILITIES | 31/12/2008 | Financial liabilities at fair value through profit and loss | Financial liabilities valued at amortised cost | Hedging derivatives | Income Statement effect |
|---|---|---|---|---|---|
| | | | | | |
| **NET EQUITY** | **235,339** | | | | |
| | | | | | |
| **LIABILITIES** | | | | | |
| **Non-current Liabilities** | | | | | |
| Non-current debt | 182,604 | | 182,604 | | (7,112) |
| Payables for other non-current financing | 36,166 | | 36,166 | | (1,993) |
| Non-current financial derivatives | 4 | | | 4 | |
| Tax liabilities for deferred taxes | 22,751 | | | | |
| Post-employment benefits | 15,391 | | | | |
| Non-current provisions | 5,307 | | | | |
| Other non-current liabilities | 475 | | | | |
| **Total Non-current Liabilities** | **262,698** | | | | |
| | | | | | |
| **Current Liabilities** | | | | | |
| Trade payables and other current liabilities | 442,135 | | 343,992 | | |
| Tax liabilities for current taxes | 25,819 | | | | |
| Current debt | 182,617 | | 182,617 | | (9,994) |
| Payables for other current financing | 9,557 | | 9,557 | | (862) |
| Current financial derivatives | 156 | | | 156 | 148 |
| **Total Current Liabilities** | **660,285** | | | | |
| **TOTAL LIABILITIES** | **922,983** | | | | |
| **TOTAL NET SHAREHOLDERS' FUNDS & LIABILITIES** | **1,158,322** | | | | |

**CONSOLIDATED FINANCIAL STATEMENTS**

# CONSOLIDATED BALANCE SHEET

(Euro '000)

| ASSETS | 31/12/2007 | Financial assets at fair value through profit and loss | Investments held to maturity | Financing and Receivables | Hedging derivatives | Income Statement effect |
|---|---|---|---|---|---|---|
| **Non-current Assets** | | | | | | |
| **Tangible Fixed Assets** | **207,365** | | | | | |
| **Total Intangible Fixed Assets** | **5,389** | | | | | |
| Investment property | 109 | | | | | |
| Investments | 1,179 | | 1,179 | | | |
| Tax assets for pre-paid taxes | 12,296 | | | | | |
| Non-current financial derivative instruments | 92 | | | | 92 | |
| Held to maturity investments | 200 | | 200 | | | |
| Other non-current financial receivables | 1,669 | | | 1,511 | | |
| Trade receivables and other non-current assets | 7,333 | | | 6,705 | | |
| **Total Financial Fixed Assets** | **22,876** | | | | | |
| **Total Non-current Assets** | **235,630** | | | | | |
| | | | | | | |
| **Current Assets** | | | | | | |
| Inventories | 170,755 | | | | | |
| Trade receivables and other current assets | 254,070 | | | 202,175 | | 1,211 |
| Tax assets for current taxes | 10,298 | | | | | |
| Current financial derivative instruments | 65 | | | | 65 | 9 |
| Cash and cash equivalents | 90,754 | | | | | 2,014 |
| **Total Current Assets** | **525,942** | | | | | |
| **TOTAL ASSETS** | **761,573** | | | | | |

| NET SHAREHOLDERS' FUNDS & LIABILITIES | 31/12/2007 | Financial liabilities at fair value through profit and loss | Financial liabilities valued at amortised cost | Hedging derivatives | Income Statement effect |
|---|---|---|---|---|---|
| | | | | | |
| **NET EQUITY** | **163,476** | | | | |
| | | | | | |
| **LIABILITIES** | | | | | |
| **Non-current Liabilities** | | | | | |
| Non-current debt | 145,163 | | 145,163 | | (6,705) |
| Payables for other non-current financing | 27,152 | | 27,152 | | (1,326) |
| Non-current financial derivatives | 4 | | | 4 | |
| Tax liabilities for deferred taxes | 23,180 | | | | |
| Post-employment benefits | 14,833 | | | | |
| Non-current provisions | 5,229 | | | | |
| Other non-current liabilities | 1,288 | | 922 | | |
| **Total Non-current Liabilities** | **216,850** | | | | |
| | | | | | |
| **Current Liabilities** | | | | | |
| Trade payables and other current liabilities | 290,494 | | 247,624 | | |
| Tax liabilities for current taxes | 29,519 | | | | |
| Current debt | 50,952 | | 50,952 | | (6,622) |
| Payables for other current financing | 10,246 | | 10,246 | | (1,451) |
| Current financial derivatives | 37 | | | 37 | 79 |
| **Total Current Liabilities** | **381,247** | | | | |
| **TOTAL LIABILITIES** | **598,097** | | | | |
| **TOTAL NET SHAREHOLDERS' FUNDS & LIABILITIES** | **761,573** | | | | |

The nature and the size of the Group's exposure to risk at the balance sheet date are shown in the following tables:

**CONSOLIDATED FINANCIAL STATEMENTS**

## CONSOLIDATED BALANCE SHEET

(Euro '000)

| ASSETS | 31/12/2008 | Liquidity risk | Interest rate risk | Exchange rate risk | Credit risk |
|---|---|---|---|---|---|
| **Non-current Assets** | | | | | |
| **Tangible Fixed Assets** | **291,835** | | | | |
| **Total Intangible Fixed Assets** | **7,988** | | | | |
| Investment property | 73 | | | | |
| Investments | 1,299 | | | | |
| Tax assets for pre-paid taxes | 15,395 | | | | |
| Non-current financial derivatives | 0 | | | | |
| Held to maturity investments | 200 | | | | |
| Other non-current financial receivables | 3,738 | | | | |
| Trade receivables and other non-current assets | 11,127 | | | | 9,502 |
| **Total Financial Fixed Assets** | **31,832** | | | | |
| **Total Non-current Assets** | **331,656** | | | | |
| | | | | | |
| **Current Assets** | | | | | |
| Inventories | 335,551 | | | | |
| Trade receivables and other current assets | 378,127 | | | 72,509 | 306,079* |
| Tax assets for current taxes | 23,966 | | | | |
| Current financial derivatives | 956 | | | | |
| Cash and cash equivalents | 88,065 | | 88,065 | 26,198 | |
| **Total Current Assets** | **826,666** | | | | |
| **TOTAL ASSETS** | **1,158,322** | | | | |

* The sum shown is the total of trade receivables from third-party clients and associates (for further details, see paragraph 11). 23% of this is guaranteed.

| NET SHAREHOLDERS' FUNDS & LIABILITIES | 31/12/2008 | Liquidity risk | Interest rate risk | Exchange rate risk | Credit risk |
|---|---|---|---|---|---|
| | | | | | |
| **NET EQUITY** | **235,339** | | | | |
| | | | | | |
| **LIABILITIES** | | | | | |
| **Non-current Liabilities** | | | | | |
| Non-current debt | 182,604 | 5,477* | 116,245 | | |
| Payables for other non-current financing | 36,166 | | | | |
| Non-current financial derivatives | 4 | | | | |
| Tax liabilities for deferred taxes | 22,751 | | | | |
| Post-employment benefits | 15,391 | | | | |
| Non-current provisions | 5,307 | | | | |
| Other non-current liabilities | 475 | | | | |
| **Total Non-current Liabilities** | **262,698** | | | | |
| | | | | | |
| **Current Liabilities** | | | | | |
| Trade payables and other current liabilities | 442,135 | | | 29,491 | |
| Tax liabilities for current taxes | 25,819 | | | | |
| Current debt | 182,617 | 119,582* | 178,801 | 8,349 | |
| Payables for other current financing | 9,557 | | | | |
| Current financial derivatives | 155,832 | | | | |
| **Total Current Liabilities** | **660,285** | | | | |
| **TOTAL LIABILITIES** | **922,983** | | | | |
| **TOTAL NET SHAREHOLDERS' FUNDS & LIABILITIES** | **1,158,322** | | | | |

* total uncommitted credit lines at the balance sheet date

**CONSOLIDATED FINANCIAL STATEMENTS**

# CONSOLIDATED BALANCE SHEET

(Euro '000)

| ASSETS | 31/12/2007 | Liquidity risk | Interest rate risk | Exchange rate risk | Credit risk |
|---|---|---|---|---|---|
| **Non-current Assets** | | | | | |
| **Tangible Fixed Assets** | **207,365** | | | | |
| **Total Intangible Fixed Assets** | **5,389** | | | | |
| Investment property | 109 | | | | |
| Investments | 1,179 | | | | |
| Tax assets for pre-paid taxes | 12,296 | | | | |
| Non-current financial derivatives | 92 | | | | |
| Financial assets held to maturity | 200 | | | | |
| Other non-current financial receivables | 1,669 | | | | |
| Trade receivables and other non-current assets | 7,333 | | | | 6,705 |
| **Total Financial Fixed Assets** | **22,876** | | | | |
| **Total Non-current Assets** | **235,630** | | | | |
| | | | | | |
| **Current Assets** | | | | | |
| Inventories | 170,755 | | | | |
| Trade receivables and other current assets | 254,070 | | | 9,748 | 202,175* |
| Tax assets for current taxes | 10,298 | | | | |
| Current financial derivatives | 65 | | | | |
| Cash and cash equivalents | 90,754 | | 90,754 | 11,898 | |
| **Total Current Assets** | **525,942** | | | | |
| **TOTAL ASSETS** | **761,573** | | | | |

* The sum shown is the total of trade receivables from third-party clients and associates (for further details, see paragraph 11). 10% of this was guaranteed.

| NET SHAREHOLDERS' FUNDS & LIABILITIES | 31/12/2007 | Liquidity risk | Interest rate risk | Exchange rate risk | Credit risk |
|---|---|---|---|---|---|
| | | | | | |
| **TOTAL NET EQUITY** | **163,476** | | | | |
| | | | | | |
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Non-current debt | 145,163 | 7,659* | 72,471 | | |
| Payables for other non-current financing | 27,152 | | | | |
| Non-current financial derivatives | 4 | | | | |
| Tax liabilities for deferred taxes | 23,180 | | | | |
| Post-employment benefits | 14,833 | | | | |
| Non-current provisions | 5,229 | | | | |
| Other non-current liabilities | 1,288 | | | | |
| **Total Non-current liabilities** | **216,850** | | | | |
| | | | | | |
| **Current Liabilities** | | | | | |
| Trade payables and other current liabilities | 290,494 | | | 3,267 | |
| Tax liabilities for current taxes | 29,519 | | | | |
| Current debt | 50,952 | 10,574* | 47,508 | | |
| Payables for other current financing | 10,246 | | | | |
| Current financial derivatives | 37 | | | | |
| **Total Current Liabilities** | **381,247** | | | | |
| **TOTAL LIABILITIES** | **598,097** | | | | |
| **TOTAL NET SHAREHOLDERS' FUNDS & LIABILITIES** | **761,573** | | | | |

* Total uncommitted credit lines at the balance sheet date

## Capital Management

The main objective of the Group in managing its own resources is to maintain a high credit rating and a correct balance sheet structure to support the core business and maximize value for shareholders.
The resources available to the Group are managed according to the reference economic environment. The main measurement used to monitor the financial structure is the debt/equity ratio. Net debt is calculated as the total exposure to financial institutions less cash and cash equivalents and current financial receivables.
Net equity is all the components of capital and reserves.

## Acquisition of Galante S.A. (Colombia)

In the second half of the 2008 financial year, TREVI Group acquired 70% of the share capital of Galante S.A., a Colombian company active in foundation services in its domestic market.
The sale contract also provided for the issue of a crossover put option (from the purchaser to the seller, exercisable from 29 August 2013) and a call option (exercisable from 29 August 2013) for the sale of a further 30% of the shares. The equity value attributed to the entire company on the basis of the contract will be equal to the average normalized Ebitda of Galante S.A in the three years prior to exercise of the option, net of the net financial position at the moment of the sale.
On the basis of the Company business plan, which foresees stable company performance in coming years, the liability implied in the put option was determined as Euro 1,321 thousand.

### Accounting effects of the acquisition

The acquisition transaction is a businesses combination and, as such, the Group has applied the purchase method in accordance with IFRS 3 in accounting for it.
The amount paid for the acquisition was Euro 4,402 thousand, including the value of the put option on the remaining 30% of the company of Euro 1,321 thousand.

Given the difficulties in ascertaining at the balance sheet date the fair value of the assets and liabilities acquired, the fair value of the assets and liabilities of the company, as well as the goodwill deriving from the transaction, have been calculated provisionally.

The values provisionally attributed to the assets and liabilities acquired are shown in the table below:

## GALANTE S.A.

(Euro '000)

| | Attributed value | Carrying value |
|---|---|---|
| **ASSETS** | | |
| Total tangible fixed assets | 4,519 | 4,519 |
| Other non-current financial receivables | 36 | 36 |
| | | |
| **Total Non-current Assets** | **4,555** | **4,555** |
| **Current Assets** | | |
| Inventories | 48 | 48 |
| Trade receivables and other current receivables | 2,667 | 2,667 |
| Cash and cash equivalents | 100 | 100 |
| **Total Current Assets** | **2,815** | **2,815** |
| **TOTAL ASSETS** | **7,370** | **7,370** |
| | | |
| **LIABILITIES** | | |
| **Non-current Liabilities** | | |
| Non-current payables to other financers | 996 | 996 |
| Tax liabilities for deferred taxes | 166 | 166 |
| **Total Non-current Liabilities** | **1,162** | **1,162** |
| **Current Liabilities** | | |
| Trade payables and other current payables | 3,166 | 3,166 |
| Tax liabilities for current taxes | 7 | 7 |
| Current payable to other financers | 548 | 548 |
| Total Current Liabilities | 3,721 | 3,721 |
| **TOTAL LIABILITIES** | **4,883** | **4,883** |
| | | |
| Fair Value of Net Assets | 2,487 | 2,487 |
| Goodwill deriving from the business combination | 1,915 | |
| Total cost of the business combination | 4,402 | |
| Net cash used in the acquisition: | | |
| Available cash & cash equivalents of the acquired company | 100 | |
| Payment to seller | (2,452) | |
| Net cash used for the acquisition | (2,352) | |
| Residual debt | (1,950) | |

The fair value of the assets and liabilities acquired through the business combination has provisionally been calculated as a net asset of Euro 2,487 thousand, while the total cost of the business combination is Euro 4.402 million.
Goodwill deriving from the transaction is Euro1,915 thousand whilst net cash used in the business combination was Euro 2.352 million.

Since the acquisition date, Galante S.A. has contributed Euro 2.4 million to total Group revenues and Euro 187,000 to consolidated net profit.

# NOTES TO THE BALANCE SHEET

## NON-CURRENT ASSETS

### (1) Tangible Fixed Assets:

Tangible fixed assets at 31 December 2008 were Euro 291,835 thousand, an increase of Euro 84,470 thousand compared to the preceding financial year.

Movements relating to the 2007 financial year are summarized in the table below:

| Asset (Euro'000) | Historical cost at 31/12/06 | Acc. depr. at 31/12/06 | Net value at 31/12/06 | Incr. | Decr. |
|---|---|---|---|---|---|
| Land | 10,990 | 0 | 10,990 | 852 | 0 |
| Buildings | 35,432 | (8,461) | 26,971 | 2,119 | 0 |
| Plant & equipment | 172,165 | (72,994) | 99,171 | 18,988 | (7,418) |
| Industrial & commercial equipment | 34,384 | (17,206) | 17,178 | 8,895 | (2,248) |
| Other assets | 41,355 | (19,795) | 21,560 | 9,484 | (2,008) |
| Fixed assets under construction & pre-payments | 16,523 | 0 | 16,523 | 9,992 | 0 |
| **TOTAL** | **310,849** | **(118,457)** | **192,392** | **50,330** | **(11,672)** |

Movements relating to the 2008 financial year are summarized in the table below:

| Asset (Euro'000) | Historical cost at 31/12/07 | Acc. depr. at 31/12/07 | Net value at 31/12/07 | Incr. | Decr. |
|---|---|---|---|---|---|
| Land | 11,851 | 0 | 11,851 | 3,007 | (0) |
| Buildings | 37,264 | (9,929) | 27,335 | 19,178 | (0) |
| Plant & equipment | 205,666 | (80,575) | 125,091 | 72,258 | (4,365) |
| Industrial & commercial equipment | 39,433 | (20,291) | 19,142 | 13,873 | (2,104) |
| Other assets | 41,565 | (23,937) | 17,628 | 8,914 | (533) |
| Fixed assets under construction & pre-payments | 6,319 | 0 | 6,319 | (0) | 0 |
| **TOTAL** | **342,098** | **(134,732)** | **207,366** | **117,230** | **(7,002)** |

The gross increase of Euro 117,230 thousand (Euro 50,278 thousand related to increases in internal work on equipment manufactured by the Mechanical Engineering Division and used by the companies of the Special Foundation and Drilling Services Division) in 2008 is in part due to the acquisition of plant and equipment required for contracts commenced in 2008, amongst which should be noted the start-up of important projects in the United Arab Emirates, South America, and in Africa.
The decrease of Euro 7,002 thousand is due to normal replacement of plant and equipment. The exchange rate impact in 2008 was Euro 813 thousand.
Some fixed assets are mortgaged as part of financing agreements, as described under the entry for financing.
The net book value of fixed assets held on lease and hire contracts was Euro 65,116 thousand at year-end 2008 (Euro 68.305 million in 2007).

| Deprec-iation | Use of reserve | Other changes | Ex-rate diff. | Historical cost at 31/12/07 | Acc. depr. at 31/12/07 | Net value at 31/12/07 |
|---|---|---|---|---|---|---|
| 0 | 0 | 10 | (1) | 11,851 | 0 | 11,851 |
| (1,474) | 6 | (34) | (253) | 37,264 | (9,929) | 27,335 |
| (13,404) | 5,823 | 25,982 | (4,051) | 205,666 | (80,575) | 125,091 |
| (4,211) | 1,126 | (1,313) | (285) | 39,433 | (20,291) | 19,142 |
| (4,987) | 845 | (6,195) | (1,070) | 41,565 | (23,937) | 17,628 |
| 0 | 0 | (18,253) | (1,944) | 6,318 | 0 | 6,318 |
| **(24,076)** | **7,801** | **196** | **(7,605)** | **342,098** | **(134,732)** | **207,366** |

| Deprec-iation | Use of reserve | Other changes | Ex-rate diff. | Historical cost at 31/12/08 | Acc. depr. at 31/12/08 | Net value at 31/12/08 |
|---|---|---|---|---|---|---|
| 0 | 0 | 87 | 19 | 14,964 | 0 | 14,964 |
| (1,298) | 0 | (172) | (482) | 55,788 | (11,227) | 44,561 |
| (18,609) | 1,314 | 283 | 2,686 | 276,528 | (97,871) | 178,658 |
| (4,799) | 1,213 | (1,231) | (265) | 49,707 | (23,877) | 25,830 |
| (5,348) | 898 | 1,798 | (1,455) | 50,290 | (28,386) | 21,903 |
| 0 | 0 | (709) | 310 | 5,919 | 0 | 5,919 |
| **(30,054)** | **3,425** | **56** | **813** | **453,195** | **(161,361)** | **291,835** |

| Asset (Euro '000) | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Land and Buildings | 16,525 | 15,487 | 1,038 |
| Plant & equipment | 44,281 | 48,906 | (4,625) |
| Industrial & commercial equipment | 360 | 408 | (48) |
| Other assets | 3,950 | 3,504 | 446 |
| **TOTAL** | **65,116** | **68,305** | **(3,189)** |

Leased assets and those acquired on hire contracts are used as guarantees for the related liabilities.

## (2) Intangible Fixed assets:

At 31 December 2008, intangible fixed assets were Euro 7,988 thousand, an increase of Euro 2,600 thousand compared to 31 December 2007.

Movements relating to the 2007 financial year are summarized in the table below:

| Asset (Euro '000) | Historical cost at 31/12/06 | Acc. depr. at 31/12/06 | Net value at 31/12/06 | Incr. | Decr. | Deprec-iation | Ex-rate diff. | Historical cost at 31/12/07 | Acc. depr. at 31/12/07 | Net value at 31/12/07 |
|---|---|---|---|---|---|---|---|---|---|---|
| Development costs | 6,965 | (4,114) | 2,851 | 1,885 | (103) | (1,454) | | 8,747 | (5,568) | 3,179 |
| Industrial patents & use of intellectual property | 3,039 | (2,428) | 611 | 477 | | (362) | | 3,516 | (2,790) | 726 |
| Concessions, licences, brands & other similar rights | 767 | (194) | 573 | 500 | (14) | (167) | | 1,253 | (361) | 892 |
| Other intangible fixed assets | 4,167 | (3,286) | 881 | 236 | (153) | (373) | | 4,250 | (3,659) | 591 |
| **TOTAL** | **14,938** | **(10,022)** | **4,916** | **3,098** | **(270)** | **(2,356)** | **0** | **17,766** | **(12,378)** | **5,388** |

Movements relating to the 2008 financial year are summarized in the table below:

| Asset (Euro '000) | Historical cost at 31/12/07 | Acc. depr. at 31/12/07 | Net value at 31/12/07 | Incr. | Decr. | Deprec-iation | Ex-rate diff. | Historical cost at 31/12/08 | Acc. depr. at 31/12/08 | Net value at 31/12/08 |
|---|---|---|---|---|---|---|---|---|---|---|
| Goodwill | | | | 1,915 | | | | 1,915 | 0 | 1,915 |
| Development costs | 8,747 | (5,568) | 3,179 | 2,373 | | (1,565) | | 11,120 | (7,133) | 3,987 |
| Industrial patents & use of intellectual property | 3,516 | (2,790) | 726 | 202 | | (313) | | 3,718 | (3,103) | 615 |
| Concessions, licences, brands & other similar rights | 1,253 | (361) | 892 | 325 | | (257) | | 1,578 | (618) | 960 |
| Other intangible fixed assets | 4,250 | (3,659) | 591 | 129 | | (209) | | 4,379 | (3,868) | 511 |
| **TOTAL** | **17,766** | **(12,378)** | **5,388** | **4,944** | **0** | **(2,344)** | **0** | **22,710** | **(14,722)** | **7,988** |

The net value of development costs for 31 December 2008 was Euro 3,987 thousand (Euro 3,179 thousand in 2007); the increase of Euro 2,373 thousand relates to capitalized costs for the development of technology and equipment for the foundation and drilling sectors of the subsidiaries Soilmec S.p.A. and Drillmec S.p.A.
Costs recognized under IAS 38 were capitalized and subsequently depreciated from the start of production over the average economic life, estimated at five years, of the relevant equipment.
Recurring research and development costs in 2008, charged to the Income Statement, totalled Euro 7,369 thousand whilst, in 2007, they were Euro 5,885 thousand.
The gross increase of Euro 202 thousand in the cost of patents is attributable to the capitalization of costs for the licenses for computer programmes.
Of the gross increase of Euro 325 thousand in concessions, licenses and brands, Euro 248 thousand is attributable to the Parent Company for software licenses for the integrated management of the Group treasury activities.

Other intangible fixed assets were Euro 511 thousand at 31 December 2008, a decrease of about Euro 80 thousand on the previous year.
Lastly, for the first time there is an entry for goodwill from the provisional allocation of the gain from the acquisition of the stake in the Colombian subsidiary, Galante S.A.

**Goodwill C.G.U. Galante S.A.**
On 29 August 2008, TREVI Group acquired 70% (plus a call option on the residual 30%) of the share capital of Galante S.A., a company registered in Colombia and in active foundation services in its domestic market. Further information has been given above in the paragraph regarding the acquisition of the company.
The acquisition gave rise to goodwill of Euro 1,915 thousand based on the provisional measurement of the sales price.
Given that this calculation is provisional and that the cost of the business combination was based on valuations done by the management of TREVI Group using business plans going forward several years which, although not extraordinarily detailed, more than support the figures incorporated in the Financial Statements, it was not considered necessary to carry out a specific impairment test of the carrying value of the acquired assets at 31 December 2008.

## (3) Investment property:

Investment property totalled Euro 73 thousand, relating to land and buildings in Argentina belonging to Trevi S.p.A and valued at amortised cost.

## (4) Investments:

Investments were Euro 1,299 thousand, an increase of Euro 120 thousand on the preceding year.

A summary of changes in investments in 2008 is given in the table below:

| Description | Balance at 31/12/07 | Increase | Decrease | Revaluations | Write-downs | Balance at 31/12/08 |
|---|---|---|---|---|---|---|
| Associated companies | 339 | 45 | | | | 384 |
| Other companies | 840 | 75 | | | | 915 |
| **TOTAL** | **1,179** | **120** | **0** | **0** | **0** | **1,299** |

Attachment 1a contains a list of associated company holdings while Attachment 1c contains a list of shareholdings in other companies, held directly and indirectly, giving the currency denomination, the location of the registered offices, the share capital, the amount held, the carrying value of each company and the valuation method used.

## (5) Tax assets for pre-paid taxes:

This entry is for the timing differences deriving mainly from intergroup eliminations and to the relative tax benefit; at 31 December 2008, these were Euro 15,395 thousand, an increase of Euro 5,691 thousand year on year.

The net change in tax assets for pre-paid taxes and the deferred tax provision are given below:

| Description (Euro '000) | 31/12/2008 | 31/12/2007 |
|---|---|---|
| Tax assets for pre-paid taxes | 15,395 | 9,704 |
| **Total** | **15,395** | **9,704** |
| Deferred tax provision | (22,751) | (23,180) |
| **Total** | **(22,751)** | **(23,180)** |
| **Net position at year-end** | **(7,356)** | **(13,476)** |

The main components of tax assets for pre-paid taxes and tax liabilities for deferred taxes and the changes to both in the 2008 and 2007 financial years are shown in the following table:

| (Euro '000) | Elimination of intragroup profits | Leasing contracts | Fair value | Development costs | Depreciation | Other | Total |
|---|---|---|---|---|---|---|---|
| **Balance at 01/01/2007** | **4,977** | **(10,113)** | **(5,813)** | **(1,103)** | **(2,947)** | **2,046** | **(12,952)** |
| Effect on Income Statement | 2,807 | (321) | 147 | (205) | (270) | 3,543 | 5,701 |
| Effect on Balance Sheet | | | | | | (2,495) | (2,495) |
| Other changes | | | | | | (3,729) | (3,729) |
| **Balance at 31/12/2007** | **7,784** | **(10,434)** | **(5,666)** | **(1,308)** | **(3,217)** | **(635)** | **(13,476)** |
| Effect on Income Statement | 3,752 | 93 | (192) | (263) | (191) | 3,183 | 6,382 |
| Effect on Balance Sheet | | | | | | | 0 |
| Other changes | | | | | | (262) | (262) |
| **Balance at 31/12/2008** | **11,536** | **(10,341)** | **(5,858)** | **(1,571)** | **(3,407)** | **2,286** | **(7,356)** |

## 6) Non-current derivative instruments:

There were none in the Balance Sheet at 31 December 2008. At year-end 2007 they totalled Euro 92 thousand.

## (7) Held to maturity investments:

### Financial assets:

| Description | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Financial assets | 200 | 200 | 0 |
| **TOTAL** | **200** | **200** | **0** |

These refer entirely to the subsidiary Trevi S.p.A. and reflect the entirety of its investment in a liquidity fund of Banca San Paolo di Torino

## (8) Other non-current financial receivables:

Financial receivables were Euro 3,738 thousand at 31 December 2008 and were mainly financial receivables from associates and guarantee deposits

| Description | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Receivables from associates | 1,133 | 1,066 | 67 |
| Receivables from Tax Authority for TFR advances | 0 | 15 | (15) |
| Guarantee deposits | 809 | 445 | 364 |
| Other | 1,796 | 143 | 1,653 |
| **TOTAL** | **3,738** | **1,669** | **2,069** |

The entry "Other" includes long-term pre-payments made during the financial year for transactions which will not be completed in the next twelve months.

## (9) Trade receivables and other non-current assets:

Trade receivables and other non-current assets totalled Euro 11,127 thousand at year-end 2008.

| Description | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Receivables from clients | 9,502 | 6,705 | 2,797 |
| Receivables from others | 199 | 16 | 183 |
| Accrued income and pre-paid expenses | 1,426 | 612 | 814 |
| **TOTAL** | **11,127** | **7,333** | **3,794** |

Receivables from clients were exclusively trade receivables due beyond one year. Euro 5,500 thousand were attributable to the subsidiary, Swissboring Overseas Piling Corporation, and Euro 4.000 million to the subsidiary Soilmec S.p.A.
Trade receivables have been discounted to give the net present value of the future cash-in and payments. The discount rate used was 3.5% (equivalent to an A+ bond issue).
The increase in accrued income and pre-paid expenses was almost entirely attributable to the joint-venture, Trevi Icos-Soletanche for insurance premiums.

# CURRENT ASSETS

## (10) Inventories

Inventories were Euro 335,551 thousand at year-end 2008 and can be broken down as follows:

| Description | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Raw materials, ancillary materials and consumables | 180,353 | 108,304 | 72,049 |
| Work in progress and semi-finished goods | 25,675 | 11,571 | 14,104 |
| Finished goods and products | 125,251 | 46,429 | 78,822 |
| Pre-payments | 4,272 | 4,451 | (179) |
| **TOTAL INVENTORIES** | **335,551** | **170,755** | **164,796** |

The Euro 164,796 thousand year-on-year total increase in inventories reflects the increase in production of equipment to be delivered by the Mechanical Engineering Division in 2009 following the strong growth in business volumes at Soilmec S.p.A. and in the Drilling sector.

## (11) Trade receivables and other current receivables

At 31 December 2008 these totalled Euro 402,095 thousand broken down as follows:

| Description | Note | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|---|
| Trade receivables | | 279,970 | 181,160 | 98,810 |
| Receivables due from clients | | 14,151 | 6,630 | 7,521 |
| **Sub-total of trade receivables** | | **294,121** | **187,790** | **106,331** |
| Receivables from associates | | 11,958 | 14,385 | (2,427) |
| Receivables from the Tax Authority for VAT | | 40,538 | 29,441 | 11,097 |
| Other receivables | | 25,922 | 17,392 | 8,530 |
| Accrued income and pre-paid expenses | | 5,589 | 5,062 | 527 |
| **Sub-total of trade receivables and other receivables** | | **378,128** | **254,070** | **124,058** |
| Tax assets | | 23,967 | 10,298 | 13,669 |
| **TOTAL** | | **402,095** | **264,368** | **137,727** |

The entry, trade receivables, is net of non-recourse sale of receivables through factoring operations. At 31 December 2008, the Group had made non-recourse sales of trade receivables to factoring companies for a total of Euro 18,136 thousand (Euro 13,538 thousand at year-end 2007), of which Euro 6,808 thousand belonged to Trevi S.p.A. and the remaining Euro 11,328 thousand to Drillmec S.p.A.
The entry of Euro 14,151 thousand for Receivables due from clients is contract work in progress net of related pre-payments and is the result of a contract by contract analysis. When the difference is positive (contract work in progress is greater than the pre-payments received), it is recognised in current assets under Trade receivables from clients as sums due from the purchasers. When the difference is negative, it is recognised in current liabilities under the entry, Other payables, as the sum owed to purchasers.

The Euro 11,097 thousand increase in VAT receivables was mainly due to Trevi S.p.A. (Euro 7,210 thousand) because of the nature of its contracts, which benefit from special VAT rates, and to Soilmec S.p.A. for Euro 2,266 thousand. The VAT tax receivable is from the non-recourse sale of Euro 8,000 thousand of VAT receivables by Drillmec S.p.A.
Trade receivables are also shown net of any related write-down provisions and include the positive difference deriving from the netting off of the pre-payments for each single contract.

The provision for doubtful accounts was Euro 7,987 thousand. Changes in this provision are shown in the table below:

| Description | Balance at 31/12/07 | Provisions | Write-backs | Other changes | Balance at 31/12/08 |
|---|---|---|---|---|---|
| Provision for doubtful accounts | 7,071 | 2,611 | (1,602) | (175) | 7,905 |
| Provision for interest on arrears | 82 | | | | 82 |
| **TOTAL** | **7,153** | **2,611** | **(1,602)** | **(175)** | **7,987** |

The Euro 2.611 million provision figure (Euro 1,611 thousand in 2007) is from individual valuations of receivables, based on a specific analysis of each situation where there may be a payment risk. The figure is attributable to various companies in the group but, in particular, to Trevi Icos Corporation for Euro 476 thousand; to Soilmec S.p.A. for Euro 520 thousand; to Trevi S.p.A. for Euro 0.495 million; and to Swissboring for Euro 769 thousand.

### Accrued income and pre-paid expenses

This is mainly accruals and may be broken down as follows:

| Description | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Pre-payment of insurance premiums | 1,312 | 380 | 932 |
| Pre-paid rental liabilities | 1,453 | 1,023 | 430 |
| Discounts (under the Sabatini Law) | 101 | 230 | (129) |
| Other | 2,723 | 3,429 | (706) |
| **TOTAL** | **5,589** | **5,062** | **527** |

## (11.a) Tax assets for current taxes

Tax receivables from the Tax Authority are mainly direct tax credits and tax pre-payments; the most significant sums were as follows:

| Description | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Receivables from the Tax Authority | 23,967 | 10,165 | 13,802 |
| Other | 0 | 133 | (133) |
| **TOTAL** | **23,967** | **10,298** | **13,669** |

The geographical breakdown of receivables at 31 December 2008 was as follows:

| 31/12/2008 (Euro '000) | Italy | Europa (ex-Italy) | USA and Canada | Latin America | Africa | Middle East | Far East | Total |
|---|---|---|---|---|---|---|---|---|
| Trade receivables | 31,575 | 23,685 | 18,715 | 44,610 | 32,945 | 130,724 | 11,868 | 294,121 |
| Receivables from associates | 8,143 | 0 | 78 | 317 | 77 | 0 | 3,341 | 11,958 |
| Receivables for VAT | 52,458 | 440 | 604 | 7,127 | 2,876 | 33 | 968 | 64,505 |
| Other receivables | 14,016 | 370 | 1,388 | 4,063 | 1,291 | 4,672 | 122 | 25,922 |
| Accrued income & pre-paid expenses | 1,461 | 111 | 787 | 1,154 | 351 | 1,337 | 388 | 5,589 |
| **TOTAL** | **107,653** | **24,606** | **21,572** | **57,272** | **37,540** | **136,766** | **16,687** | **402,095** |

| 31/12/2007 (Euro '000) | Italy | Europa (ex-Italy) | USA and Canada | Latin America | Africa | Middle East | Far East | Total |
|---|---|---|---|---|---|---|---|---|
| Trade receivables | 50,263 | 29,296 | 11,423 | 28,547 | 17,195 | 46,615 | 4,451 | 187,790 |
| Receivables from associates | 9,269 | 0 | 246 | 827 | 888 | 0 | 3,155 | 14,385 |
| Receivables for VAT | 28,400 | 87 | 833 | 6,256 | 3.966 | 3 | 194 | 39,739 |
| Other receivables | 12,655 | 225 | 134 | 1,471 | 326 | 2,186 | 395 | 17,392 |
| Accrued income & pre-paid expenses | 2,270 | 802 | 0 | 837 | 160 | 943 | 51 | 5,062 |
| **TOTAL** | **102,857** | **30,409** | **12,636** | **37,938** | **22,535** | **49,747** | **8,246** | **264,368** |

Trade receivables from associates were Euro 11,958 thousand at 31 December 2008; details of this figure are given in note (34) on related party transactions.

The breakdown of trade receivables by currency is as follows:

| Description | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| EURO | 130,750 | 104,113 | 26,637 |
| USD | 63,805 | 25,629 | 38,176 |
| AED | 69,522 | 39,698 | 29,824 |
| NGN | 5,218 | 4,606 | 612 |
| GBP | 1,036 | 3,231 | ( 2,195) |
| HKD | 5,565 | 4,547 | 1,018 |
| Other | 18,224 | 5,967 | 12,258 |
| **TOTAL** | **294,121** | **187,790** | **106,331** |

In accordance with IFRS 7, an analysis of the trend in past due receivables, grouped into similar risk categories, is given below:

| Description | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Not past due | 147,618 | 121,899 | 25,719 |
| 1 to 3 months past due | 89,320 | 39,447 | 49,874 |
| 3 to 6 months past due | 36,905 | 11,816 | 25,089 |
| Over 6 months past due | 20,277 | 14,628 | 5,649 |
| **TOTAL** | **294,121** | **187,790** | **106,331** |

The constant monitoring by each company in the Group, has led to classifications for trade receivables being developed. These are given in the table below:

| Description | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Standard monitoring | 271,180 | 159,163 | 112,017 |
| Special monitoring | 19,105 | 26,425 | (7,320) |
| Monitoring for possible legal action | 94 | 17 | 76 |
| Extra-judicial monitoring in progress | 2,852 | 2,133 | 719 |
| Monitoring of legal action in progress | 890 | 51 | 839 |
| **TOTAL** | **294,121** | **187,790** | **106,331** |

The breakdown of other receivables is as follows:

| Description | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Due from employees | 1,223 | 807 | 416 |
| Pre-payments to suppliers | 9,623 | 2,923 | 6,700 |
| Due from factoring companies | 5,762 | 8,992 | (3,230) |
| Other | 9,314 | 4,670 | 4,644 |
| **TOTAL** | **25,922** | **17,392** | **8,530** |

The increase in the figure for pre-payments to suppliers is attributable for Euro 2,617 thousand to Drillmec S.p.A., to Soilmec for Euro 607 thousand and to Drillmec Inc. for Euro 1,111 thousand; receivables from factoring companies are attributable to Trevi S.p.A. for Euro 2,329 thousand and to Drillmec S.p.A. for Euro 3,433 thousand and both refer to the non-recourse sale of trade receivables; other receivables are mainly attributable to Swissboring Overseas Piling Corporation, for Euro 2,307 thousand, to IDT FZCO for Euro 1.975 million, to Petreven Ute Argentina for Euro 2,080 thousand and to Trevi S.p.A. for Euro 1,100 thousand.

## (12) Current financial derivative instruments

The total was Euro 956 thousand and reflects the positive fair value of an IRS, classed as an effective hedge under IAS 39, and the underwriting of some forward contracts to cover exchange rate risks with UK sterling.

## (13) Cash and cash equivalents

The breakdown of this entry is as follows:

| Description | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Bank and postal deposits | 87,034 | 88,048 | (1,014) |
| Cheques | 0 | 1,831 | (1,831) |
| Cash and cash equivalents | 1,031 | 875 | 156 |
| **TOTAL** | **88,065** | **90,754** | **(2,689)** |

For an analysis of the net financial positions and the cash and cash equivalents of TREVI Group, please see the Review of Operations and the Cash Flow Statement.

# SHAREHOLDERS' FUNDS AND LIABILITIES

## (14) Shareholders' funds

Change in consolidated shareholders' net equity is as follows:

| Description (Euro '000) | Capital stock | Share premium reserve | Legal reseve | Other reserves | Translation reserve | Profit Brought forward | Group net profit for the year | Total Net Equity |
|---|---|---|---|---|---|---|---|---|
| **Balance at 31/12/2006** | **32,000** | **34,355** | **3,812** | **26,905** | **(18,601)** | **16,741** | **26,760** | **121,972** |
| 2006 net income allocation | | | 241 | 1,371 | | 21,948 | (23,560) | - |
| Dividend distribution | | | | | | | (3,200) | (3,200) |
| Translation differences | | | | | (10,958) | | | (10,958) |
| Change in the area of consolidation and other changes | | | | | | | | 0 |
| Impact of convertible issue | | | | (2,495) | | | | (2,495) |
| Cash Flow hedge reserve | | | | (50) | | | | (50) |
| Purchase of own shares | (183) | | | (4,398) | | 0 | | (4,581) |
| Group net income for the year | | | | | | | 55,788 | 55,788 |
| **Balance at 31/12/2007** | **31,817** | **34,355** | **4,053** | **21,333** | **(29,559)** | **38,689** | **55,788** | **156,476** |
| 2007 net income allocation | | | 503 | 3,156 | | 45,729 | (49,388) | - |
| Dividend distribution | | | | | | | (6,340) | (6,340) |
| Translation differences | | | | | 7,425 | | | 7,425 |
| Change in the area of consolidation and other changes | | | | (1,361) | | | (60) | (1,421) |
| Impact of convertible issue | | | | | | | | 0 |
| Cash Flow hedge reserve | | | | (99) | | | | (99) |
| Purchase of own shares | (203) | | | (4,061) | | | | (4,264) |
| Group net income for the year | | | | | | | 74,661 | 74,661 |
| **Balance at 31/12/2008** | **31,614** | **34,355** | **4,556** | **18,968** | **(22,134)** | **84,418** | **74,661** | **226,436** |

## Share capital

At 31 December 2008, the Share Capital was Euro 32,000,000, composed of 64,000,000 fully issued and paid-up ordinary shares of nominal value Euro 0.50 each. During 2008, as authorised by the Shareholders' Meeting of 29 April 2008, the Company acquired 406,889 of its treasury shares. The transactions were taken directly to shareholders' funds in accordance with IAS 32

| (Euro '000) | Shares ('000) | Share capital | Share premium reserve | Treasury stock |
|---|---|---|---|---|
| Balance at 31/12/07 | 63,634 | 31,817 | 34,355 | (4,398) |
| Purchase and sale of treasury shares | (407) | (203) | | (4,061) |
| Balance at 31/12/08 | 63,227 | 31,614 | 34,355 | (8,459) |

On 23 November 2006, the Board of Directors deliberated a share capital increase of Euro 3,097,345 made up of 6,194,690 ordinary shares with a nominal value of Euro 0.50 per share to meet the conversion rights of the convertible bond, the Indirect Convertible Bond Loan. At 31 December 2008, the authorized share capital was Euro 35,097,345 made up of 70,194,690 shares of nominal value Euro 0.50 each.

## Share premium reserve

This was Euro 34,355 thousand at 31 December 2008, the same as at 31 December 2007.

## Other reserves

This entry is made up of the following reserves:

### Fair value reserve:

The fair value reserve at 31 December 2008 was negative for Euro 1,415 thousand, a decrease of Euro 1,520 thousand on the previous year.

### IFRS reserve

The figure of Euro 13,789 thousand at 31 December 2008 comprises all the adjustments made for the transition to IAS/IFRS accounting, which was adopted from 1 January 2004.

### Currency translation reserve:

This was negative Euro 22,134 thousand at 31 December 2008; it reflects the exchange rate differences deriving from the translation of financial statements prepared in currencies other than the Euro. The revaluation of the US dollar against the Euro during 2008, compared to 2007, had a positive impact on this reserve of Euro 7,424 thousand.

### Reserve for the conversion of the bond:

The reserve for the conversion of the bond was Euro 4,650 thousand at 31 December 2008 and is entirely destined for the option component, net of any tax effect, implicit in the Indirect Convertible Bond Loan issued by the Company on 30 November 2006. This value was arrived at by discounting the future cash flows deriving from the Indirect Convertible Bond Loan using the market rate at which the Company could finance itself with alternative debt instruments of similar duration.

### Accumulated profits:

This entry includes the profit generated in previous financial years which has not been distributed as dividends to shareholders. It also includes the legal reserve of the Parent Company, Euro 4,556 thousand at 31 December 2008, which is the share of net profit from the Parent Company accounts that, under Article 2430 of the Italian Civil Code, may not be distributed as dividends. The legal reserve has increased by Euro 503 thousand since 31 December 2007 following allocation of 5% of the 2007 profit of the Parent Company to this reserve.

## Dividends distributed in 2008

The Shareholders' Meeting of 29 April 2008 deliberated a distribution of profit totalling Euro 6,400 , a dividend per share of Euro 0.1, with an ex-dividend date of 7 July 2008 and payment from 10 July 2008.

## Reconciliation of TREVI – Finanziaria Industriale S.p.A. Net profit and Shareholders' Funds with the Group Consolidated Net Profit and Shareholders' Funds

The reconciliation between the consolidated net profit and shareholders' funds and the net profit and shareholders' funds of TREVI – Finanziaria Industriale is as follows:

| Description (Euro '000) | Capital and Reserves at 31/12/08 | Net income for the year |
|---|---|---|
| **TREVI-Finanziaria Industriale S.p.A** | **86,815** | **9,420** |
| Differences in net equity of cons. investments and their value in the Parent Co. Accounts and adjustments for consistency in accounting policies | 209,309 | 99,362 |
| Eliminations, revaluations/(write-downs) of consolidated investments and dividends | (8,186) | (24,570) |
| Elimination of intergroup profits and capital gains | (25,443) | (10,615) |
| Tax adjustments and other adjustments on consolidation | (5,020) | 3,758 |
| Translation differences | (22,135) | 0 |
| **Shareholders' equity and net income for the year** | **235,340** | **77,355** |
| **Minority interests** | **8,903** | **2,694** |
| **Group shareholders' equity and net income for the year** | **226,437** | **74,661** |

## NON-CURRENT LIABILITIES

## (15) Non -current debt, other non-current financing and derivative instruments

| Description (Euro '000) | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Non-current bank debt | 182,603 | 145,163 | 37,440 |
| Debt to leasing companies | 34,900 | 27,085 | 7,815 |
| Payables for other non-current financing | 1,265 | 68 | 1,197 |
| Non-current financial derivative instruments | 4 | 4 | (0) |
| **TOTAL** | **218,772** | **172,320** | **46,452** |

The breakdown of non-current bank debt is as follows:

| Description (Euro '000) | From 1-5 years | Beyond 5 years | Total |
|---|---|---|---|
| Non-current bank debt | 182,603 | 0 | 182,603 |
| **TOTAL** | **182,603** | **0** | **182,603** |

Debt to leasing companies is as follows:

| Description (Euro '000) | From 1-5 years | Beyond 5 years | Total |
|---|---|---|---|
| Debt to leasing companies | 34,769 | 130 | 34,900 |
| **TOTAL** | **34,769** | **130** | **34,900** |

The Parent Company financing is as follows:

- The long-term part of the mortgage granted by Interbanca S.p.A., originally for Euro 15,000,000, is Euro3,750,000; this mortgage is repayable in sixteen six-monthly instalments from 30/06/04 (total duration eight years). Interest payable is six-month Euribor plus spread. The primary mortgage guarantee was given by Soilmec S.p.A. and is on its production facility at Cesena.
- The long-term part of the variable rate financing agreed with Interbanca S.p.A., originally for Euro5,000,000, is Euro 2,500,000; this is payable in sixteen six-monthly instalments from 31/01/06 (total duration eight years) with final payment on 31/07/2013. The interest payable is six-month Euribor plus spread.
- The long-term part of the variable rate financing agreed with Interbanca S.p.A., originally for Euro15,000,000, of five years duration and repayable in eight six-monthly instalments, is Euro 5,625,000. The interest payable is six-month Euribor plus spread.
- The long-term part of the variable rate financing agreed with Cassa di Risparmio di Forlì e della Romagna S.p.A. (ex SanPaolo IMI S.p.A.) for Euro10,000,000, of eight years duration and repayable in twelve six-monthly instalments, is Euro 7,500,001. Interest payable is six-month Euribor plus spread.
- IAS 39 (in particular, the rules governing split accounting and amortised cost) requires that for the fixed rate financing from Intesa San Paolo (ex San Paolo IMI S.p.A.) of nominal Euro 70,000,000 of five years duration with capital repayment on 30 November 2011, a residual payable of Euro 64,788,016 is recognised in the accounts.

Soilmec S.p.A. has the following financing:

- Euro 2,545,451 from Cassa di Risparmio di Ferrara S.p.A. for five years with repayment, after an initial six months without interest payments, in twenty instalments with the last instalment due on 31/8/2012. Interest payable is three-month Euribor plus spread.

Trevi S.p.A. has the following financing:

- Euro 20,000,000 from Efibanca S.p.A., arranged on 28.06.07 with repayments, after an initial two years without interest payments, in five six-monthly instalments with a final repayment of 40% of the sum on 28/06/2012 and with an option to extend the payment period by eighteen months. Interest payable is Euribor plus spread.

During the 2008 financial year, the Parent Company set up the following stand-by revolving and medium-term financing agreements, which are guaranteed to expiry, with leading credit institutions. The details of the agreements are as follows:

- Unicredit Corporate Banking S.p.A. for an amount of Euro 50,000,000 expiring on 30 December 2015; the interest payable is variable and is Euribor plus spread. At 31 December 2008 this facility had not been used.
- Intesa Sanpaolo for an amount of Euro 30,000,000 expiring on 30 June 2013; the interest payable is variable and is Euribor plus spread. At 31 December 2008, Euro 10,000,000 of this facility had been drawn down by the Parent Company and Euro 5,000,000 by the subsidiary companies.
- Banca Nazionale del Lavoro S.p.A. – Group BNP Paribas for an amount of Euro 25,000,000 expiring on 30 June 2013; interest payable is variable and is Euribor plus spread. At 31 December 2008, Euro 2,500,000 of this facility had been drawn down by the Parent Company and Euro 20,000,000 by the subsidiary companies.
- Medio Credito Centrale for an amount of Euro 10,000,000; interest payable is variable and is Euribor plus spread. At 31 December 2008, Euro 10,000,000 of this facility had been used.
- Banca Antonveneta Spa for an amount of Euro 5,000,000; interest payable is variable and is Euribor plus spread. At 31 December 2008, Euro 5,000,000 of this facility had been used.
- Centrobanca – Banca di credito finanziario e mobiliare S.p.A. for an amount of Euro 10,000,000; interest payable is variable and is Euribor plus spread. At 31 December 2008, Euro 10,000,000 of this facility had been used.

Since use of the facilities agreed with Banca Antonveneta and Centrobanca are on a short-term basis, although the facility was agreed for the medium-term, the amounts used are to be found under current debt in the Balance Sheet.

Some of these financing agreements contain covenants which require the maintenance of certain financial ratios calculated on the Consolidated Financial Statements as follows:
EBITDA/ Net Financial Charges: an indicator of the weight of interest charges calculated as the ratio of EBITDA to interest charges;
Net Financial Position/ EBITDA: an indicator of indebtedness, calculated as the ratio of net financial debt to EBITDA;
Net Financial Position/ Net Equity: an indicator of indebtedness, calculated as the ratio of net debt to net equity;
EBITDA/ Revenues: an indicator of profitability, calculated as the ratio of EBITDA to total revenues;
CAPEX: the value of investments.

The failure to respect these covenants would allow the banks that have granted the financing to call in the financing or to renegotiate the conditions attached to the financing.

At 31 December 2008 all the financial covenants listed above had been respected.

The agreement for the Convertible Bond Loan stipulates two other financial covenants to be calculated quarterly on the Consolidated Financial Statements. These are:
"Interest Cover" indicates the ratio between Consolidated EBITDA and the Net Financial Costs in the twelve months prior to each Assessment Date of the Financial Covenants.
"Leverage Ratio" indicates the ratio Consolidated Net Financial Debt and Consolidated EBITDA in the twelve months prior to each Assessment Date of the Financial Covenants.

The financing agreement for the Indirect Convertible Loan also contains other covenants, which are routine international procedure, namely:

a. a so-called negative pledge clause whereby any eventual pledge present or future on assets connected to financing operations, bonds and other credit issues must be granted in an equal manner on the aforementioned financing
b. a pari passu clause under which no obligations can be taken on which are considered senior to the two transactions described above
c. obligations to provide information periodically
d. a cross default clause which implies the immediate recoverability of the two aforementioned loans should there be any default on other financial instruments issued by the Group
e. limitations on significant asset sales
f. other clauses general present in issues of this type

The total amount of payables to leasing companies was Euro 43,278 thousand, which corresponds to their fair value since the entire sum is at variable rate financing.

Payables for other non-current financing were Euro 1,265 thousand, an increase of Euro 1,197 thousand compared to the previous year.

The balance of Euro 4 thousand for financial derivative instruments was the same as in 2007.

## (16) Tax liabilities for deferred taxes and other non-current liabilities

Tax liabilities for deferred taxes and the provision for risks and costs came to a total of Euro 28,058 thousand, a decrease of Euro 352 thousand compared to the figure at 31 December 2007.
Movements in the deferred tax provision are as follows:

| (Euro '000) | Balance at 31/12/07 | Provisions | Write-backs | Other changes | Balance at 31/12/08 |
|---|---|---|---|---|---|
| Deferred tax provision | 23,180 | 536 | (1,176) | 211 | 22,751 |
| **TOTAL** | **23,180** | **536** | **(1,176)** | **211** | **22,751** |

The deferred tax provision reflects the difference in the value of assets and liabilities in the Consolidated Financial Statements and the corresponding values fiscally recognised by the countries in which the Group operates.

The balance of the provision for risks and costs was Euro 5,307 thousand, an increase of Euro 77 thousand year-on-year. Movements in this provision were as follows:

| (Euro '000) | Balance at 31/12/2007 | Provisons | Write-backs | Other changes | Balance at 31/12/2008 |
|---|---|---|---|---|---|
| Other risk provisions | 5,230 | 3,697 | (2,350) | (1,270) | 5,307 |
| **TOTAL** | **5.230** | **3,697** | **(2,350)** | **(1,270)** | **5,307** |

A breakdown of Other risk provisions totalling Euro 5,307 thousand is shown in the table below:

| Description (Euro '000) | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Provisions for contractual risks | 1,657 | 1,091 | 566 |
| Warranty reserve | 2,325 | 1,877 | 448 |
| Provision for losses from associates | 742 | 742 | 0 |
| Legal disputes | 475 | 424 | 51 |
| Other | 108 | 1,095 | (987) |
| **TOTAL** | **5,307** | **5,230** | **77** |

The Euro 1.657 million of contractual risk provisions were entirely attributable to provisions made by Swissboring Overseas Piling Corporation.

The warranty reserve of Euro 2,325 thousand consists of provisions to cover technical warranties on products under guarantee by Group companies in the Mechanical Engineering Division. Soilmec S.p.A accounts for Euro 0.883 million of this figure, Drillmec S.p.A. for Euro 1,000 thousand and Soilmec Ltd (UK) for Euro 442 thousand.

The Euro 742 thousand provision to cover losses of associates refers entirely to the joint-venture, Rodio-Trevi-Arab Contractor.

The reserve for legal disputes totalled Euro 475 thousand, with Euro 343 thousand from the subsidiary Swissboring in the United Arab Emirates and Euro 132 thousand from Pilotes Trevi Sacims in Argentina.

## (17) Post-employment benefits

At 31 December 2008, the employee termination indemnity fund (TFR) and pension funds were Euro 15,393 thousand comprising the indemnities accrued at year-end by employees of Italian companies, as required under the law, and provisions made by foreign companies to cover accrued liabilities towards employees.
These were calculated as the present value of the defined benefit obligation adjusted for the actuarial gains and losses and were determined by an independent external actuary using the projected unit credit actuarial costs method.
The movements in the financial year were as follows:

| Description | Balance at 31/12/2007 | Provisions | Indemnities and advances paid | Other changes | Balance at 31/12/2008 |
|---|---|---|---|---|---|
| Employee termination indemnities | 11,273 | 853 | (1,372) | (67) | 10,687 |
| Retirement fund and similar liabilities | 3,560 | 4,578 | (3,572) | 140 | 4,706 |
| **TOTAL** | **14,833** | **5,431** | **(4,944)** | **73** | **15,393** |

Other changes in the pension funds are due to exchange rate translation effects deriving from foreign subsidiaries.

| (Euro '000) | 31/12/2008 | 31/12/2007 |
|---|---|---|
| **Opening balance** | **11,273** | **13,133** |
| Operating expenses for services | 174 | 285 |
| Liabilities for new employees | 28 | (10) |
| Interest expenses | 614 | 545 |
| Actuarial profit/ (loss) | 312 | (146) |
| Indemnities paid | (1,714) | (1,393) |
| Curtailment effect | 0 | (1,141) |
| **Closing balance** | **10,687** | **11,273** |

The main assumptions used by the actuaries were:

| (Euro '000) | 31/12/2008 | 31/12/2007 | 31/12/2006 |
|---|---|---|---|
| Actualisation technical yearly rate | 4.3% | 5.5% | 4.6% |
| Annual inflation rate | 2.0% | 2.0% | 2.0% |
| Annual rate of total salary increases | 2.5% | 3.5% | 3.5% |
| Annual rate of increase in TFR | 3.0% | 3.0% | 3.0% |

## (18) Other non-current liabilities

These were Euro 475 thousand in 2008 and decreased Euro 813 thousand over the preceding financial year. They are for deferred liabilities of Soilmec S.p.A. for interest payments due under the Sabbatini and Ossola Laws.

## CURRENT LIABILITIES

Current liabilities totalled Euro 660,285 thousand, an increase of Euro 279,039 thousand compared to the previous year. Changes in the various items are as follows:

| Description | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Current debt (bank debt) | 101,879 | 45,898 | 55,981 |
| Bank overdrafts | 2,524 | 1,694 | 830 |
| Trade pre-payments | 78,214 | 3,360 | 74,854 |
| **Sub-total of current financing liabilities** | **182,617** | **50,952** | **131,665** |
| Payables to leasing companies | 8,379 | 8,030 | 349 |
| Payables for other current financing | 1,178 | 2,216 | (1,038) |
| **Sub-total of current liabilities for other financing** | **9,557** | **10,246** | **(689)** |
| Current financial derivatives | 156 | 37 | 119 |
| **Sub-total of current financial derivatives** | **156** | **37** | **119** |
| Trade payables | 335,712 | 230,370 | 105,342 |
| Pre-payments | 58,321 | 16,519 | 41,802 |
| Pre-payments from clients | 8,805 | 0 | 8,805 |
| Payables to associates | 4,512 | 6,287 | (1,775) |
| Payables to National Insurance & Social Security institutions | 4,359 | 3,780 | 579 |
| Accrued liabilities and deferred charges | 3,171 | 2,982 | 189 |
| Other current liabilities | 25,150 | 28,245 | (3,095) |
| Liabilities for VAT to the Tax Authority | 2,106 | 2,308 | (202) |
| **Sub-total of other current liabilities** | **442,135** | **290,491** | **151,644** |
| Tax liabilities for current taxes | 25,820 | 29,520 | (3,700) |
| **Sub-total of tax liabilities for current taxes** | **25,820** | **29,520** | **(3,700)** |
| **TOTAL** | **660,285** | **381,246** | **279,039** |

## (19) Trade payables and pre-payments: breakdown by geographical area and currency

Trade payables increased at 31 December 2008 (to about Euro 336 million) compared to 31 December 2007 (Euro 230 million) reflecting the strong growth in the Group's business and the higher levels of inventories.
The geographical breakdown of trade payables and current pre-payments is the following:

| 31/12/2008 (Euro '000) | Italy | Europe (ex-Italy) | USA and Canada | Latin America | Africa | Middle East | Far East | Rest of the world | Total |
|---|---|---|---|---|---|---|---|---|---|
| Suppliers | 209,830 | 31,696 | 21,003 | 9,725 | 8,903 | 49,047 | 1,911 | 3,597 | 335,712 |
| Pre-payments | 10,020 | 4,057 | 2,441 | 12,975 | 16,522 | 12,261 | 44 | 0 | 58,320 |
| Pre-payments from clients | | | 8,805 | | | | | | 8,805 |
| Payables to associates | 4,225 | 246 | 0 | 41 | 0 | 0 | 0 | 0 | 4,512 |

| 31/12/2007 (Euro '000) | Italy | Europe (ex-Italy) | USA and Canada | Latin America | Africa | Middle East | Far East | Total |
|---|---|---|---|---|---|---|---|---|
| Suppliers | 154,608 | 27,852 | 7,151 | 7,051 | 3,973 | 28,391 | 1,345 | 230,370 |
| Pre-payments | 1,624 | 3,073 | 50 | 1,487 | 9,045 | 1,236 | 3 | 16,519 |
| Payables to associates | 4,829 | 490 | 103 | 865 | 0 | 0 | 0 | 6,287 |

The breakdown of trade payables by currency is as follows:

| Currency | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Euro | 254,267 | 187,634 | 66,633 |
| US dollar | 19,700 | 9,707 | 9,993 |
| UAE dirhams | 41,892 | 25,801 | 16,091 |
| Nigerian Naira | 1,571 | 2,299 | (728) |
| Other | 18,282 | 4,929 | 13,353 |
| **TOTAL** | **335,712** | **230,369** | **105,343** |

| Description | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Pre-payments | 58,321 | 16,519 | 41,802 |
| Pre-payments for contract work in progress | 8,805 | 0 | 8,805 |
| **TOTAL** | **67,126** | **16,519** | **50,607** |

# Trade payables and other current liabilities:

## Pre-payments for contract work in progress:

Pre-payments for contract work in progress totaling Euro 8,805 thousand is contract work in progress net of pre-payments received; an analysis of every contract is carried out and, if there is a positive result (because the contract work in progress is greater than the pre-payments received), it is entered under current assets in the item, Trade receivables from clients; if the result is negative, the figure is entered amongst the current liabilities in the item, Other payables, as being due to the client.

## Payables to associates:

Trade payables to associates were Euro 4,512 thousand and were almost entirely trade payables of Trevi S.p.A. to different consortia. For further details on this figure, please see note (34) on related party transactions

## Liabilities for VAT to the Tax Authority

VAT liabilities payable to the Tax Authority were Euro 2.106 million, a similar figire to that of 31 December 2007 (Euro 2,308 thousand), and were due to the subsidiary Petreven Succursale Colombia for Euro 509 thousand, Trevi Foundations Nigeria Ltd. for Euro 507 thousand, Trevi Algeria E.u.r.l. for Euro 521 thousand and to Petreven C.A. Venezuela for Euro 113 thousand.

## Other liabilities:

These were mainly the following:

| Description | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Payables to employees | 14,393 | 11,086 | 3,307 |
| Payables to factoring companies | 400 | 1,773 | (1,373) |
| Other payables | 10,357 | 15,386 | (5,029) |
| **TOTAL** | **25,150** | **28,245** | **(3,095)** |

The increase in the entry, payables to employees, which was Euro 3,307 thousand, is due to the increase in the number of Group employees which rose from 5,067 at 31 December 2007 to 5,898 at 31 December 2008. The figure relates to salaries and wages in December 2008 and provisions for holidays owed but not taken.

Other payables includes about Euro 7 million for the net negative difference resulting from contract work in progress totaling less than the pre-payments for contract work in progress received.

### Accrued liabilities and deferred charges:

Accrued liabilities and deferred charges were Euro 3,171 thousand at 31 December 2008 and may be broken down as follows:

### Accrued liabilities:

| Description | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Accrued liabilities on insurance premiums | 338 | 284 | 54 |
| Other accrued liabilities | 2,491 | 2,196 | 295 |
| **TOTAL** | **2,829** | **2,480** | **349** |

Accrued liabilities were Euro 2,829 thousand at 31 December 2008, an increase of Euro 349 thousand compared to the previous year. The figure is Euro 488 thousand from Drillmec S.p.A., mainly for insurance payments, Euro 260 thousand from Soilmec S.p.A., Euro 344 thousand from Soilmec France, and Euro 219 thousand from Trevi S.p.A.

### Deferred charges

| Description | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Deferred interest charges under the Sabatini and Ossola Laws | 106 | 248 | (142) |
| Other deferred charges | 236 | 254 | (18) |
| **TOTAL** | **342** | **502** | **(160)** |

Deferred charges at 31 December 2008 were Euro 342 thousand and were mainly for interest payable under the Sabatini and Ossola laws.

## (20) Tax liabilities for current taxes:

At 31 December 2008, the tax liability was Euro 25,820 thousand and was made up as follows:

| Description | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Liability to the Tax Authority for direct taxes | 21,325 | 27,176 | (5,851) |
| Other | 4,495 | 2,344 | 2,151 |
| **TOTAL** | **25,820** | **29,520** | **(3,700)** |

The positive change in tax liabilities for current taxes compared to the 2007 financial year reflects the tax credits of TREVI - Finanziaria Industriale S.p.A.

## (21) Current debt:

| Description | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Bank overdrafts | 2,524 | 1,694 | 830 |
| Trade pre-payments | 78,214 | 3,360 | 74,854 |
| Bank debt | 57,471 | 13,946 | 43,525 |
| Portion of mortgages and financing due within 12 months | 44,408 | 31,952 | 12,456 |
| **TOTAL** | **182,617** | **50,952** | **131,665** |

Current debt is made up of bank debt and includes some asset backed mortgages and financing. The details are as follows:

- A mortgage loan originally for Euro15,000,000, of eight-year duration, to the Parent Company from Interbanca S.p.A.; at 31 December 2008 the outstanding amount was Euro 5,625,000. The interest payable is six-month Euribor plus spread. The primary mortgage guarantee was given by the subsidiary Soilmec S.p.A. on its production plant in Cesena;
- Totalling financing granted by Emirates Bank International and HSBC to Swissboring (Dubai) amounting to 7,413,461 Dirham, about Euro 1,450,000, at 31 December 2008 (2,818,693 Dirham short-term, equivalent to Euro 550,000, and 4,594,768 Dirham, equivalent to Euro 899,000 beyond twelve months) which is guaranteed by the equipment which is the object of the financing.

## (22) Payables to leasing companies:

| Description | 31/12/08 | 31/12/07 | Change |
|---|---|---|---|
| Payables to leasing companies | 8,379 | 8.030 | 349 |
| Payables for other current financing | 1,178 | 2,216 | (1,038) |
| **TOTAL** | **9,557** | **10,246** | **(689)** |

Payables to leasing companies are the capital element of instalments payable in the future; Euro 474 thousand of payables for other current financing is payables to factoring companies by Trevi S.p.A.

## (23) Current financial derivative instruments:

At 31 December 2008, these totalled Euro 156 thousand (Euro 37 thousand at 31 December 2007).

# Net financial position

Details of the net financial position are given in the following table:

TREVI GROUP

## CONSOLIDATED NET FINANCIAL POSITION

*(Euro '000)*

| | | Note | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|---|---|
| A | Cash | (13) | 1,031 | 874 | 157 |
| B | Cash equivalents | (13) | 87,034 | 89,880 | (2,846) |
| **D** | **Liquidity (A+B)** | | **88,065** | **90,754** | **(2,689)** |
| E | Current financial assets | | 800 | 28 | 773 |
| F | Current bank debt | (21) | 144,582 | 22,940 | 121,642 |
| G | Current portion of non-current debt | (21) | 38,036 | 28,012 | 10,024 |
| H | Other current financial liabilities | (22) | 9,557 | 10,246 | (688) |
| **I** | **Current financial debt (F+G+H)** | | **192,175** | **61,198** | **130,977** |
| **J** | **Current net debt (I-E-D)** | | **103,309** | **(29,585)** | **132,894** |
| K | Non-current bank debt | (15) | 182,604 | 145,163 | 37,442 |
| M | Other non-current financial liabilities | (15) | 36,170 | 27,064 | 9,106 |
| **N** | **Non-current financial debt (K+M)** | | **218,775** | **172,227** | **46,547** |
| **O** | **Net financial debt (J+N)** | | **322,084** | **142,642** | **179,441** |

## MEMORANDUM ACCOUNTS:

| Description | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Guarantees given to third parties | 238,961 | 250,787 | (11,826) |
| Guarantees given to insurance companies | 82,110 | 11,121 | 70,989 |
| Guarantees received | 2,111 | 9,015 | (6,904) |
| Hire contracts expiring | 8,261 | 11,238 | (2,977) |
| Third-party goods held on deposit | 9,708 | 8,364 | 1,344 |
| Undertakings given for property investments | 4,000 | 4,700 | (700) |
| Goods with third parties | 376 | 114 | 262 |
| **TOTAL** | **345,527** | **295,339** | **50,188** |

## Guarantees given to third parties

This entry includes guarantees given by Group companies to third parties as guarantees for work completed and for the correct and punctual supply of equipment; these totalled Euro 238,961 thousand (Euro 250,787 thousand at year-end 2007).

## Guarantees given to insurance companies

At 31 December 2008 these guarantees totalled Euro 82,110 thousand, an increase of Euro 70,989 thousand compared to year-end 2007.

## Guarantees received

At 31 December 2008 these totalled Euro 2,111 thousand, a year-on-year decrease of Euro 6,904 thousand.

## Hire contracts expiring

This entry totalled Euro 8,621 thousand and is the total of hire payments under operating lease contracts.

Details of the expiry of the contracts are shown in the following table:

| Description | Within 12 months | Between 1 and 5 years | Beyond 5 years |
|---|---|---|---|
| Hire contracts expiring | 6,475 | 1,787 | - |

Payments under these hire contracts are indexed to prevailing Euribor.

## Third-party goods held on deposit

The value of third-party goods held on deposit by TREVI Group was Euro 9,708 thousand.

## Undertakings given for property investments

At 31 December 2008 undertakings given for property investments totalled Euro 4,000 thousand:
Euro 4,000,000 relating to a preliminary contract for a future leasing agreement to be finalised in 2008. The lease concerns the land and construction of an industrial building in Asolo which will permit the company, PSM S.r.L, to expand its production capacity.

## Goods held by third-parties

These were valued at Euro 376 thousand at 31 December 2008.
For the mortgage agreement stipulated with Interbanca S.p.A., the subsidiary, Soilmec S.p.A. has given the bank a guarantee, originally a secondary guarantee but currently a primary guarantee, of Euro 30,000,000 on its production facility in Cesena.

# NOTES TO THE INCOME STATEMENT

Some details and information on the Consolidated Income Statement for the 2008 financial year are given below. For a more detailed account of the Group performance, please see the Report on Operations.

## OPERATING REVENUES

## (24) Revenues from sales and services and other revenues

These totalled Euro 1,069.155 million in 2008 compared to Euro 841,606 thousand in 2007, an increase of Euro 227,549 thousand. The Group operates in various business sectors and geographical regions.
The geographic breakdown of revenues from sales and services and other revenues is shown in the following table:

| Geographic area | 31/12/2008 | % | 31/12/2007 | % | change |
|---|---|---|---|---|---|
| Italy | 127,938 | 12.0% | 141,371 | 16.8% | (13,433) |
| Europe (ex-Italy) | 178,777 | 16.7% | 139,128 | 16.5% | 39,649 |
| USA and Canada | 91,877 | 8.6% | 91,025 | 10.8% | 853 |
| Latin America | 118,405 | 11.1% | 102,300 | 12.2% | 16,105 |
| Africa | 132,346 | 12.4% | 126,319 | 15.0% | 6,027 |
| Middle East | 364,040 | 34.0% | 188,921 | 22.4% | 175,119 |
| Far East | 48,845 | 4.6% | 47,708 | 5.7% | 1,137 |
| Rest of the world | 6,928 | 0.6% | 4,835 | 0.6% | 2,093 |
| **TOTAL REVENUES** | **1,069,155** | **100%** | **841,606** | **100%** | **227,549** |

Compared to the 2007 financial year, there was a strong increases in revenues from the Middle East reflecting the work of Swissboring on the Ferrari Experience, Big Dig, the Palm Canal Tower, the Barwa Financial District and the A1 Baker Tower. It also reflects revenues from Drillmec S.p.A., which sold an MR8000 in the United Arab Emirates, a 3,000 HP in Kuwait and its first MR 8000 to Iraq.
There was a decline in revenues from Italy due to the contraction in the domestic market.
The strong growth in Europe was mainly the result of the revenues of Drillmec S.p.A. from the sale of four MR8000s for the Weather Fort contract. It also includes the accounting of Euro 7,000 thousand from a legal claim relating to the Stans (Austria) contract.
The year-on-year improvement in revenues from South America was due to the growth in contracts for Drillmec S.p.A. and the activities of Petreven U.T.E. Argentina.
In the Far East, revenues grew exclusively as a result of the sales made by the subsidiary Soilmec Hong Kong.
In the Mechanical Engineering Division, Soilmec S.p.A., Drillmec S.p.A and the foreign subsidiaries once again had excellent results due to the strong increase in revenues from the sale of special foundations equipment and drilling equipment for oil, water and gas.

The revenues also include economic benefits of Euro 6,701 thousand generated in Venezuela from the translation of figures originally in currencies other than the Euro which were used by clients to settle contractual obligations. For comparative purposes, the values for similar operations realised in 2007, for Euro 4,537 thousand, have been reclassified.

The breakdown of Group revenues by business sector is given in the following table:

| (Euro '000) | 31/12/2008 | % | 31/12/2007 | % | change | % change |
|---|---|---|---|---|---|---|
| Manufacture of special foundation machinery | 319,236 | 30% | 280,873 | 33% | 38,363 | 13.7% |
| Oil, gas and water drilling equipment | 288,763 | 27% | 194,106 | 23% | 94,657 | 48.8% |
| Interdivision eliminations and adjustments | (775) | | (10,056) | | 9,281 | |
| **Sub-total of the Mechanical Engineering Division** | **607,224** | **57%** | **464,923** | **55%** | **142,301** | **30.6%** |
| Special foundation services | 456,063 | 43% | 357,589 | 42% | 98,475 | 27.5% |
| Drilling services | 64,863 | 6% | 46,585 | 6% | 18,279 | 39.2% |
| Interdivision eliminations and adjustments | (3,164) | | (2,967) | | (196) | |
| **Sub-total of the Foundations and Drilling Services Division** | **517,763** | **48%** | **401,206** | **48%** | **116,557** | **29.1%** |
| **Parent Company** | **13,538** | | **13,411** | | **127** | **0.9%** |
| Interdivision and Parent Company eliminations | (69,369) | | (37,934) | | (31,435) | |
| **TREVI GROUP** | **1,069,155** | **100%** | **841,606** | **100%** | **227,549** | **27.0%** |

## Other operating revenues

Other revenues and income was Euro 19,654 thousand, a decrease of Euro 812 thousand over the preceding financial year. The breakdown is as follows:

| Description | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Expense recoveries and reallocations to consortia | 8.635 | 8.338 | 297 |
| Sales of spare-parts | 5.798 | 5.217 | 581 |
| Gains on disposal of fixed assets | 720 | 61 | 659 |
| Gains on sale of operating division | - | 395 | (395) |
| Reimbursement for damages | 17 | 101 | (84) |
| Rents received | 787 | 394 | 393 |
| Out-of-period income | 1.300 | 1.131 | 169 |
| Other | 2.397 | 4.829 | (2.432) |
| **TOTAL** | **19.654** | **20.466** | **(812)** |

In 2008, expenses recovered and reallocated to consortia were Euro 8,635 thousand, substantially unchanged on the previous financial year, and sales of spare parts were Euro 5,798 thousand. Gains on sales of assets to third parties were Euro 720 thousand, compared to Euro 61 thousand in 2007, and out-of-period income was Euro 1,300 thousand against Euro 1,131 thousand in the preceding financial year, Euro 637 thousand from Trevi S.p.A. and Euro 318 thousand from Soilmec S.p.A.

## Increase in fixed assets for internal use

Fixed assets for internal use were Euro 50,278 thousand in 2008, an increase of Euro 24,215 thousand compared to the 2007 financial year. Please see note (1) of the Notes to the Accounts.

# OPERATING EXPENSES

Operating expenses totalled Euro 1,074.183 million in 2008 compared to Euro 774,974 thousand in 2007, an increase of Euro 299,209 thousand. They may be broken down as follows:

## (25) Personnel expenses:

These increased Euro 25,331 thousand to Euro 146,904 thousand in 2008.

| Description | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Salaries and wages | 115,475 | 93,337 | 22,138 |
| Social Security expenses | 23,875 | 23,082 | 793 |
| Staff-leaving indemnity fund | 852 | 633 | 219 |
| Curtailment effect | 0 | (1,141) | 1,141 |
| Provisions for pension liabilities | 4,578 | 3,388 | 1,190 |
| Other expenses | 2,124 | 2,274 | (150) |
| **TOTAL** | **146,904** | **121,573** | **25,331** |

The increase in personnel expenses reflects the increase in employees in the companies of the Group. The breakdown of employees and changes compared to 2007 are shown in the following table:

| Description | 31/12/2008 | 31/12/2007 | change | Average no. |
|---|---|---|---|---|
| Managers | 64 | 55 | 9 | 59 |
| Qualified staff | 1,366 | 1,099 | 267 | 1,179 |
| Blue collar workers | 4,468 | 3,913 | 555 | 4,183 |
| **TOTAL PERSONNEL** | **5,898** | **5,067** | **831** | **5,421** |

The increase in personnel during 2008 was due to personnel requirements in the Middle East, for Swissboring operating in the United Arab Emirates, and to contracts won by subsidiaries in Africa, South America and the United States.

## (26) Other operating expenses

| Description | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Costs for services | 205,338 | 165,591 | 39,747 |
| Expenses for use of third-party assets | 35,041 | 24,237 | 10,804 |
| Other operating expenses | 10,465 | 9,721 | 744 |
| **TOTAL** | **250,844** | **199,549** | **51,295** |

Other operating expenses increased Euro 51,295 to Euro 250,844 thousand in 2008. For further details, please see below.

## Costs for services:

These were Euro 205,338 thousand in 2008 compared to Euro 165,591 thousand at 31 December 2007. The breakdown is given in the following table:

| Description | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| External services | 15,365 | 13,222 | 2,143 |
| Technical assistance | 5,091 | 4,280 | 811 |
| Machine power | 1,351 | 1,054 | 297 |
| Subcontractors | 42,769 | 43,976 | (1,207) |
| Administrative services | 2,064 | 1,495 | 569 |
| Marketing services | 786 | 629 | 157 |
| Technical, legal and tax consultants | 21,828 | 14,974 | 6,854 |
| Maintenance and repair | 16,588 | 11,877 | 4,711 |
| Insurance | 6,446 | 5,891 | 555 |
| Shipping and customs expenses | 38,035 | 22,690 | 15,345 |
| Energy, telephone, gas, water and postal expenses | 4,011 | 3,284 | 727 |
| Commissions and related expenses | 19,211 | 16,851 | 2,360 |
| Travel and subsistence expenses | 14,239 | 12,830 | 1,409 |
| Advertising and promotion | 3,435 | 2,833 | 602 |
| Bank charges | 4,226 | 2,389 | 1,837 |
| Other | 9,894 | 7,317 | 2,577 |
| **TOTAL** | **205,338** | **165,591** | **39,747** |

The 24% increase in the costs for services is closely linked to the increase in operating revenues, which rose from Euro 841,606 thousand in 2007 to Euro 1,069.155 million in 2008, an increase of 27%.

## Expenses for use of third-party assets:

These were Euro 35,041 thousand, an increase of Euro 10,804 thousand compared to 2007, and were as follows:

| Description | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Equipment hire | 26,775 | 18,191 | 8,584 |
| Rents | 8,266 | 6,047 | 2,219 |
| **TOTAL** | **35,041** | **24,237** | **10,804** |

Equipment hire includes equipment hired by Swissboring Overseas Piling Corporation to carry out its current contracts, equipment hired by Trevi S.p.A. and the hire of the two Parent Company HH 102 drill rigs used by the subsidiary, Petreven, in Venezuela and Argentina.

## Other operating expenses:

These totalled Euro 10,465 thousand, an increase of Euro 744 thousand on the preceding year and were as follows:

| Description | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Taxes other than income taxes | 5,234 | 3,163 | 2,071 |
| Losses on disposal of assets | 1,099 | 1,270 | (171) |
| Out of period expenses | 1,159 | 1,712 | (553) |
| Other | 2,973 | 3,576 | (603) |
| **TOTAL** | **10,465** | **9,721** | **744** |

Taxes other than income taxes are attributable to Petreven Venezuela C.a. for Euro 1,335 thousand, to Petreven U.t.e. Argentina for Euro 939 thousand, to Petreven Colombia for Euro 343 thousand, to Pilotes for Euro 480 thousand, to Trevi Cimentaciones for Euro 281 thousand, to Trevi Finanziaria for Euro 195 thousand and to Trevi S.p.A. for Euro 407 thousand.
The out of period expenses are due to Trevi S.p.A for Euro 686 thousand and to Petreven Venezuela C.a. for Euro 292 thousand.

Other operating costs are attributable to Trevi S.p.A for Euro 335 thousand, to Drillmec for Euro 1,351 thousand and to Trevi Foundations Nigeria Ltd for Euro 450 thousand.

## (27) Provisions and write-downs:

| Description | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Risk provisions | 3,697 | 2,030 | 1,667 |
| Write-down of receivables | 2,611 | 1,612 | 999 |
| **TOTAL** | **6,308** | **3,642** | **2,666** |

### Risk provisions:

These were Euro 3,697 thousand mainly attributable to: Swissboring in the United Arab Emirates for Euro 1,236 thousand for contractual risks; Drillmec S.p.A. for Euro 700 thousand for product guarantee provisions; Trevi S.p.A. for Euro 490 thousand for contract risks; Soilmec UK Ltd. for Euro 109 thousand; Soilmec S.p.A. for 883 thouand for guarantee provisions; and Soilmec France for Euro 167 thousand.

### Write-down of receivables included in current assets:

The amount of Euro 2,611 thousand is for provisions for doubtful trade receivables made by individual subsidiaries and may be attributed as follows: to Soilmec S.p.A. for Euro 520 thousand; to Swissboring Overseas Piling Corporation for Euro 769 thousand; to Trevi Icos Corporation for Euro 476 thousand; to Trevi S.p.A. for Euro 495 thousand; and to Soilmec France for Euro 130 thousand.

## (28) Financial revenues:

Financial revenues were as follows:

| Description | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Bank interest revenue | 1,533 | 2,023 | (490) |
| Interest charged to customers | 601 | 788 | (187) |
| Other financial revenue | 1,397 | 515 | 882 |
| **TOTAL** | **3,531** | **3,326** | **205** |

Under IAS 39, the fair value of the derivative instruments at 31 December 2008 had a positive impact of Euro 731 thousand before tax and was attributable to the subsidiary, Soilmec UK Ltd.

## (29) Financial expenses:

Financial expenses are shown in the following table:

| Description | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Bank interest expense | 15,152 | 11,360 | 3,792 |
| Bank commission and expense | 1,167 | 665 | 502 |
| Loan-related interest expense | 787 | 1,302 | (515) |
| Leasing companies interest expense | 1,783 | 1,677 | 106 |
| Bank discounting charges | 746 | 888 | (142) |
| Interest for other financing | 1,072 | 1,087 | (15) |
| **TOTAL** | **20,707** | **16,979** | **3,728** |

The Euro 3,728 thousand increase in this figure is primarily due to interest on bank debt; the increase of Euro 3,792 thousand is Euro 1,233 thousand from Trevi S.p.A., Euro 1,723 thousand to Soilmec, Euro 741 thousand to Drillmec S.p.A. and Euro 250 thousand to Trevi Finanziaria Industriale S.p.A.

## (30) Exchange rate gains/ (losses) from transactions in foreign currencies:

At 31 December 2008, net exchange rate differences were negative for Euro 1,250 thousand and resulted from the payment and receipt of payables and receivables in foreign currency and from the revaluation of the US dollar against the Euro. The breakdown is shown in the following table:

| (Euro '000) | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Realised exchange gains | 9,729 | 3,805 | 5,924 |
| Realised exchange losses | (10,639) | (4,961) | (5,678) |
| **Sub-total of realised gains/(losses)** | **(910)** | **(1,156)** | **246** |
| | | | |
| Unrealised exchange gains | 9,544 | 5,757 | 3,787 |
| Unrealised exchange losses | (9,884) | (9,029) | (855) |
| **Sub-total of unrealised gains/(losses)** | **(340)** | **(3,272)** | **2,932** |
| | | | |
| **Exchange rate gains/ losses** | **(1,250)** | **(4,428)** | **3,178** |

Realised exchange gains include the economic benefits generated in Venezuela from the translation of figures originally in currencies other than the Euro used by clients to settle contractual obligations. For comparative purposes, the values for similar operations realised in 2007 have been reclassified.

## (32) Income taxes for the year:

Net income taxes for the financial year totalled Euro 31,820 thousand. They are shown in the following table:

| Description | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Current taxes : | | | |
| - I.R.A.P. | 6,613 | 4,648 | 1,965 |
| - Income taxes | 31,172 | 29,126 | 2,046 |
| Deferred taxes | 536 | 762 | (226) |
| Pre-paid taxes | (6,501) | (6,463) | (38) |
| **TOTAL** | **31,820** | **28,073** | **3,747** |

Current income taxes are an estimate of the direct taxes payable for the financial year derived from the taxable income of each company consolidated in the Group.
Income tax payable by foreign companies is calculated using the tax rates in force in the respective countries.

Income tax reconciliation:

| Country | Local tax rate | Pre-tax profit/ (loss) | Taxes payable calculated by applying the local tax rate | Taxes payable calculated by applying the effective tax rate | Difference |
|---|---|---|---|---|---|
| | (A) | (B) | (C)= (A) x (B) | (D) | (D)-( C ) |
| Algeria | 30.0% | 1,533 | 460 | 100 | (360) |
| Argentina | 35.0% | 4,029 | 1,410 | 1,010 | (400) |
| Canada | 35.6% | 57 | 20 | 243 | 222 |
| United Arab Emirates | 0.0% | 35,418 | 0 | 3,876 | 3,876 |
| Philippines | 35.0% | 272 | 95 | 295 | 199 |
| Japan | 30.0% | (147) | (44) | 1 | 45 |
| Hong Kong | 17.5% | 13,230 | 2,315 | 719 | (1,597) |
| United Kingdom | 30.0% | 701 | 210 | (156) | (367) |
| Italy | 27.5% | 28,505 | 7,839 | 14,929 | 7,090 |
| France | 34.8% | 828 | 288 | 319 | 31 |
| Nigeria | 30.0% | 2,137 | 641 | 423 | (218) |
| Holland | | 4,315 | 0 | 32 | 32 |
| Peru | 30.0% | 728 | 218 | 158 | (60) |
| Portugal | 0.0% | (367) | 0 | 0 | 0 |
| Rep. of San Marino | | 3 | 0 | 0 | 0 |
| Singapore | 27.0% | 802 | 217 | 332 | 115 |
| USA | 39.0% | 11,069 | 4,317 | 2,074 | (2,243) |
| Colombia | 35.0% | 1,225 | 429 | 437 | 8 |
| Venezuela | 34.0% | 5,531 | 1,881 | 415 | (1,466) |
| Panama | | (134) | 0 | 0 | 0 |
| Australia | 30.0% | (269) | 0 | 0 | 0 |
| Germany | 30%-33% | (205) | 0 | 0 | 0 |
| Libya | 15%-40% | (80) | 0 | 0 | 0 |
| Austria | 25.0% | (7) | 0 | 0 | 0 |
| **TOTAL** | | **109,175** | **20,297** | **25,207** | **4,910** |

Reconciliation of the theoretical tax liability and that charged to the Income Statement:

| Country | Consolidated results before taxation | Theoretical tax liability | Tax effect on permanent differences | Net effect in the period of deferred inc. tax assets calculated on temporary differences | Effective tax on profits | Effective IRAP tax (for Italian companies) | Effective tax burden in Income Statement to 31/12/08 |
|---|---|---|---|---|---|---|---|
| Algeria | 1,533 | 460 | (360) | | 100 | | 100 |
| Argentina | 4,029 | 1,410 | (400) | | 1,010 | | 1,010 |
| Canada | 57 | 20 | 222 | | 243 | | 243 |
| United Arab Emirates | 35,418 | 0 | 3,876 | | 3,876 | | 3,876 |
| Philippines | 272 | 95 | 199 | | 295 | | 295 |
| Japan | (147) | (44) | 45 | | 1 | | 1 |
| Hong Kong | 13,230 | 2,315 | (1,597) | | 719 | | 719 |
| United Kingdom | 701 | 210 | (367) | | (156) | | (156) |
| Italy | 28,505 | 7,839 | 13,591 | (6,501) | 14,929 | 6,613 | 21,542 |
| France | 828 | 288 | 31 | | 319 | | 319 |
| Nigeria | 2,137 | 641 | (218) | | 423 | | 423 |
| Holland | 4,315 | 0 | 32 | | 32 | | 32 |
| Peru | 728 | 218 | (60) | | 158 | | 158 |
| Portugal | (367) | 0 | 0 | | 0 | | 0 |
| Rep. of San Marino | 3 | 0 | 0 | | 0 | | 0 |
| Singapore | 802 | 217 | 115 | | 332 | | 332 |
| USA | 11,069 | 4,317 | (2,243) | | 2,074 | | 2,074 |
| Colombia | 1,225 | 429 | 8 | | 437 | | 437 |
| Venezuela | 5,531 | 1,881 | (1,466) | | 415 | | 415 |
| Panama | (134) | 0 | 0 | | 0 | | 0 |
| Australia | (269) | 0 | 0 | | 0 | | 0 |
| Germany | (205) | 0 | 0 | | 0 | | 0 |
| Libya | (80) | 0 | 0 | | 0 | | 0 |
| Austria | (7) | 0 | 0 | | 0 | | 0 |
| **TOTAL** | **109,175** | **20,297** | **11,411** | **(6,501)** | **25,207** | **6,613** | **31,820** |

## (33) Group earnings per share:

The assumptions underlying the calculation of basic and fully diluted earnings per share are as follows:

| | Descrizione | 31/12/2008 | 31/12/2007 |
|---|---|---|---|
| A | Net profit for the financial year (Euro '000) | 74,661 | 55,788 |
| B | Weighted average number of ordinary shares used to calculate basic earnings per share | 63,355,614 | 63,747,623 |
| C | Basic earnings per share: (A*1000)/B (Euro) | 1.178 | 0.875 |
| D | Net profit adjusted for dilution analysis (Euro '000) | 76,967 | 57,417 |
| E | Dilution effect of convertible bond loan | 6,194,690 | 6,194,690 |
| F | Weighted average number of ordinary shares used to calculate diluted earnings per share (B+E) | 69,550,304 | 69,942,313 |
| G | Diluted earnings per share (D*1000)/F (Euro) | 1.107 | 0.821 |

## (34) Related party transactions:

The related party transactions of TREVI Group are mainly commercial transactions between Trevi S.p.A. and other companies in the Group done at market conditions.

The most significant items of non-current receivables at 31 December 2008 and at 31 December 2007, which are recognised in trade receivables and other non-current assets, are shown in the following table:

| Description | 31/12/2008 | 31/12/2007 |
|---|---|---|
| Porto Messina S.c.a.r.l. | 720 | 720 |
| Filippella S.c.a.r.l. | 150 | 150 |
| Pescara Park S.r.L. | 199 | 133 |
| Other | 63 | 62 |
| **TOTAL** | **1,133** | **1,065** |

The most significant items of current receivables at 31 December 2008 and at 31 December 2007, which are recognised in trade receivables and other current assets, are shown in the following table:

| Description | 31/12/2008 | 31/12/2007 |
|---|---|---|
| Parcheggi S.pA. | 1,108 | 565 |
| Roma Park | 531 | 48 |
| IFC Ltd | 0 | 3 |
| **Sub-total** | **1,639** | **616** |
| | | |
| Porto di Messina S.c.a.r.l. | 1,005 | 1,005 |
| Bologna Park S.c.a.r.l. | 112 | 1,284 |
| Consorzio Principe Amedeo | 314 | 314 |
| Consorzio Trevi Adanti | 28 | 49 |
| Filippella S.c.a.r.l | 858 | 774 |
| Trevi S.G.F. Inc. S.c.a.r.l. | 3,875 | 3,752 |
| Soilmec Far East | 3,341 | 3,155 |
| Edra Srl | 636 | 815 |
| Profuro Lda | 407 | 335 |
| Drillmec Engineering & Co. Ltd | 77 | 888 |
| Arge Baugrube Q110 | 331 | 339 |
| Trevi Park PLC | 330 | 330 |
| Other | 643 | 1,345 |
| **Sub-total** | **11,957** | **14,385** |
| | | |
| **TOTAL** | **13,596** | **15,001** |
| % of total consolidated trade receivables | 4.4% | 7.4% |

Total receivables from related parties were Euro 13,596 thousand. The decrease of Euro 1,405 thousand is mainly due to Trevi S.p.A. receivables from Bologna Park S.c.a.r.l. for completion of two underground car parks in Bologna; and to Drillmec S.p.A. receivables from Drillmec Engineering & Co., a 20% owned company based in Sudan.

Group revenues to related parties are as follows:

| Descrizione | 31/12/2008 | 31/12/2007 |
|---|---|---|
| IFC | 13 | 37 |
| Roma Park | 445 | 28 |
| Parcheggi S.pA. | 642 | 246 |
| **Sub-total** | **1,101** | **311** |
| Hercules Foundation AB | 409 | 144 |
| Bologna Park S.c.a.r.l. | 699 | 1,322 |
| Porto di Messina S.c.a.r.l. | 1 | 0 |
| Soilmec Far East | 7,581 | 9,218 |
| Drillmec Eng. & Co. | 258 | 1,043 |
| Trevi S.G.F. Inc. S.c.a.r.l | 3,700 | 2,644 |
| Filippella S.c.a.r.l. | 152 | 525 |
| Other | 36 | 35 |
| **Sub-total** | **12,835** | **14,931** |
| | | |
| **TOTAL** | **13,936** | **15,242** |
| % of total consolidated revenues from sales and services | 1.3% | 1.9% |

The most significant amounts under payables to related parties at 31 December 2008 and 31 December 2007 and included under trade payables and other current liabilities, are shown in the following table:

| Description | 31/12/2008 | 31/12/2007 |
|---|---|---|
| Parcheggi S.pA. | 35 | 126 |
| Roma Park | 15 | 18 |
| Sofitre Srl | 3 | |
| **Sub-total** | **53** | **144** |
| Principe Amedeo | 122 | 118 |
| Filippella S.c.a.r.l. | 2,174 | 2,774 |
| Trevi Adanti | 1 | 8 |
| Porto di Messina S.c.a.rl. | 188 | 85 |
| Trevi S.G.F. Inc. S.c.a.r.l | 869 | 624 |
| Dach-Arghe Markt Leipzig | 489 | 490 |
| Trevi Park PLC | 100 | 100 |
| Edra | 556 | 917 |
| Other | 14 | 1,274 |
| | | |
| **Sub-total** | **4,512** | **6,287** |
| | | |
| **TOTAL** | **4,565** | **6,431** |
| **% of consolidated trade payables** | **1.3%** | **2.7%** |

Expenses sustained by the Group with related parties are as follows:

| Description | 31/12/2008 | 31/12/2007 |
|---|---|---|
| Roma Park | 2 | |
| Sofitre Srl | 67 | |
| Parcheggi S.pA. | 5 | 22 |
| **Sub-total** | **74** | **22** |
| Porto di Messina S.c.a.rl. | 26 | 67 |
| Trevi Spezialtiefbau Germania | 303 | 421 |
| Trevi S.G.F. Inc. S.c.a.r.l | 536 | 1,535 |
| Drillmec Eng. & Co. | 101 | 156 |
| Filippella S.c.a.r.l. | 760 | 4,188 |
| Dach Arge | 0 | 244 |
| Edra Srl | 752 | 1,380 |
| Soilmec Arabia L.L.C. | 541 | 0 |
| Other | 115 | 104 |
| **Sub-total** | **3,133** | **8,095** |
| | | |
| **TOTAL** | **3,207** | **8,117** |
| % of consolidated consumption of raw materials and external services | 0.4% | 1.3% |

As the tables above show, TREVI Group has some small transactions with the companies headed by Sofitre S.r.l., a company 100% owned by the Trevisani family. The 2008 transactions with the companies that are part of Sofitre Group (which qualify for recognition because the shareholders controlling both it and TREVI Group are the Trevisani family) in were done at normal market conditions. They are summarised in the table below, which shows of what little significance they are to the consolidated figures of the Group.

| Description (Euro '000) | Sofitre S.r.L. | I.F.C. Ltd | Parcheggi S.p.A. | Roma Park | Total for related comp. |
|---|---|---|---|---|---|
| Trade receivables | | | 1,108 | 531 | **1,639** |
| Trade payables | 3 | 1 | 35 | 15 | **54** |
| Revenues from sales and services | | 13 | 642 | 445 | **1,101** |
| Raw materials and external services | 67 | | 5 | 2 | **74** |
| Warranties and guarantees | | | 967 | | **967** |

As shown above, there exist some guarantees (for a total of Euro 967 thousand) given by TREVI - Finanziaria Industriale S.p.A. prior to its listing on the stock exchange and which are gradually decreasing. These were given to banks on behalf of companies that now belong to Sofitre Group There were no economic transactions between TREVI Group and TREVI Holding Aps, the Danish company that controls TREVI – Finanziaria Industriale S.p.A

## (35) Segment reporting

The Group has identified that financial data by business sector is the primary segment for disclosure of further economic and financial information about the Group (segment reporting). This shows the organisation of the business of the Group and the internal reporting structure since the risks and returns accruing to the Group are affected by the sectors in which it operates. For secondary segment information on business by geographical area, which is also closely monitored by management, please refer to the Notes to the Accounts.
Sector income statement and balance sheet figures at 31 December 2008 are given in the following tables and further information on the performance of the two divisions is given in note (22) on revenues from sales and in the Review of Operations.

## SPECIAL FOUNDATIONS AND DRILLING SERVICES DIVISION
### Summary balance sheet

(Euro '000)

| | | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|---|
| A) | Fixed assets | 234,748 | 157,048 | 77,700 |
| **B)** | **Net working capital** | | | |
| | - Inventories | 67,100 | 53,281 | 13,819 |
| | - Trade receivables | 199,557 | 125,013 | 74,544 |
| | - Trade payables (-) | (145,490) | (102,880) | (42,610) |
| | - Pre-payments (-) | (49,945) | (34,303) | (15,642) |
| | - Other assets (liabilities) | 2,149 | (2,929) | 5,078 |
| | | 73,372 | 38,183 | 35,189 |
| **C)** | **Fixed assets plus net working capital (A+B)** | **308,119** | **195,231** | **112,889** |
| **D)** | **Post-employment benefits (-)** | **(9,108)** | **(8,427)** | **(681)** |
| **E)** | **NET INVESTED CAPITAL (C+D)** | **299,011** | **186,804** | **112,208** |
| | **Financed by:** | | | |
| **F)** | **Group net equity** | **133,883** | **65,864** | **68,019** |
| G) | Share of minorities | 4,309 | 3,645 | 664 |
| **H)** | **Net financial position** | **160,819** | **117,295** | **43,524** |
| **I)** | **TOTAL SOURCES OF FINANCING (F+G+H)** | **299,011** | **186,804** | **112,207** |

## MECHANICAL ENGINEERING DIVISION
### Summary Balance Sheet

(Euro '000)

| | | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|---|
| **A)** | **Fixed assets** | **57,925** | **44,205** | **13,719** |
| **B)** | **Net working capital** | | | |
| | - Inventories | 305,814 | 167,411 | 138,403 |
| | - Trade receivables | 130,635 | 89,160 | 41,476 |
| | - Trade payables (-) | (247,143) | (170,277) | (76,866) |
| | - Pre-payments (-) | (40,618) | (41,701) | 1,083 |
| | - Other assets (liabilities) | 7,278 | (302) | 7,580 |
| | | 155,967 | 44,291 | 111,676 |
| **C)** | **Invested capital less liabilities for the year (A+B)** | **213,892** | **88,496** | **125,396** |
| **D)** | **Post-employment benefits (-)** | **(5,476)** | **(5,453)** | **(23)** |
| **E)** | **NET INVESTED CAPITAL (C+D)** | **208,416** | **83,043** | **125,373** |
| | **Financed by:** | | | |
| **F)** | **Group net equity** | **96,213** | **64,598** | **31,615** |
| G) | Share of minorities | 2,747 | 1,187 | 1,560 |
| **H)** | **Net financial position** | **109,456** | **17,258** | **92,198** |
| **I)** | **TOTAL SOURCES OF FINANCING (F+G+H)** | **208,416** | **83,043** | **125,373** |

## SPECIAL FOUNDATIONS AND DRILLING SERVICES DIVISION
### Summary Income Statement

(Euro '000)

| | 31/12/2008 | 31/12/2007 | change | % change |
|---|---|---|---|---|
| Total revenues from third-parties | 513,469 | 399,721 | 113,748 | |
| Total revenues from Mechanical Engineering Division | 4,294 | 1,485 | 2,809 | |
| **TOTAL REVENUES** | **517,763** | **401,206** | **116,557** | **29.1%** |
| Changes in inventories of work in progress, semi-finished and finished goods | 157 | (913) | 1,070 | |
| Increase in fixed assets for internal use | 11,692 | 10,781 | 911 | |
| Other operating revenues | 0 | 395 | (395) | |
| **VALUE OF PRODUCTION** | **529,612** | **411,469** | **118,143** | **28.7%** |
| Raw materials and external services | 329,985 | 257,146 | 72,839 | |
| Other operating expenses | 6,261 | 7,441 | (1,180) | |
| **VALUE ADDED** | **193,365** | **146,882** | **46,483** | **31.6%** |
| % on Total revenues | 37.3% | 36.6% | | |
| Personnel expenses | 98,385 | 81,782 | 16,603 | |
| **GROSS OPERATING PROFIT** | **94,980** | **65,100** | **29,880** | **45.9%** |
| % on Total revenues | 18.3% | 16.2% | | |
| Depreciation | 22,195 | 17,978 | 4,217 | |
| Provisions and write-downs | 3,870 | 2,103 | 1,767 | |
| **OPERATING RESULT** | **68,915** | **45,019** | **23,896** | **53.1%** |

## MECHANICAL ENGINEERING DIVISION
### Summary Income Statement

(Euro '000)

| | 31/12/2008 | 31/12/2007 | change | % change |
|---|---|---|---|---|
| Total revenues from third-parties | 600,300 | 460,534 | 139,766 | |
| Total revenues from Mechanical Engineering Division | 6,924 | 4,389 | 2,535 | |
| **TOTAL REVENUES** | **607,224** | **464,923** | **142,301** | **30.6%** |
| Changes in inventories of work in progress, semi-finished and finished goods | 83,769 | 11,778 | 71,990 | |
| Increase in fixed assets for internal use | 1,328 | 782 | 546 | |
| Other operating revenues | 0 | 0 | 0 | |
| **VALUE OF PRODUCTION** | **692,320** | **477,483** | **214,837** | **45.0%** |
| Raw materials and external services | 567,398 | 367,817 | 199,580 | |
| Other operating expenses | 3,090 | 2,042 | 1,048 | |
| **VALUE ADDED** | **121,832** | **107,624** | **14,209** | **13.2%** |
| % on Total revenues | 20.1% | 23.1% | | |
| Personnel expenses | 43,557 | 35,431 | 8,126 | |
| **GROSS OPERATING PROFIT** | **78,276** | **72,193** | **6,082** | **8.4%** |
| % on Total revenues | 13.0% | 15.5% | | |
| Depreciation | 6,662 | 6,747 | (85) | |
| Provisions and write-downs | 2,439 | 1,539 | 900 | |
| **OPERATING RESULT** | **69,175** | **63,907** | **5,267** | **8.2%** |

Management believes business segments are the primary segment disclosure for understanding the business of the Group whilst geographical segment disclosure is the secondary segment; for a comment on the summary data disclosed in this note on segment reporting, please see the Review on Operations

# RECONCILIATION STATEMENT AT 31 DECEMBER 2008

## Summary Group Income Statement

(Euro '000)

| | Special Foundations & Drilling Services Division | Mechanical Engineering Division | TREVI-Fin Ind.S.p.A. | Adjustments | TREVI GROUP |
|---|---|---|---|---|---|
| **TOTAL REVENUES** | **517,763** | **607,224** | **13,538** | **(69,369)** | **1,069,155** |
| Changes in inventories of work in progress, semi-finished and finished goods | 157 | 83,769 | 0 | (1,574) | 82,351 |
| Increase in fixed assets for internal use | 11,692 | 1,328 | 0 | 37,258 | 50,278 |
| Other operating revenues | 0 | 0 | 0 | 0 | 0 |
| **VALUE OF PRODUCTION** | **529,612** | **692,320** | **13,538** | **(33,685)** | **1,201,784** |
| Raw materials and external services | 329,985 | 567,398 | 7,111 | (26,387) | 878,107 |
| Other operating expenses | 6,261 | 3,090 | 351 | 763 | 10,465 |
| **VALUE ADDED** | **193,365** | **121,832** | **6,076** | **(8,062)** | **313,212** |
| Personnel expenses | 98,385 | 43,557 | 4,603 | 360 | 146,904 |
| **GROSS OPERATING PROFIT** | **94,980** | **78,276** | **1,473** | **(8,421)** | **166,307** |
| Depreciation | 22,195 | 6,662 | 1,936 | 1,604 | 32,398 |
| Provisions and write-downs | 3,870 | 2,439 | 0 | (1) | 6,308 |
| **OPERATING RESULT** | **68,915** | **69,175** | **(464)** | **(10,025)** | **127,601** |

## Summary Balance Sheet

(Euro '000)

| | | Special Foundations & Drilling Services Division | Mechanical Engineering Division | TREVI-Fin. Ind.S.p.A. | Adjustments | TREVI GROUP |
|---|---|---|---|---|---|---|
| **A)** | **Fixed assets** | **234,748** | **57,925** | **110,069** | **(97,809)** | **304,933** |
| **B)** | **Net working capital** | | | | | |
| | - Inventories | 67,100 | 305,814 | 0 | 838 | 373,753 |
| | - Trade receivables | 199,557 | 130,635 | 22,141 | (41,860) | 310,473 |
| | - Trade payables (-) | (145,490) | (247,143) | (6,425) | 58,835 | (340,223) |
| | - Pre-payments (-) | (49,945) | (40,618) | 0 | (4,169) | (94,732) |
| | - Other assets (liabilities) | 2,149 | 7,278 | 13,167 | (3,985) | 18,609 |
| | | 73,372 | 155,967 | 28,883 | 9,658 | 267,880 |
| **C)** | **Invested capital less liabilities for the year (A+B)** | **308,119** | **213,892** | **138,952** | **(88,151)** | **572,813** |
| **D)** | **Post-employment benefits (-)** | **(9,108)** | **(5,476)** | **(796)** | **(11)** | **(15,391)** |
| **E)** | **NET INVESTED CAPITAL (C+D)** | **299,011** | **208,416** | **138,156** | **(88,162)** | **557,422** |
| **F)** | **Group net equity** | **133,883** | **96,213** | **86,815** | **(90,476)** | **226,436** |
| G) | Share of minorities | 4,309 | 2,747 | 0 | 1,847 | 8,903 |
| **H)** | **Net financial position** | **160,819** | **109,456** | **51,341** | **468** | **322,084** |
| **I)** | **TOTAL SOURCES OF FINANCING (F+G+H)** | **299,011** | **208,416** | **138,156** | **(88,162)** | **557,422** |

The adjustments in net equity eliminates, for fixed assets, investments and non-current intercompany financial receivables; for trade receivables and payables, the remaining intercompany eliminations; and for Group net equity, the balancing item for the elimination of investments.

## Remuneration of Directors and Statutory Auditors

Details of the remuneration of the Parent Company Directors and Statutory Auditors for performing their duties, also in other companies that are consolidated within the Group, are given below:

| Name | Company | Position | Remuneration (Euro '000) | Other remuneration (Euro '000) |
|---|---|---|---|---|
| Trevisani Davide | TREVI Fin.Ind.S.p.A. | Chairman of the Board and Managing Director | 150 | |
| | Trevi S.p.A. | Vice President of the Board and Managing Director | 100 | |
| | Drillmec S.p.A. | Managing Director | 15 | |
| | Trevi Energy | Chairman of the Board | 18 | |
| | Soilmec S.p.A. | Chairman of the Board and Managing Director | 160 | |
| Trevisani Gianluigi | TREVI Fin.Ind.S.p.A. | Vice President of the Board and Managing Director | 135 | |
| | Trevi S.p.A. | Chairman of the Board and Managing Director | 120 | |
| | Drillmec S.p.A. | Managing Director | 15 | |
| | Trevi Energy | Managing Director | 18 | |
| | Soilmec S.p.A. | Vice President of the Board and Managing Director | 150 | |
| Trevisani Cesare | TREVI Fin.Ind.S.p.A. | Managing Director | 110 | 70 |
| | Trevi S.p.A. | Managing Director | 70 | |
| | Soilmec S.p.A. | Vice President of the Board and Managing Director | 75 | |
| | Drillmec S.p.A. | Vice President of the Board and Managing Director | 15 | |
| | Trevi Energy | Managing Director | 18 | |
| | RCT S.r.L. | Managing Director | 0 | |
| Trevisani Stefano | TREVI Fin.Ind.S.p.A. | Managing Director | 30 | 70 |
| | Drillmec S.p.A. | Managing Director | 15 | |
| | Soilmec S.p.A. | Managing Director | 50 | |
| | Trevi Energy | Managing Director | 12 | |
| | Trevi S.p.A. | Managing Director | 70 | |
| Pinza Riccardo | TREVI Fin.Ind. S.p.A. | Director | 30 | |
| Moscato Guglielmo Antonio Claudio | TREVI Fin.Ind. S.p.A. | Director | 30 | |
| Teodorani Fabbri Pio | TREVI Fin.Ind. S.p.A. | Director | 30 | |
| Bocchini Enrico | TREVI Fin.Ind. S.p.A. | Director | 30 | |
| Mosconi Franco | TREVI Fin.Ind. S.p.A. | Director | 30 | |
| Leonardi Adolfo | TREVI Fin.Ind. S.p.A. | Chairman of the Statutory Board of Auditors | 21 | |
| | Trevi S.p.A. | Statutory Auditor | 7 | |
| | Soilmec S.p.A. | Statutory Auditor | 7 | |
| | RCT S.r.L. | Chairman of the Statutory Board of Auditors | 6 | |
| Alessandri Giacinto | TREVI- Fin. Ind. SpA | Statutory Auditor | 16 | |
| | Trevi S.p.A. | Chairman of the Statutory Board of Auditors | 11 | |
| Poletti Giancarlo | TREVI- Fin. Ind. S.p.A. | Statutory Auditor | 16 | |
| | Soilmec S.p.A. | Statutory Auditor | 10 | |
| | Drillmec S.p.A. | Statutory Auditor | 5 | |
| **TOTAL** | | | **1,594** | **140** |

Appointed by the Shareholders' Meeting of 7 May 2007, for the three-year period 2007-2009, the Board of Directors will remain in office until the date the 2009 Financial Statements are approved.

**Remuneration for independent audits in accordance with Article 160 c. 1-bis no. 303 Law 262 of 28/12/2005 integrated by Decree Law 29/12/2006**

| Service | Service provider | Recipient | 31/12/2008 | | |
|---|---|---|---|---|---|
| | | | Auditing (Euro'000) | Consultancy (Euro'000) | TOTAL (Euro'000) |
| Auditing of accounts | PricewaterhouseCoopers SpA | Trevi Finanziaria Industriale S.p.A. | 54 | | 54 |
| Auditing of accounts | Reconta Ernst & Young | Trevi Finanziaria Industriale S.p.A. | 142 | | 142 |
| Auditing of accounts | PricewaterhouseCoopers SpA | Soilmec S.p.A | 41 | 10 | 51 |
| Auditing of accounts | Reconta Ernst & Young | Soilmec S.p.A | 27 | | 27 |
| Auditing of accounts | PricewaterhouseCoopers SpA | Drillmec S.p.A | 41 | | 41 |
| Auditing of accounts | Reconta Ernst & Young | Drillmec S.p.A | 25 | | 25 |
| Auditing of accounts | PricewaterhouseCoopers SpA | Trevi Constr. Hong Kong Ltd | 24 | 21 | 45 |
| Auditing of accounts | Reconta Ernst & Young | Trevi Constr. Hong Kong Ltd | 14 | | 14 |
| Auditing of accounts | Reconta Ernst & Young | Trevi S.p.A. | 48 | | 48 |
| Auditing of accounts | Reconta Ernst & Young | Trevi Algerie E.u.r.l | 10 | | 10 |
| Auditing of accounts | Reconta Ernst & Young | Trevi Energy S.p.A. | 5 | | 5 |
| Auditing of accounts | Reconta Ernst & Young | Drillmec Inc. USA | 26 | | 26 |
| Auditing of accounts | Reconta Ernst & Young | Soilmec U.K. Ltd | 30 | | 30 |
| Auditing of accounts | Reconta Ernst & Young | Soilmec France | 18 | | 18 |
| Auditing of accounts | Reconta Ernst & Young | Petreven C.A. | 14 | | 14 |
| Auditing of accounts | Reconta Ernst & Young | Petreven Peru | 10 | | 10 |
| Auditing of accounts | Reconta Ernst & Young | RCT S.r.L | 11 | | 11 |
| Auditing of accounts | Reconta Ernst & Young | Petreven Colombia | 10 | | 10 |
| **TOTAL** | | | **550** | **31** | **581** |

## Relevant events subsequent to 31 December 2008

TREVI Group has finalised the acquisition of two companies in two different geographic regions. They form part of a wider project of growth and diversification in foreign markets. It is estimated that they will, in the short to medium-term, lead to significant developments in the realisation of important infrastructure projects.
The transactions were within the Services Division and the Mechanical Engineering Division, which acquired two companies specialised in special foundations work: ARABIAN SOIL CONTRACTORS LTD (ASC) in Saudi Arabia and the US company WATSON Inc.
With the acquisition of ASC, TREVI Group enters the Saudi Arabian market, which is estimated will have significant economic growth in 2009 and future years. At the same time, this acquisition consolidates and reinforces TREVI Group's leadership position in the Gulf region.

WATSON Inc., a fourth generation American company manufacturing special foundation machinery, not only guarantees Soilmec a wider range of products but also offers the opportunity to open a new market – that of the mid-West and South of the United States. The synergies that can be derived from the experience of Watson and the technology of Soilmec will be the key to success in the new American environment and one that is capable of producing highly competitive output.
The acquisition permits Soilmec to consolidate its leadership position in the North American market for number of machines sold in the special foundations sector and will also allow it to take the best advantage of the opportunities offered primarily to American companies by President Obama's Stimulus Package.

# ATTACHMENTS TO THE NOTES TO THE ACCOUNTS

The following attachments supplement the information contained in the Notes to the Accounts, of which they form an integral part.

1 Companies consolidated in the Financial Statements at 31 December 2008 on a line-by-line basis.

1a Companies consolidated in the Financial Statements at 31 December 2008 on a line-by-line basis.

1b Companies consolidated in the Financial Statements at 31 December 2008 using the proportional method.

1c Companies and consortia consolidated in the Financial Statements at 31 December 2008 and carried at cost.

2 Attestation of the Consolidated Financial Statements in accordance with article 81-ter of Consob ruling No. 11971 of 14 May 1999 and subsequent modifications.

3 Group organizational chart.

# Attachment 1

## COMPANIES CONSOLIDATED IN THE FINANCIAL STATEMENTS AT 31 DECEMBER 2008 ON A LINE-BY-LINE BASIS

| | COMPANY NAME | REGISTERED OFFICE | CURRENCY | SHARE CAPITAL | % HELD BY THE GROUP |
|---|---|---|---|---|---|
| 1 | TREVI- Finanziaria Industriale S.p.A. | Italy | Euro | 31,613,305 | Parent Company |
| 2 | Soilmec S.p.A. | Italy | Euro | 5,160,000 | 97% |
| 3 | Soilmec U.K. Ltd | UK | Sterling | 150,000 | 78% |
| 4 | Soilmec Japan Co. Ltd | Japan | Yen | 45,000,000 | 90.2% |
| 5 | Soilmec France S.a.S. | France | Euro | 1,100,000 | 95.2% |
| 6 | Soilmec International B.V. | Holland | Euro | 18,151 | 97% |
| 7 | Drillmec S.p.A. | Italy | Euro | 5,000,000 | 99.9% |
| 8 | Soilmec H.K. Ltd | Hong Kong | H.K. Dollar | 500,000 | 97% |
| 9 | Drillmec Inc. USA | U.S.A. | U.S. Dollar. | 6,846,776 | 95% |
| 10 | I.D.T. SA R.S.M. | Republic of San Marino | Euro | 258,000 | 97% |
| 11 | Pilotes Trevi S.a.c.i.m.s. | Argentina | Peso | 1,650,000 | 99.3% |
| 12 | Cifuven C.A. | Venezuela | Bolivar | 300,000,000 | 99.8% |
| 13 | Petreven C.A. | Venezuela | Bolivar | 16,044,700,000 | 99.9% |
| 14 | Trevi S.p.A. | Italy | Euro | 32,300,000 | 99.8% |
| 15 | R.C.T. S.r.L. | Italy | Euro | 565,951 | 99.8% |
| 16 | Treviicos Corporation | U.S.A. | U.S. Dollar | 23,500 | 99.8% |
| 17 | Trevi Foundations Canada Inc. | Canada | Canadian Dollar | 10 | 99.8% |
| 18 | Trevi Cimentaciones C.A. | Venezuela | Bolivar | 14,676,000,000 | 99.8% |
| 19 | Trevi Construction Co. Ltd | Hong Kong | U.S. Dollar | 2,051,668 | 99.8% |
| 20 | Trevi Foundations Nigeria Ltd | Nigeria | Naira | 335,462,400 | 59.9% |
| 21 | Trevi Contractors B.V. | Holland | Euro | 907,600 | 99.8% |
| 22 | Trevi Foundations Philippines Inc. | Philippines | Philippine Peso | 27,300,000 | 99.8% |
| 23 | Swissboring Overseas Piling Corporation | Switzerland | Swiss Franc | 100,000 | 99.8% |
| 24 | Swissboring & Co. LLC. | Oman | Omani Rial | 150,000 | 99.8% |
| 25 | Swissboring Qatar WLL | Qatar | Qatar Rial | 250,000 | 99.8% |
| 26 | IDT FZCO | United Arab Emirates | Dirham | 1,000,000 | 99.8% |
| 27 | Treviicos South Inc. | U.S.A. | U.S. Dollar. | 500,000 | 99.8% |
| 28 | Wagner Constructions Joint Venture | U.S.A. | U.S. Dollar. | - | 98.8% |
| 29 | Wagner Constructions L.L.C. | U.S.A. | U.S. Dollar | 5,200,000 | 99.8% |
| 30 | Trevi Algerie E.U.R.L. | Algeria | Dinar | 53,000,000 | 99.8% |
| 31 | Borde Seco | Venezuela | Bolivar | - | 94.9% |
| 32 | Trevi Insaat Ve Muhendislik A.S. | Turkey | Turkish Lira | 777,600 | 99.8% |
| 33 | Petreven S.A. | Argentina | Peso | 9,615 | 100% |
| 34 | Petreven - UTE - Argentina | Argentina | Peso | | 99.8% |
| 35 | Penboro S.A. | Uruguay | Peso | 155,720 | 99.8% |
| 36 | Gomec S.r.L. | Italy | Euro | 50,000 | 58.9% |
| 37 | Soilmec F. Equipment Pvt. Ltd | India | Indian Rupee | 500,000 | 77.6% |
| 38 | PSM S.r.L | Italy | Euro | 110,000 | 67.9% |
| 39 | Trevi Energy S.p.A. | Italy | Euro | 1,000,000 | 100% |
| 40 | Trevi Austria Ges.m.b.H. | Austria | Euro | 100,000 | 99.8% |
| 41 | Trevi Panamericana S.A. | Republic of Panama | Balboa | 10,000 | 99.8 % |
| 42 | Soilmec North America | U.S.A. | U.S. Dollar | 10 | 80% |
| 43 | Soilmec Deutschland Gmbh | Germany | Euro | 100,000 | 97% |
| | Soilmec Investment Pty Ltd | Australia | Australian Dollar | 100 | 97% |
| 45 | Soilmec Australia Pty Ltd | Australia | Australian Dollar | 1,000,000 | 77.6% |
| 46 | Trevi Asasat J.V. | Libya | Libyan Dinar | 300,000 | 64..9% |
| 47 | Galante Foundations SA | Republic of Panama | Balboa | 10,000 | 99.8% |
| 48 | Galante S.A. | Colombia | Colombian peso | 233,500,000 | 99.8% |

## Attachment 1a

## COMPANIES CONSOLIDATED IN THE FINANCIAL STATEMENTS AT 31 DECEMBER 2008 USING THE EQUITY METHOD

| COMPANY NAME | REGISTERED OFFICE | CURRENCY | SHARE CAPITAL (*) | % HELD BY THE GROUP | BOOK VALUE (Euro '000) |
|---|---|---|---|---|---|
| J.V. Rodio-Trevi-Arab Contractor | Switzerland | U.S. Dollar. | 100,000 | 17.3% | - |
| Trevi Contractors Singapore Ltd | Singapore | Singapor Dollar | 4,800,000 | 29.70% | - |
| Cons. El Palito | Venezuela | Bolivar | 26,075 | 14.85% | - |
| CYT UTE | Argentina | Peso | 10,327 | 49.5% | - |
| TROFEA UTE | Argentina | Peso | 36,707 | 49.2 % | 4 |
| Cartel-Trevi UTE – (Chocon I) | Argentina | Peso | 6,056 | 39.6 % | - |
| Cartel.-Trevi-Solet. UTE- (Chocon II) | Argentina | Peso | 438,019 | 36.1% | - |
| Cartellone-Pilotes Trevi Sacims –Trevi S.p.A.- Soletanche U.T.E. | Argentina | Peso | | 33% | - |
| Pilotes Trevi Sacims –C.C.M. U.T.E. | Argentina | Peso | | 49.7% | - |
| Pilotes Trevi Sacims-ECAS U.T.E | Argentina | Peso | | 49.7% | 10 |
| Pilotes Trevi.- Copersa - Molinos UTE | Argentina | Peso | | 49.9% | 30 |
| Pilotes Trevi Sacims-CIMARG U.T.E | Argentina | Peso | | 49.7% | - |
| Dragados y Obras Portuarias S A Pilotes Trevi SACIMS Obring S A UTE | Argentina | Peso | | 19.9% | 85 |
| Fundaciones Especiales S A Pilotes Trevi SACIMS UTE | Argentina | Peso | | 49.9% | 110 |
| Dragados y Obras Portuarias S A Pilotes Trevi SACIMS UTE | Argentina | Peso | | 49.9% | 98 |
| Trevi San Diego Gea U.T.E | Argentina | Peso | | 49.7% | - |
| STRYA UTE | Argentina | Peso | 19,435 | 17.3% | 2 |
| Econ-Trevi (M) Sdn Bhd (**) | Singapore | Singapore Dollar | - | 29.70% | |
| **TOTAL** | | | | | **339** |

(*) For consortia in Argentina, the figure given corresponds to the net equity value

(**) Since Econ-Trevi Sdn Bhd is 100% controlled by Trevi Contractors Singapore Ltd, its carrying value and valuation are included in the latter.

## Attachment 1b

## COMPANIES CONSOLIDATED IN THE FINANCIAL STATEMENTS AT 31 DECEMBER 2008 USING THE PROPORTIONAL METHOD

| COMPANY NAME | REGISTERED OFFICE | CURRENCY | TOTAL NET EQUITY | % HELD BY THE GROUP |
|---|---|---|---|---|
| North West Labs J.V. | U.S.A. | U.S. Dollar | 1,369,385 | 50% |
| Kiewit/Treviicos Corp. J.V. | U.S.A. | U.S. Dollar | 570,939 | 50% |
| Trevi/Orascom Skikda Ltd | United Arab Emirates | Dirhams | 11,170,043 | 50% |
| Trevi Icos Soletanche JV | U.S.A. | U.S. Dollar | 250,000 | 50% |

# Attachment 1c

## COMPANIES AND CONSORTIA CONSOLIDATED IN THE FINANCIAL STATEMENTS AT 31 DECEMBER 2008 AND CARRIED AT COST

| COMPANY NAME | REGISTERED OFFICES | CURRENCY | SHARE CAPITAL | % HELD BY THE GROUP | BOOK VALUE (Euro '000) |
|---|---|---|---|---|---|
| CONSORTIA COMPANIES AND CONSORTIA | | | | | |
| Consorzio SAITRE | Italy | Euro | 51,646 | 48.51% | - |
| Consorzio Intesa Lecco | Italy | Euro | 25,823 | 42.57% | - |
| Bormida 2005 s.c.a.r.l. | Italy | Euro | 10,000 | 54.4% | - |
| Consorzio Progetto Torre di Pisa | Italy | Euro | 30,987 | 24.7% | 8 |
| Consorzio Canale Candiano | Italy | Euro | 30,987 | 0.5% | - |
| Consorzio Massingir Dam | Italy | Euro | 30,000 | 33% | 10 |
| Consorzio Romagna Iniziative | Italy | Euro | 41,317 | 12% | 5 |
| Consorzio Trevi Adanti | Italy | Euro | 10,329 | 48.6% | 5 |
| Nuovo scalo s.c.a.r..l | Italy | Euro | 10,329 | 49.5% | - |
| Trevi S.G.F s.c.a.r.l. | Italy | Euro | 51,646 | 54.4% | - |
| Seli Trevi s.c.a.r.l. | Italy | Euro | 1,710 | 49.5% | 1 |
| Trevi S.G.F Inc. s.c.a.r.l. | Italy | Euro | | 54.4% | 5 |
| Pescara Park s.r.l. | Italy | Euro | | 24.7% | 11 |
| Consorzio Fondav | Italy | Euro | 25,823 | 25.7% | 10 |
| Consorzio Fondav II | Italy | Euro | 25,000 | 36.92% | 10 |
| Consorzio Leonardo | Italy | Euro | | | 25 |
| Principe Amedeo s.c.a.r.l. | Italy | Euro | 10,329 | 49.50% | 0 |
| Filippella s.c.a.r.l. | Italy | Euro | 10,000 | 59.9% | 8 |
| Porto di Messina s.c.a.r.l. | Italy | Euro | 10,329 | 79.2% | 8 |
| Trevi Spezial. Gmbh | Germany | Euro | 50,000 | 99% | 50 |
| Consorzio Geoalliance | Italy | Euro | 100,000 | 52.9% | 53 |
| Cermet | Italy | Euro | 420,396 | 0.46% | 2 |
| Centuria S.c.a.rl. | Italy | Euro | 308,000 | 1.58% | 5 |
| Smartec S.r.L. | Italy | Euro | 50,000 | 19.4% | 18 |
| Idroenergia s.c.a.rl. | Italy | Euro | | | 1 |
| Soilmec Arabia | Saudi Arabia | Saudi Rial | | 24.25% | 44 |
| - OTHER COMPANIES | | | | | |
| Comex S.p.A. | Italy | Euro | 2,606,427 | 0.82% | 23 |
| Banca di Cesena S.p.A. | Italy | Euro | | | 1 |
| Bologna Park S.r.L. | Italy | Euro | | | 25 |
| Profuro Intern. L.d.a. | Mozambique | Metical | 4,496,415,000 | 47.5% | - |
| Trevi Park P.l.c. | United Kingdom | U.K. sterling | 4,236.98 | 29.7% | - |
| Italthai Trevi | Thailand | Baht | 35,000,000 | 4.9% | 135 |
| Edra S.r.L. | Republic of San Marino | Euro | 26,100 | 50% | 118 |
| Drillmec Eng.Sudan Ltd | Sudan | Sudanese sterling | | 19.99% | 47 |
| Hercules Trevi Foundation A.B. | Sweden | Krona | 100,000 | 49.5% | 103 |
| Japan Foundations | Japan | Yen | 5,907,978,000 | 0.001% | 95 |
| Soilmec Far East Pte Ltd | Singapore | Singapore Dollar | 4,500,000 | 10% | 134 |
| I.F.C. | Hong Kong | U.S. Dollar | 18,933 | 0.10% | - |
| **TOTAL** | | | | | **960** |

# TREVI GROUP ORGANIZATIONAL CHART 2008

**Attestation of the Consolidated Financial Statements in accordance with Article 81-ter of Consob ruling no. 11971 of 14 May 1999 and subsequent modifications**

The signatories Davide Trevisani, Chairman and Managing Director, Gianluigi Trevisani, Managing Director, Cesare Trevisani, Managing Director, Stefano Trevisani, Managing Director and Daniele Forti, Group Chief Financial Officer and in the role of Manager for Preparation of Company Accounts for TREVI Group, in accordance with Article 154-bis, paragraphs 3 and 4 of the Decree Law of 24 February 1998, no.58 attest to:

- the appropriateness to the nature of the business and
- the effective application of the administrative and accounting procedures for the preparation of the Consolidated Financial Statements for the financial period of 2008.

They also attest that the Consolidated Financial Statements to 2008:

1. have been prepared in accordance with applicable International Accounting Standards recognised by the European Community under Ruling (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002.
2. correspond to the results written in the company accounts and books;
3. are adequate to give a true and fair view of the capital, economic and financial position of the company and of the businesses included in the area of consolidation.

The interim review of operations refers to important events that have occurred in the financial year and their impact on the financial statements, together with a description of the principal risks and uncertainties for the remainder of the financial year, as well as information on significant transactions with related parties.

Cesena, March 30, 2009

Davide Trevisani
CHAIRMAN

Daniele Forti
Group CFO

Gianluigi Trevisani
CEO & DIRECTOR

Cesare Trevisani
CEO & DIRECTOR

Stefano Trevisani
CEO & DIRECTOR

ERNST & YOUNG

**Independent auditors' report**
**pursuant to Article 156 of Legislative Decree No. 58 of February 24, 1998**
**(Translation from the original Italian text)**

To the Shareholders
of TREVI - Finanziaria Industriale S.p.A.

1. We have audited the consolidated financial statements of TREVI - Finanziaria Industriale S.p.A. and its subsidiaries (the "TREVI Group") as of and for the year ended December 31, 2008, comprising the balance sheet, the statement of income, changes in shareholders' equity and cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree n° 38/2005 is the responsibility of the TREVI - Finanziaria Industriale S.p.A.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the consolidated financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the consolidated financial statements of the prior year, which are presented for comparative purposes, reference should be made to the auditors' report dated April 14, 2008, issues by other auditors.

3. In our opinion, the consolidated financial statements of the TREVI Group at December 31, 2008 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree n° 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations, the changes in shareholders' equity and the cash flows of the TREVI Group for the year then ended.

4. The management of TREVI - Finanziaria Industriale S.p.A. is responsible for the preparation of the Board of Directors Review of Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Board of Directors Review of Operations with the financial statements as required by art. 156, paragraph 4-bis, letter d) of the Legislative Decree 58/98. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Board of Directors Review of Operations is consistent with the consolidated financial statements of the TREVI Group as of December 31, 2008.

Bologna, April 14, 2009

Reconta Ernst & Young S.p.A.
signed by: Gianluca Focaccia, partner

# REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING PURSUANT TO ARTICLE 153 OF DECREE LAW No. 58/1998 AND OF ARTICLE 2429 PARAGRAPH 3 OF THE ITALIAN CIVIL CODE

Dear Shareholders,
Under Article 153 of the Finance Law (Decree Law 24/2/1998 no.58), the Statutory Board of Auditors is required to report to the meeting called to approve the Financial Statements on its supervisory duties and on any censurable acts or omissions noted and it has the authority to make proposals to the meeting regarding the Financial Statements, the approval thereof and any other items within its authority.
This report is intended to fulfill the aforementioned requirement also taking into account the principles recommended by the National Committees of Registered Commercialists and of Accountants and the indications of Consob, with the notification of 6 April 2001, modified and integrated with notification DEM/3021582 of 4 April 2003 and, subsequently, with communication DEM/6031329 of 7 April 2006 and, most recently, the indications contained in the joint communiqué from the Bank of Italy, Consob and Isvap no. 2 of 6 February 2009, concerning additional information required in the Financial Statements and pursuant to article 149 of the Financial Consdolidation Act, with regard to the 2008 financial year, we can report as follows:
We have attended board meetings at which the Directors punctually reported on the activities of the Company and its subsidiaries. They also reported on the main economic, financial and asset transactions.
We have verified that any transactions undertaken conformed to the law and to the Company articles of association and did not contravene any decisions taken at the Shareholders' Meetings or posed problems of conflict of interest.
We have also verified that transactions undertaken were not manifestly imprudent or risky or such as to compromise the integrity of the Company assets.
The organizational structure of the Company is adequate for its size and is capable of providing a timely response to operational requirements. We have verified this through direct observation and by meetings with departmental management and with representatives of the independent auditors in order to gather data and information which attests to diligent and correct management.
We have a positive opinion of the internal control system as regards its adequacy to verify compliance with internal operational and administrative procedures and those adopted to identify, prevent or manage risks of a financial and operational nature and to detect eventual fraud.
With its deliberation of 14 May 2007, the Board of Directors confirmed Gianluigi Trevisani as Executive Administrator in charge of supervising the internal control systems. During 2008, the Board of Directors appointed the company, Baker Tilly Consulaudit S.p.A., to replace Mr Piergiorgio Marini (an employee) to manage internal controls and named Mr Francesco Lo Cascio responsible for of this role.
The Chairman of the Board of Statutory Auditors attended all meetings of the Internal Control Committee.
We have evaluated and overseen the adequacy of the administrative accounting system, and its reliability for correctly representing operations, by an analysis of company documentation, the results of work carried out by the independent auditors, information obtained from divisional managers, contacts with the supervisory bodies of subsidiaries and an examination of the report of the Manager responsible for the preparation of Company accounts.
In this way we have also verified the correctness of any instructions given by the Company to its subsidiaries under Article 114, paragraph 2 of Decree Law 58/98.
No matters have emerged from these verifications which need to be included in the present report.
We have exchanged information with the independent auditors in compliance with paragraph 3 of Article 150 of Decree Law 58/98; no matters requiring inclusion in this report emerged from this information.
The Board of Directors has reported with the frequency required by paragraph 1 of Article 150 of Decree Law 58/98 on activities and on operations of major economic, capital and financial significance deliberated and implemented, also by the subsidiaries, in the financial period.
It has reported, in particular, on related party transactions.
The information provided by the Directors in their Review of Operations is considered exhaustive and complete.
There have been no atypical or unusual operations.
Intergroup and related party transactions of a financial and commercial nature have all been carried out at market conditions on the basis of contractual agreements.
For the 2008 financial year, the Group has adopted the National Fiscal Consolidated system, together with some of its subsidiaries, and has stated the conditions of participation with the apposite contract.
The explanatory notes to the Company and Consolidated Financial Statements state the remuneration of Directors and Members of the Board of Statutory Auditors and their shareholdings in TREVI - Finanziaria Industriale S.p.A. and its subsidiaries.
The 2008 financial statements have been prepared according to IAS/IFRS international accounting standards.
The accounts have been audited by the auditing company, "Reconta Ernst & Young S.p.A." which, on 14 April 2009, in accordance with Article 156 of Decree Law 58/98, released the report stating that the Financial Statements and the Consolidated Financial Statements at 31 December 2008 were a true and fair representation of the capital, the financial situation and the economic results of the Company and of the Group. No important information relating to audits carried out emerged from meetings with the auditors.

The Board of Statutory Auditors has received no charges regarding censurable acts under Article 2408 of the Italian Civil Code and has made no similar charges.
We have overseen the implementation of the Self-Regulatory Code adopted by the Company in adherence to that prepared by the Corporate Governance Committee of Borsa Italiana S.p.A. in March 2006.
The Report on Corporate Governance, prepared by the Board of Directors and an integral part of the Review of Operations, will be presented by the Board to the Shareholders' Meeting and is available on the company website.
In 2008, the Code of Conduct for Internal Dealing, adopted in compliance with the adoption in Italy of the directive on market abuse, gave rise to 6 notifications deposited with Borsa Italiana S.p.A. and available on the latter's website.
The Company has its own "Ethical Code", which is available on the company website.
On 16 February 2009, the Board of Directors deliberated to revise the procedure for maintaining and updating the Register of persons with access to privileged information, which was set up on 1 April 2006 in adherence to Article 115 bis of Decree Law 58/98.
The Security Programme Document was prepared and adopted in accordance with the law on privacy.
In 2008, the independent auditors have not been asked to carry out any work other than auditing.
We state that TREVI – Finanziaria Industriale S.p.A. manages and coordinates, in accordance with Article 2497 of the Italian Civil Code, the activities of the subsidiaries TREVI S.p.A., Soilmec S.p.A., DRILLMEC S.p.A., RCT S.r.l. and TREVI ENERGY S.p.A..
On 23 November 2006, the Shareholders' Meeting approved a share capital increase with no pre-emption rights of 6,194,690 ordinary shares with a nominal value of Euro 0.50 each to meet the indirect conversion rights of subscribers to the convertible bond issue. No subscriber to the bond has yet exercised the right to convert the bond into shares.
On 14 May 2007, the Board of Statutory Auditors, in accordance with Article 154-bis, paragraph 1 of Decree Law 58/98, gave a favourable opinion regarding the appointment of Mr Daniele Forti, currently Group Chief Financial Officer of Gruppo Trevi, as Manager responsible for the preparation of Company Accounts.
On 28 March 2008, the Board of Statutory Auditors put forward a proposal to confer a nine-year mandate (2008-2016) for the independent auditing of the Company and Consolidated Financial Statements to a member company of the special register as under Article 161, together with Article 159 of Decree Law 58/98.
We have examined the Financial Statements for the period to 31 December 2008, the Consolidated Financial Statements and the Review of Operations, and report that:

1. not having been requested to provide an analysis of the contents of the Financial Statements, we have examined the general formulation of the Company and Consolidated Financial Statements and their general compliance with the laws governing their preparation and structure.
2. We have verified compliance with the regulations governing the preparation of the Review of Operations to ensure that it adequately describes the economic, capital and financial situation in 2008 and the performance after the close of the financial period of both the Company and of its subsidiaries, and in this regard we have no specific comment to make.
3. As far as we are aware, the Directors, in preparing the Financial Statements, have adhered to the regulations in Article 2423, paragraph 4 of the Italian Civil Code.
4. We have verified that the Financial Statements correspond to the facts and to the information which came to our knowledge in the execution of our duties and we have no observations in that regard.
5. Taking into account the report of the auditors, included with the relevant accounts, we propose that the Financial Statements for the year to 31 December 2008, as presented by the Directors, be approved by the Shareholders' Meeting.

The supervisory activities described above were conducted in the course of twelve meetings of the Board of Statutory Auditors, in the six meetings of the Board of Directors at which the Chairman of the Board of Statutory Auditors was also present, and in the three meetings of the Internal Control Committee.
In the course of these supervisory activities and on the basis of information obtained from the auditors, there have been no omissions, censurable acts or irregularities or facts of any significance that require reporting to the regulatory bodies.
The Registered Offices, 14 April 2009

THE BOARD OF STATUTORY AUDITORS
Mr. Adolfo Leonardi
Prof. Giacinto Alessandri
Mr. Giancarlo Poletti

# STATUTORY FINANCIAL STATEMENTS AS AT 31 DECEMBER 2008

# FINANCIAL STATEMENTS

## BALANCE SHEET

(Euro)

| ASSETS | Note | 31/12/2008 | 31/12/2007 |
|---|---|---|---|
| Non-current Assets | | | |
| Tangible Fixed Assets | | | |
| Land and buildings | | 16,407,863 | 13,390,105 |
| Plant and equipment | | 9,611,484 | 8,598,049 |
| Industrial and commercial equipment | | 10,503 | 55,985 |
| Other assets | | 244,315 | 29,180 |
| Total Tangible Fixed Assets | (1) | 26,274,165 | 22,073,320 |
| | | | |
| Intangible Fixed Assets | | | |
| Industrial patents | | 17,909 | 35,158 |
| Concessions, licences, brands | | 535,464 | 435,921 |
| Total Intangible Fixed Assets | (2) | 553,373 | 471,079 |
| | | | |
| Investments | (3) | 23,632 | 23,632 |
| Investments in consolidated entities | (3) | 83,218,097 | 61,205,156 |
| Tax assets for deferred taxes | (4) | 135,273 | 155,525 |
| Non-current financial derivative instruments | (5) | - | 91,732 |
| Other non-current financial receivables from subsidiaries | (6) | 93,392,451 | 106,772,720 |
| - of which with related parties | | 93,392,451 | 106,772,720 |
| Trade receivables and other non-current receivables | (7) | - | 15,673 |
| Total Financial Fixed Assets | | 176,769,453 | 168,264,438 |
| | | | |
| Total Non-current Assets | | 203,596,990 | 190,808,837 |
| | | | |
| Current Assets | | | |
| | | | |
| Trade receivables and other current assets | (8) | 1,718,850 | 979,018 |
| - of which with related parties | | 79,583 | 36,931 |
| Trade receivables and other current assets from subsidiaries | (9) | 36,048,891 | 33,682,504 |
| - of which with related parties | | 36,048,891 | 33,682,504 |
| Tax assets for current taxes | (10) | 4,400,656 | 36,515 |
| Current financial derivative instruments | (11) | 285,100 | 6,982 |
| Cash and Cash equivalents | (12) | 1,878,553 | 620,886 |
| Total Current Assets | | 44,332,049 | 35,325,904 |
| **TOTAL ASSETS** | | **247,929,039** | **226,134,741** |

| SHAREHOLDERS' FUNDS | Note | 31/12/2008 | 31/12/2007 |
|---|---|---|---|
| ShareCapital and Reserves | | | |
| Share capital | (13.a) | 31,613,306 | 31,816,750 |
| Other reserves | (13.b) | 44,284,630 | 46,146,266 |
| Accumulated profits/(losses) | (13.c) | 1,497,050 | 1,497,050 |
| Net profit | (13.d) | 9,420,428 | 10,059,122 |
| Total Shareholders' Funds | (13) | 86,815,414 | 89,519,189 |
| **LIABILITIES** | | | |
| Non-current liabilities | | | |
| Non-current debt | (14) | 106,663,016 | 90,422,952 |
| Payables for other non-current financing | (15) | 8,943,238 | 8,488,575 |
| Non-current financial derivative instruments | (16) | - | - |
| Tax liabilities for deferred taxes | (17) | 4,502,855 | 3,397,303 |
| Post-employment benefits | (18) | 795,730 | 948,507 |
| Total Non-current liabilities | | 120,904,839 | 103,257,337 |
| Current liabilities | | | |
| Trade payables and other current liabilities | (19) | 4,883,178 | 2,074,699 |
| Trade payables and other current liabilities to subsidiaries | (20) | 3,803,638 | 2,518,210 |
| - of which with related parties | | 3,803,638 | 2,518,210 |
| Tax liabilities for current taxes | (21) | 195,171 | 12,123,503 |
| Current debt | (22) | 29,648,361 | 15,206,665 |
| - of which with related parties | | 3,592,728 | 5,000,000 |
| Payables for other current financing | (23) | 1,522,607 | 1,435,138 |
| Current financial derivative instruments | (24) | 155,832 | - |
| Total Current Liabilities | | 40,208,786 | 33,358,216 |
| TOTAL LIABILITIES | | 161,113,625 | 136,615,553 |
| **TOTAL NET SHAREHOLDERS' FUNDS AND LIABILITIES** | | **247,929,039** | **226,134,741** |

## FINANCIAL STATEMENTS

# INCOME STATEMENT

(Euro)

| | Note | 31/12/2008 | 31/12/2007 |
|---|---|---|---|
| Revenues from sales and services | (25) | 12,055,396 | 10,340,725 |
| - of which with related parties | | 12,055,396 | 10,340,725 |
| Other operating revenues | (26) | 1,482,835 | 3,070,549 |
| - of which with related parties | | 989,204 | 2,890,758 |
| Raw materials and consumables | (27) | 63,531 | 28,311 |
| Personnel expenses | (28) | 4,602,686 | 3,691,072 |
| Other operating expenses | (29) | 7,399,505 | 6,496,635 |
| - of which with related parties | | 179,418 | 26,400 |
| Depreciation | (30) | 1,936,337 | 1,773,073 |
| **Operating profit** | | **(463,828)** | **1,422,183** |
| Financial revenues | (31) | 17,922,155 | 15,762,582 |
| - of which with related parties | | 17,304,168 | 15,305,434 |
| Financial expenses | (32) | 7,372,689 | 6,616,253 |
| - of which with related parties | | 106,814 | 11,663 |
| Gains/ (losses) on exchange rates | (33) | (668,285) | (16,962) |
| **Sub-total of Financial Income/ (Costs) and Gains/(Losses) on Exchange Rates** | | **9,881,181** | **9,129,367** |
| **Pre-tax Profit** | | **9,417,353** | **10,551,550** |
| | | | |
| Tax | (34) | (3,075) | 492,428 |
| | | | |
| **Net profit** | **(35)** | **9,420,428** | **10,059,122** |

# STATEMENT OF CHANGES IN NET EQUITY

(Euro)

| DESCRIPTION | Share capital | Other reserves | Accumulated profits/ (losses) | Net profit for the period | Total net shareholders' funds and liabilities |
|---|---|---|---|---|---|
| Balance at 31/12/2006 | 32,000,000 | 51,506,262 | 1,497,050 | 4,811,230 | 89,814,542 |
| Allocation of profit | - | 1,611,230 | - | (1,611,230) | - |
| Dividend distribution | - | - | - | (3,200,000) | (3,200,000) |
| Purchase and sale of own shares | (183,250) | (4,398,796) | - | - | (4,582,046) |
| Fair value reserve | - | (76,775) | - | - | (76,775) |
| Other reserves | - | (2,495,653) | - | - | (2,495,653) |
| Net profit for the period | - | - | - | 10,059,122 | 10,059,122 |
| **Balance at 31/12/2007** | **31,816,750** | **46,146,267** | **1,497,050** | **10,059,122** | **89,519,189** |
| Allocation of profit | - | 3,659,122 | - | (3,659,122) | - |
| Dividend distribution | - | - | - | (6,339,400) | (6,339,400) |
| Purchase and sale of own shares | (203,445) | (4,061,100) | - | - | (4,264,545) |
| Fair value reserve | - | (1,520,258) | - | - | (1,520,258) |
| Other reserves | - | 60,600 | - | (60,600) | - |
| Net profit for the period | - | - | - | 9,420,428 | 9,420,428 |
| **Balance at 31/12/2008** | **31,613,305** | **44,284,631** | **1,497,050** | **9,420,428** | **86,815,414** |

# STATEMENT OF PROFIT/ (LOSSES) TAKEN DIRECTLY TO SHAREHOLDERS' FUNDS

(Euro)

| | 31/12/2008 | 31/12/2007 |
|---|---|---|
| Profit/ (losses) taken directly to the fair value reserve | (99,408) | (76,775) |
| Profit/ (losses) from adjustment of tax rate | - | 278,262 |
| **Profit/ (losses) taken directly to shareholders' funds** | **(99,408)** | **201,487** |
| | | |
| Net profit for the period | 9,420,428 | 10,059,122 |
| **Result for the period** | **9,321,020** | **10,260,609** |

# CASH FLOW STATEMENT

(Euro)

| | | Note | 31/12/2008 | 31/12/2007 |
|---|---|---|---|---|
| | | | | |
| | Net profit for the period | (35) | 9,420,428 | 10,059,122 |
| | Tax | (34) | (3,075) | 492,428 |
| | **Pre-tax Profit** | | **9,417,353** | **10,551,550** |
| | | | | |
| | Depreciation | (30) | 1,936,337 | 1,773,073 |
| | Financial (income)/expenses | (31)-(32)-(33) | (10,549,466) | (9,146,329) |
| | Increase in the reserve for post-employment benefits | (18) | 268,104 | 655,643 |
| | Decrease in the reserve for post-employment benefits | (18) | (420,880) | (398,297) |
| **(A)** | **Cash Flow from Operations before Working Capital** | | **651,448** | **3.435.640** |
| | | | | |
| | (Increase)/decrease in trade receivables | (8) | (739,832) | 304,979 |
| | (Increase)/decrease in other assets | (9)-(10) | (6,730,528) | (12,939,382) |
| | Increase/ (decrease) in trade payables | (19) | 2,808,479 | (1,056,806) |
| | Increase/ (decrease) in other liabilities | (17)-(20)-(21)-(34) | 19,906,480 | 18,729,396 |
| **(B)** | **Changes in Working Capital** | | **15,244,599** | **5,038,187** |
| | | | | |
| (C) | Financial income/ (expenses) | (31)-(32)-(33) | (2,484,973) | 7,924,470 |
| (D) | Cash out for taxes | (12) | (28,133,887) | (8,946,422) |
| **(E)** | **Cash Flow from Operating Activities (A+B+C+D)** | | **14,722,727** | **7.451.875** |
| | | | | |
| | Net (investments) in tangible fixed assets | (1)-(30) | (6,065,369) | (2,400,415) |
| | Net (investments) in intangible fixed assets | (2)-(30) | (248,239) | (477,253) |
| | (Gains)/ losses on sale/ write-down of fixed assets | | 94,133 | 17,177 |
| | Changes in net financial non-current assets | (3)-(4)-(5)-(6)-(7) | (8,505,014) | (7,221,961) |
| **(F)** | **Cash flow/ (absorption) from investment activities** | | **(14,724,490)** | **(10.082.451)** |
| | Increase/ (decrease) in share capital and reserves for purchase of own shares | (13) | (4,264,544) | (4,582,046) |
| | Other changes | (13) | (1,520,261) | (11,796,219) |
| | Increase/ (decrease) in bank liabilities | (11)-(14)-(16)-(22)-(24) | 30,559,474 | 368,688 |
| | (Payments) for financial leasing liabilities | (15)-(23) | 542,132 | 696,841 |
| | Dividends received | (12) | 11,727,533 | 9,223,790 |
| | Dividends distributed | (12) | (6,339,400) | (3,200,000) |
| **(G)** | **Cash Flow from Financing Activities** | | **30,704,934** | **(9,288,947)** |
| **(H)** | **Increase (Decrease) in cash flows (E+F+G)** | | **1,257,668** | **(11.919.524)** |
| | | | | |
| | **Opening Balance** | | **620,886** | **12,540,409** |
| | | | | |
| | Net Change in Cash Flows | | 1,257,668 | (11,919,524) |
| | | | | |
| | **Closing Balance** | | **1,878,553** | **620,886** |

# NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2008

(in Euro)

## Company profile and business

TREVI – Finanziaria Industriale S.p.A. (henceforward referred to as the "Company" or the "Parent Company") is the holding company for the industrial shareholdings of a Group that operates through: the Trevi Division (coordinated by the subsidiary TREVI S.p.A.), which operates in the sector of foundation engineering contracts and services for civil works and infrastructure projects; the Soilmec Division (coordinated by the subsidiary SOILMEC S.p.A.), which manufactures plant and machinery for special foundations and tunnelling; the Drillmec division (coordinated by the subsidiary DRILLMEC S.p.A.), which develops and manufactures drilling equipment for the extraction of hydrocarbons and water exploration; the Petreven division (coordinated by the subsidiary PETREVEN C.A.) active in the drilling sector providing oil drilling services; and TREVI Energy S.p.A. active on its own account and for third-parties in the renewable energy sector and, in particular, in the design, engineering and development of off-shore wind farms.
TREVI – Finanziaria Industriale S.p.A. is listed on the Milan Stock Exchange. These Financial Statements have been approved and authorized for publication by the Board of Directors on 30 March 2009. The Shareholders' Meeting can alter the Financial Statements at the suggestion of the Board of Directors.

## Structure of the Financial Statements

### Preparation of the Financial Statements

The preparation of the Income Statement is based on the analyses of aggregated costs by type as this classification is held to be of greatest importance for understanding the economic results of the Group.
The Balance Sheet is drawn up on the basis of the operating cycle, distinguishing between current and non-current items. On this basis, assets and liabilities are considered to be current if it is held that they will be realised or settled within the normal operating cycle of the Group and within twelve months of the balance sheet date.
The Cash Flow Statement is drawn up applying the indirect method to determine financial flows from investment or financial assets.

### Presentation of the Financial Statements

In accordance with EEC ruling no. 1606/2002 of 19 July 2002 and the provisions issued at the time of the enactment of Article 9 of Decree Law No. 38/2005, the Parent Company Financial Statements at 31 December 2008 have been drawn up in accordance with the enacted International Accounting Principles issued by the International Accounting Standards Board and ratified by the European Community (henceforward singularly IAS/IFRS and together IFRS) and according to the related SIC/ IFRIC interpretive standards issued by the Standing Interpretations Committee and the International Financial Reporting Interpretations Committee.
Preparation of Financial Statements that are IFRS compliant requires the use of estimates and assumptions that have an impact on the value of assets and liabilities in the Balance Sheet, of costs and revenues and on the calculation of potential assets and liabilities. Although these estimates are based on Management's best knowledge of events and circumstances, the real results could differ from the estimates.

## Accounting criteria

Historical cost accounting has been used for all the assets and liabilities except for part of the fixed assets (plant, land), derivative instruments and some financial assets where fair value principles have been applied.

## Valuation criteria

The valuation criteria used for the Income Statement and balance sheet items of the Parent Company Financial Statements are described below.

## Tangible fixed assets

Tangible fixed assets are stated at their acquisition or production cost. The cost of acquisition or production reflects the fair value of the price paid to purchase or produce the asset and all other direct costs sustained to bring the asset to working condition. The

capitalization of costs contingent on adding to, updating or improving assets for the Group's own use or in use from third parties is only effected when these costs meet the requirement for them to be classified as a separate asset or part of an asset.
The tangible fixed assets are reported at cost, net of accumulated depreciation and any impairment losses. The depreciable value of each significant component of a fixed asset with a different useful life is divided on a straight line basis over the expected useful life.
The useful life by category of fixed assets is as follows:

| CATEGORY OF FIXED ASSET | RATE |
|---|---|
| Land | Unlimited useful life |
| Industrial buildings | 5% |
| Fixtures and Fittings | 12% |
| Electronic machinery | 20% |
| Drilling and foundation equipment | 7.50% |
| Generic equipment | 10% |
| Vehicles | 18.75% |
| Various and smaller equipment | 20% |

The criteria for the depreciation rate used, the useful life and residual value are calculated at least as often as the end of each financial year in order to account for any significant changes.

The capitalized costs for improvements to third-party assets are recognised in the relevant fixed asset category and depreciated for the shorter of either the residual length of the leasing contract or the residual useful life.

The carrying value of tangible fixed assets remains in the Balance Sheet as long as that value can be recouped from their use. At any indication that the net carrying value may not be recoverable, an impairment test is carried out. Reversal of the impairment loss is only done if the reason for the original recognition of the impairment no longer exists.

## Intangible fixed assets

Intangible fixed assets are recognized at the cost of acquisition or production. The cost of acquisition is the fair value of the cost paid for the asset and all other direct costs sustained to bring the asset to working condition.
Other intangible fixed assets, represented by industrial patents, intellectual property rights, concessions, licenses, similar rights, and software are valued at cost net of accumulated depreciation, calculated on a straight line basis, for the estimated length of their useful life, five years, barring any significant impairment. The criteria for depreciation, useful life and residual value are examined and measured at least as often as each balance sheet date in order to take account of any significant changes, as required by IAS 38.

## Impairment of assets

An asset is impaired when its carrying value is greater than its recoverable amount. At each balance sheet date the presence of any indications that assets may be impaired is assessed. If there is any such indication, the recoverable amounts are calculated and any eventual impairment losses recognized in the accounts. For assets not yet available for use and assets recognized during the current financial year, the impairment test is carried out at least annually independent of the presence of any indications of impairment.

## Financial assets and liabilities

Financial assets are classified as follows:

### Financial assets at fair value through profit and loss:

financial assets acquired primarily with the intention of generating a profit from short-term (not more than three months) price fluctuations or assets designated as such on initial recognition

### Held-to-maturity investments:

investments in financial assets with fixed maturities and determinable or fixed payments which the Company has the intention and capacity to hold to maturity;

### Loans receivable and other financial receivables:

financial assets with fixed maturities and determinable or fixed payments and different from those designated from initial recognition as financial assets at fair value through profit and loss or as available for sale financial assets;

### Available for sale financial assets:

financial assets other than those in the preceding paragraphs or those designated as such on initial recognition.
The Company decides the designation of the financial assets at the moment of purchase; the initial recognition is the fair value at the purchase date, including transaction costs; for purchase or sale date, the settlement date of the transaction is intended.
After the initial recognition, the financial assets at fair value through profit and loss and the available for sale financial assets are measured at fair value; the held-to-maturity investments, as well as loans receivable and other financial receivables, are measured at amortised cost using the effective interest method as required by IAS 39.

The gains and losses deriving from changes in fair value of the financial assets at fair value through profit and loss are charged to the Income Statement in the year they occur. The unrealized gains and losses deriving from changes in the fair value of available for sale financial assets are recognized in equity.
The fair value of financial assets is measured on the basis of listed offer prices or financial models. The fair value of unlisted financial assets is estimated using valuation techniques appropriate to the characteristics of the issuer. Financial assets for which the current value cannot be reliably determined are accounted for at cost less impairment.
At each balance sheet date the presence of any indications that assets may be impaired is assessed and any losses are charged to the Income Statement.
Financial liabilities are initially recognized at the fair value of the sums raised, net of transaction costs, and subsequently valued at amortised cost.

## Cash and cash equivalents

Cash and cash equivalents are represented by highly liquid short-term investments (with an original maturity of no more than three months), easily convertible into considerable sums of cash and subject to no significant variation from fair value.
For the Cash Flow Statement, cash and cash equivalents comprise cash, bank current accounts, and other highly liquid short-term financial assets with an original maturity of no more than three months, net of bank current account overdrafts. The latter are included as financial payables in current payables in the Balance Sheet.

## Shareholders' funds

### Issued share capital

This item is the subscribed and fully paid-up share capital; it is shown at nominal value. The acquisition of treasury stock, valued at the consideration paid, including any related costs, is recognized as a change in shareholders' funds and the nominal value of the treasury stock is deducted from shareholders' funds whilst the difference between the purchase cost and the nominal value of the treasury stock is deducted from reserves.

### Treasury stock

Treasury stock is recognized in a specific reserve for the difference between the acquisition cost and the nominal value deducted from shareholders' funds. No gain (loss) is recognized in the Income Statement for the purchase, sale, issue or cancellation of treasury stock.

### Other reserves

These comprise capital reserves with a specific destination: the legal reserve, the extraordinary reserve, the bond conversion reserve and the fair value reserve, for items recognised at fair value through equity.

### Accumulated profits (losses)

This includes the part of the financial results of the current year and prior years that has not been distributed or taken to reserves and movements from other equity reserves when the restrictions on these no longer exist.

# Financing

This is initially recognised at cost which at the date the financing is received is the fair value of the amount received net of any transaction costs. Subsequently, financing is valued at amortised cost using the effective interest method.

# Indirect Convertible Bond

The component of the indirect convertible bond that has the characteristics of a liability is recognised as debt, net of issue costs, in the Balance Sheet; the payments to be made under the conditions of this debt instrument are recognised as financial expenses in the Income Statement.
At the date of issue, the fair value of the debt component is calculated using the market price of a similar non-convertible bond; this figure, recognised as non-current debt, is accounted for using the effective interest method until expiry through conversion or repayment.
The residual amount is the conversion option which is recognised and included in net equity, net of issue costs and the related tax effect. The accounting value of the conversion option is not modified in subsequent financial periods.
The transaction costs for the issue of this financial instrument are allocated to the liability and equity components of the instrument in proportion to the value of each component as allocated at the moment of initial recognition in the Financial Statements.

# Employee benefits

## Defined benefit plans

The company pays indemnities on termination of employment to its employees (TFR, staff termination indemnities). These benefits fall into the category of defined benefits, verifiable as to their existence and quantifiable as regards the amount payable but uncertain as to when payment will be required. In accordance with IAS 19, the liability is valued using the projected unit credit method and calculated by independent actuaries. This method calculates the present value of the defined benefit obligation that an employee will receive at the estimated date when the service rendered by the employee ceases using actuarial assumptions (for example, the mortality rate, the rotation rate of personnel) and financial assumptions (for example, the discount rate). The present value of the defined benefit obligation is calculated annually by an external, independent actuary. Actuarial gains and losses are recognised in full in the Income Statement in the year in which they are realized. The Group has not used the so-called "corridor" method for recognising actuarial gains and losses.
Since 1 January 2007, the Finance Law and other enacted decrees have introduced changes to the rules governing the TFR. In particular, the employee may choose whether to invest new TRF flows in a pension fund or leave them within the Company.

# Provision for risks and costs and potential assets and liabilities

The provision for risk and costs are probable liabilities of uncertain amount and/or timing deriving from past events where meeting the obligation would entail the use of financial resources. Provisions are made exclusively for an existing obligation, legal or implicit, which requires the use of financial resources and if a reliable estimate of the obligation can be made. The amount taken as a provision is the best estimate of the necessary cost to meet the obligation at the balance sheet date. The provisions made are reassessed at each balance sheet date and adjusted to the best current estimate.
Where the financial cost related to the obligation is deferred beyond the normal payment date and the effect of capitalization is significant, the amount of the provision is the current value of the future expected payments required to meet the obligation.
Potential assets and liabilities are not registered in the Balance Sheet; however information concerning them is supplied.

# Derivative instruments

The Company has adopted the *Group Risk Policy*. Recognition of changes in fair value differs according to the designation of the derivative instrument (held for trading or cover) and the nature of the risk covered (Fair Value Hedge or Cash Flow Hedge).
For those contracts designated as held for trading, changes in fair value are recognized directly in the Income Statement.
For those contracts like a Fair Value Hedge, changes in fair value of the hedging instrument and of the hedged item are recognized in the Income Statement, independent of the valuation criteria adopted for the latter.
For Cash Flow Hedges, changes in fair value are recognized directly in equity if the hedging instrument is held to be an effective hedge whilst the portion held to be ineffective is recognized in the Income Statement. The changes recognized in equity are recycled

to the Income Statement in the same financial period or periods in which the hedged asset or liability affects profit or loss.
Purchase or sale of derivative instruments is recognised at the trade date.

# Revenues and expenses

Revenues are recognized at fair value for the amounts received or expected. Revenues are accounted for to the extent that the economic benefits are probable and the relative amount, including any related expenses or future expenses, can be reliably estimated.
Revenues deriving from the sale of an asset are recognized upon transfer of the risks of ownership, normally at the time of shipping, at the fair value of the amounts received or expected, including any eventual discounts.
Revenues from services are recognised according to the percentage of completion, based on the work carried out.
Expenses are recognized on a similar basis to revenues and always recognized on a time-proportion basis.
Financial income and expenses are recognized in the Income Statement on a time-proportion basis and using the effective interest method.
Dividends are recognized in the financial year when the shareholders have the right to receive the payment.

# Taxes

Taxes on profit for the year are calculated on the cost expected to be paid according to the enacted tax laws.
Deferred and pre-paid taxes are calculated for the temporary differences between the carrying amounts in the Balance Sheet and the corresponding tax base values and for the amount carried forward of unused tax losses or tax credits, as long as it is probable that repayment (payment) reduces (increases) the future tax payments compared to the amount which would have been attested if that repayment (payment) had had no fiscal implications. The fiscal effects of operations or transactions are recognized either in the Income Statement or directly to equity in the same way as the operations or transactions that gave rise to the tax charge are recognized.

# Currency

The Financial Statements are prepared in Euro, which is the functional currency of the Company.
Transactions in foreign currency are translated into the functional currency at the exchange rate of the day of the transaction.
Exchange rate gains or losses, deriving from the settlement of these transactions and from the conversion at the balance sheet date of financial receivables and payables expressed in foreign currencies, are recognized in the Income Statement.

## Consolidated Financial Statements

The Company also prepares Consolidated Financial Statements.
Copies of the Consolidated Financial Statements, the Review of Operations, and the independent Auditor's Report will be deposited at the registered offices of the company, with Borsa Italiana S.p.A. and with the Register of Companies, as required by law.

## Group taxation regime

On 7 June 2007, TREVI – Finanziaria Industriale S.p.A. opted to operate for a further three-year period (2007-2009) under the Group Taxation Regime, which requires the calculation of a single taxable amount (the "Taxable Income of the Group") for IRES, adopting the role of consolidating company with the following companies in the role of those consolidated:

- TREVI S.p.A. with a direct shareholding of 99.78% directly held
- SOILMEC S.p.A. with a direct shareholding of 97.00%
- DRILLMEC S.p.A. with a direct shareholding of 98.25%
- R.C.T. S.r.L. with a direct shareholding of 99.78% (owned 100% by TREVI S.p.A.).

In 2008, the subsidiary, TREVI Energy S.p.A., which is 100% held by the Company, also opted to operate under the Group Taxation Regime for the three-year period 2008-2010 (communication of 13 June 2008 to the Revenue Agency).
Receivables and payables with the subsidiary companies arising from the Group Taxation Regime are recognised in the Financial Statements for the year.

# Recently issued Accounting Standards

The Accounting Standards applied are those used for the accounts of the previous financial year except for as follows:

## 1. Accounting standards, amendments and interpretations applied in 2008

From 1 January 2008, the Company adopted the following new or revised IFRSs and the following new or revised interpretations of IFRIC.
IAS 39 and IFRS 7
On 13 October 2008 the IASB issued an amendment IAS 39 – *Financial Instruments: Recognition and Measurement* and to IFRS 7 – *Financial Instruments: Disclosures.* This amendment permits the reclassification of non-derivative financial assets, other than those designated at fair value through profit or loss, under particular circumstances. Moreover, it permits the transfer from the available-for-sale category to the held-to-maturity category if the entity has the intention and ability to hold the financial asset for the foreseeable future. The amendment is applicable from 1 July 2008. However, its adoption has given rise to no effect on these Financial Statements since the Company has not implemented any reclassification allowed under the amendment.

## 2. Standards and interpretations approved but not applied early by the Company

### IFRIC 14 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

This Standard provides a guide to the measurement of the limit of a defined benefit asset that can be accounted for under IAS 19 *Employee benefits*. As a result, the Company has changed its own valuation criteria. The introduction of this Standard should have no impact as the Company defined benefit plans carry a capital loss.

### IFRS 2 Share-based payment (Amendment)

In January 2008, the IASB published an amendment to IFRS 2 which clarifies vesting conditions and the treatment of certain cancellations of share-based payments. The amendment will be applied retrospectively by the Company from 1 January 2009. The Company maintains that adoption of this amendment will not give rise to any significant effects.

### IFRS 8 Operating segments

The IASB issued IFRS 8 in November 2006 and it replaces IAS 14 *Segment Reporting* from the effective date indicated.
IFRS 8 requires the Company to identify and assess the performance of segments based on internal reports that management uses to make decisions about operating matters.
The Group is evaluating the effects of this amendment.

### IAS 23 Borrowing costs:

The definition of borrowing costs has been revised to ensure that all borrowing costs are measured at fair value as required by IAS 39.
The Company is evaluating the effects of this amendment.

## 3. Standards issued but not yet effective

### Amendments to IFRS 1 - First-time Adoption of International Financial Reporting Standards and IAS 27 - Consolidated and Separate Financial Statements.

The amendments to IFRS 1 permit the entity to measure the cost of investments in subsidiaries, associates and jointly controlled entities when adopting IFRSs for the first time in accordance with IAS 27 or when using a "deemed cost" approach.
The amendment to IAS 27 requires that all dividends from subsidiaries, associates and jointly controlled entities are shown separately in the Income Statement. Both amendments are effective for annual periods beginning on or after 1 January 2009. The amendment to IAS 27 must be applied on a prospective basis

## IFRS 3R – Business Combinations and

## IAS 27R – Consolidated and Separate Financial Statements

The main amendments were issued in January 2008 and are to be applied to annual periods beginning on or after 1 July 2009.
IFRS 3R introduces several changes to the accounting for business combinations that take place after that date and which have an impact on the amount of goodwill recognised and on the income statement at the time of acquisition and afterwards.
IAS 27R governs changes in the amount held in a subsidiary (while control is retained). Following such a transaction, any difference between the value of minorities (whether acquired or divested) and the fair value of the sum paid or received is an equity transaction to be attributed to the majority shareholders.
In addition, the standard changes the accounting for losses realized by the parent company and for disposals that result in loss of control of a subsidiary.
The changes in IFRS 3R and IAS 27R affect future business combinations, and transactions leading to loss of control of a subsidiary and transactions with non-controlling interests. Early application of the standards is permitted but the Company does not intend to avail itself of this opportunity.

## IAS 1 - Revised Standard on Presentation of Financial Statements

The revised standard was issued in September 2007 and is effective for annual periods beginning on or after 1 January 2009.
The standard governs the presentation of changes in a company's equity resulting from transactions with owners and those with non-owners. The statement of changes in net equity must only include details pertaining to Group net equity whilst transactions involving minority interests should be shown in a separate entry.
In addition the standard also introduces the Statement of Comprehensive Income:
This requires that all items of income and expense be presented either in a single statement, a statement of comprehensive income, or in two statements, a statement of the components of profit and loss and a statement of other comprehensive income. The Company is evaluating which of the two options to adopt.
The standard also requires that assets and liabilities from derivative financial instruments not held for trading purposes are classified in the Balance Sheet identifying them as current and non-current assets and liabilities.

## IAS 32 - Financial Instruments: Presentation

## IAS 1- Presentation of Financial Statements – Puttable Instruments and Obligations Arising on Liquidation

These amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for annual periods starting on or after 1 January 2009. The amendments allow for one exception, with limited scope for application, which permits a puttable instrument and similar instruments such as capital instruments if they meet specified requirements. The amendments to the standard have no impact on the Balance Sheet or Income Statement of the Company.

## IAS 39 – Financial Instruments – Recognition and Measurement – Eligible Hedged Items

The amendments to IAS 39 were issued in 31 July 2008 and become effective for annual periods starting on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item and the designation of inflation as a hedged risk or as a hedged portion in particular situations. The amendment clarifies that the entity may designate a portion of the variation in the cash flows or fair value of a financial instrument as a cash flow hedge. The Company has concluded that the amendment will have no impact on its financial position or profitability.

## IAS 16 - Property, Plant and Equipment

Items of property, plant and equipment held for leasing purposes and which, at the end of the lease contracts, are systematically sold must be classified as inventories at the end of the leasing contract and when these become available for sale.

## IAS 19 – Employee Benefits

Amendments to definitions of "post-employment benefit expenses" "return on plan assets", "short-term benefits" and "other long-term benefits". Changes to a benefit plan which translate into a reduction of related benefits for future services are recognized as a cost. Reference to recognition of potential liabilities has been deleted to ensure compatibility with IAS 37.

### IAS 38 – Intangible Assets:

To date, the Company has applied the straight line method to the depreciation of intangible assets.
The standard regarding the depreciation method of intangible fixed assets has been revised to permit use of the unit of production method of amortisation. The Company is evaluating the effects that would derive from the adoption of this revision.

### IAS 40 – Investment Property

The definition has been modified to include property under construction or development to be held for future use as investment property.
If a reliable fair value cannot be measured, the investment property under construction may use cost as a proxy for fair value until such time as construction is complete or a fair value may be reliably determined.
It also clarified that the fair value of an investment property held under lease must reflect estimated financial flows (including potential hire payments expected). Consequently, the carrying amount of investment property held under lease is determined using the fair value model but requires any recognized lease liability to be added back if the valuation obtained for a property is net of all payments expected to be made.
Lastly, the conditions with respect to voluntary changes in accounting policies were modified to be consistent with IAS 8.
The Company is evaluating the effects that would derive from the adoption of this amendment.

### IFRIC 15 – Agreements for the Construction of Real Estate

IFRIC 15 was issued in July 2008 and is effective for annual periods starting on or after 1 January 2009 and is to be applied retrospectively. The interpretation provides guidance on when and how the revenues and costs deriving from the sale of real estate must be recognised if an agreement between the constructor and the purchaser was reached prior to completion of the construction. The interpretation also gives guidance on how to determine whether an agreement for the construction of real estate is within the scope of IAS 11 or IAS 18. The Company is evaluating the effects that would derive from the adoption of this interpretation.

## 4. Accounting standards, amendments and interpretations not applicable to the Group

### IFRIC 13 – Customer Loyalty Programmes

IFRIC 13 was issued in June 2007. The interpretation requires that award credits given as a customer loyalty programme are accounted for separately from the sales to which they are related. Part of the fair value of the payment received must be deferred and recognized as revenue when the award is supplied.
Application of this standard has no impact on the Company as it has no such programmes

### IAS 20 – Accounting for Government Grants

In the future, loans at nil or lower than market rates will no longer be exempt from the requirement that interest received is recognised. The difference between the initial carrying value and the proceeds received is accounted as a government grant. The terminology used was also revised in order that it is consistent with other IFRSs.

### IAS 41 - Agriculture

The requirement to use a pre-tax discount rate in measuring fair value has been deleted. Taking into account the cash flows deriving from any additional transformation when estimating the fair value of a biological asset is no longer prohibited. Lastly, the term "point of sale costs" has been replaced with "costs to sell".

# RISK MANAGEMENT

The Finance Department manages the financial risks to which the Group is exposed following the guidelines laid down in the *Treasury Risks Policy*, recently approved by the Board of Directors.

## Risk factors

The financial assets of the Company are mainly cash and short-term deposits and receivables from companies within the Group and are linked directly to the operating activities.
The financial liabilities include financing from banks and from subsidiary companies, indirect bond loans and leasing agreements which primarily finance the operating activities.
The risks associated with these financial instruments are interest rate, exchange rate, liquidity and credit risks.
The Company constantly monitors the aforementioned financial risks, intervening, if necessary, also through the use of derivative instruments, to reduce the risks to a minimum. The aim of the hedging activity of the Company is to cover the risks to which it, and also the entire Gruppo TREVI, is exposed.
The following paragraphs include some sensitivity analyses to measure the impact of potential scenarios on some of the risks to which the Company is exposed.
To manage and reduce interest rate and exchange rate risk, both deriving from operations, the Company has had recourse to derivative instruments during the financial period.

## Interest rate risk

Interest rate risk is linked to short and long-term financing at variable rates.
The Company's policy, like that of the entire Group, is to conclude variable rate funding agreements and then evaluate the need to cover the interest rate risk by exchanging exposure to a variable rate to one with a fixed rate. To do this it has taken out Interest Rate Swap contracts whereby the Company agrees to exchange, at pre-fixed intervals, the difference between the fixed rates and the variable rates calculated on a pre-determined notional capital.
At 31 December 2008, taking into account the effect of these contracts, about 46% of the Company financing was fixed rate.
At 31 December 2008, the Company had an interest rate swap contract outstanding with a leading financial counterpart exclusively to cover existing operations and not for trading. Details of the contract are as follows:
Euro 2,942,033 (originally Euro 9,775,196) Interest Rate Swap on the depreciation plan of a leasing contract of five years duration, expiring on 22/12/2009. This operation is accounted for as a cash flow hedge since, under IAS39, it is an effective hedge.

To measure the interest rate risk, a sensitivity analysis was carried out by applying Euribor rates different to that prevailing on all variable rate debt and all existing deposits at 31 December 2008.
This analysis shows that, ceteris paribus, a 50 bp increase in Euribor results in an increase in net financial expenses of about Euro0.208 million.
Details of this analysis are given in the following table:

| | Interest rate risk | |
|---|---|---|
| (Euro '000) | -50 bps | +50 bps |
| Cash and cash equivalents | (496,037) | 496,037 |
| Bank debt | 239,451 | (239,451) |
| Debt to other financers | 48,878 | (48,878) |
| **TOTAL** | **(207,708)** | **207,708** |

At 31 December 2007, all other things being equal, a 50 bp increase in Euribor resulted in an increase in net financial expenses of about Euro 0.108 million.

A similar sensitivity analysis was carried out on the interest rate swap accounted as a cash-flow hedge in the Balance Sheet at 31 December.
A 50 bp increase in the reference Euribor rate implied, ceteris paribus, an increase in the fair value of this instrument of about Euro 0.020 million.

A reduction of 50 bps implied a reduction of about Euro 0.020 million in the fair value of the same derivative instrument.
For the aforementioned analyses, the fair value of the derivative contracts considered was calculated using the interest rates ruling at 31 December 2008.

## Exchange rate risk

The Company is exposed to the risk inherent in movements in exchange rates as these affect its financial results. The Company's interest rate exposure is transaction related deriving from movements in exchange rates occurring between when a financial undertaking with counterparts becomes highly likely and/or certain and the settlement date of the undertaking; these movements cause a variation between the expected cash flows and the effective cash flows.
The Company regularly assesses its exposure to exchange rate risks; the instruments it uses are instruments that correlate the cash flows in foreign currency but with a contrasting positive or negative sign, financing contracts in foreign currencies, and forward sales of currency and derivative instruments.
The Company does not use speculative instruments to cover its exchange rate risk; where the derivative instruments do not meet the conditions required for the accounting of derivative instruments under IAS 39, the changes in their fair value are recognized in the Income Statement as financial income/expenses.
The Company manages transaction-related risk as described above. The interest rate risk exposure is mainly due to the intergroup relations of the Company. Its main exchange rate risk is to the US dollar and those currencies linked to the US dollar.
At the end of 2008, in order to protect itself from movements in the Euro/US dollar exchange rate, the Company had a fixed term put contract with a leading financial counterpart for US$ 5,500,000 expiring during 2009, the mark to market fair value of which was Euro 239,392.
The fair value of a fixed term contract is calculated taking the difference between the exchange rate at the end of the contract and that of an opposite transaction but for the same amount and with the same expiry date, estimated using the exchange rate and the difference with the interest rate ruling at 31 December.
At the balance sheet date, the Company also had a hedge contract covering the payment of sums connected to its activities in Colombia for a value of US$ 1,914,236 due to expire during 2009. Its mark to market fair value was negative for Euro 80,112.
To assess the impact of movements in the Euro/US dollar exchange rate, a sensitivity analysis of likely movements in this exchange rate was carried out.
The accounting entries considered to be the most important for this analysis were the following:
trade receivables, intergroup receivables and payables, trade payables, financial debt, cash and cash equivalents and financial derivatives.
The sensitivity analysis was carried out on the values of these entries at 31 December 2008.
The analysis focussed on those items in currencies other than the Euro.
Assuming a 5% depreciation of the US dollar against the Euro, the impact on the pre-tax profit, ceteris paribus, would be negative for about Euro 0.010 million.
Assuming a 5% appreciation of the US dollar against the Euro, the impact on the pre-tax profit, ceteris paribus, would be positive for Euro 0.010 million. This impact is mainly attributable to the adjustment to intergroup trade-related transactions.
Details of this analysis are given in the following table:

| | EUR/US$ Exchange rate risk | |
|---|---|---|
| | USD + 5% | USD - 5% |
| Trade receivables in foreign currencies | 9 | (9) |
| Intergroup receivables and payables | 277,561 | (277,561) |
| Financial items to third parties | 8,667 | (8,667) |
| Payables to suppliers in foreign currencies | (1,495) | 1,495 |
| Hedging in foreign currencies | (275,000) | 275,000 |
| **TOTAL** | **9,742** | **(9,742)** |

At 31 December 2007, a 5% devaluation of the US dollar against the Euro would have had a positive impact on pre-tax profit of about Euro 0.158 million.

## Liquidity risk

Liquidity risk is the risk that the available financial resources will be inadequate to meet maturing obligations. At the current date, the

Company maintains that its cash flow generation, its wide range of financial resources and the availability of credit lines in all the technical forms necessary for the execution of its business, is sufficient to meet its budgeted financial requirements.
The Company controls liquidity risk by sourcing an appropriate mix of financing for the various companies, which permits the Company to maintain a balanced capital structure (financial debt/equity) and Company and Group debt structure (medium/long-term debt to short-term debt), as well as balancing the maturities of the debt financing. In addition to the constant monitoring of the liquidity situation, the Company produces periodic cash flow statements and projections, which are consolidated and become part of an analysis of the liquidity of the entire Group.

In order to be adequately prepared for any possible liquidity risk, the Company had about Euro 70 million in unutilised committed revolving credit lines at the balance sheet date. These lines have been arranged with leading financial institutions.
In addition to these credit lines and other existing medium/long-term financing, the Company has bank guarantees, with both Italian and international counterparts, for commercial and financial operations worth over Euro 500 million.
At the current date, all the Company's financing is denominated in Euro.
At year-end, the Company's bank financing was divided between current and non-current financing as follows:

| | Current financing | | |
|---|---|---|---|
| | 31/12/2008 | 31/12/2007 | change |
| **TOTAL** | **26,055,633** | **10,206,665** | **15,848,968** |

| | Non-current financing | | |
|---|---|---|---|
| | 31/12/2008 | 31/12/2007 | change |
| **TOTAL** | **106,663,016** | **90,422,952** | **16,240,065** |

The value of non-current financing in the Balance Sheet equates to its fair value; the entire debt is at variable rates with the exception of the convertible bond (Euro 64.788 million) which is fixed rate and is therefore valued at amortised cost.
The breakdown of all the financial liabilities, including not only bank debt but also financial derivative liabilities, financial leases, payables for other financing and trade payables is shown in the following tables:

| | Current financial instruments | | |
|---|---|---|---|
| | 31/12/2008 | 31/12/2007 | change |
| **TOTAL** | **36,209,978** | **19,843,905** | **16,336,073** |

| | Non-current financial instruments | | |
|---|---|---|---|
| | 31/12/2008 | 31/12/2007 | change |
| **TOTAL** | **115,606,254** | **98,911,526** | **16,694,998** |

### Credit risk
The trade receivables of the Company are 99.9% due from subsidiaries.
Credit risk on financial instruments is non-existent since these are made up of cash and cash equivalents, bank current accounts and post office accounts.

## Other information
As required by international accounting standards, a breakdown of the Company's financial assets and liabilities by category at 31 December 2008 and at 31 December 2007 is given below:

## FINANCIAL STATEMENTS

# BALANCE SHEET

(Euro)

| ASSETS | 31.12.2008 | Income Statement: Change in fair values | Investments held to maturity | Financing and Receivables | Hedging derivatives | Income Statement effect |
|---|---|---|---|---|---|---|
| Non-current Assets | | | | | | |
| Tangible Fixed Assets | 26,274,165 | | | | | |
| Total Intangible Fixed Assets | 553,373 | | | | | |
| Investments | 83,241,728 | | 83,241,728 | | | 11.727,533 |
| Tax assets for pre-paid taxes | 135,273 | | | | | |
| Non-current financial derivative instruments | - | | | | | |
| Other non-current financial receivables | 93,392,451 | | | 93,392,451 | | 5.576,635 |
| **Trade receivables and other non-current assets** | **-** | | | | | |
| **Total Financial Fixed Assets** | **176,769,453** | | | | | |
| Total Non-current Assets | 203,596,990 | | | | | |
| Current Assets | | | | | | |
| Trade receivables and other current assets | 37,767,740 | | | 21,109,149 | | 8,976 |
| Tax assets for current taxes | 4,400,656 | | | | | |
| Current financial derivative instruments | 285,100 | | | | 285,100 | 470,519 |
| Cash and cash equivalents | 1,878,553 | | | | | 34,115 |
| **Total Current Assets** | **44,332,049** | | | | | |
| **TOTAL ASSETS** | **247,929,039** | | | | | |

| NET SHAREHOLDERS' FUNDS & LIABILITIES | 31.12.2008 | Income Statement: Financial liabilities at fair value | Financial liabilities valued at amortised cost | Hedging derivatives | Income Statement effect |
|---|---|---|---|---|---|
| | | | | | |
| TOTAL NET EQUITY | 86.815,414 | | | | |
| | | | | | |
| LIABILITIES | | | | | |
| Non-current Liabilities | | | | | |
| Non-current debt | 106,663,016 | | 106,663.016 | | (5,014,680) |
| Payables for other non-current financing | 8,943,238 | | 8,943.238 | | (527,737) |
| Tax liabilities for deferred taxes | 4,502,855 | | | | |
| Post-employment benefits | 795,730 | | | | |
| **Total Non-current Liabilities** | **120,904,839** | | | | |
| | | | | | |
| Current Liabilities | | | | | |
| Trade payables and other current liabilities | 8,686,816 | | 7,978.373 | | |
| Tax liabilities for current taxes | 195,171 | | | | |
| Current debt | 29,648,361 | | 29,648.361 | | 1,393,895 |
| Payables for other current financing | 1,522,607 | | 1,522.607 | | 89,848 |
| Current financial derivative instruments | 155,832 | | | 155,832 | 148,156 |
| **Total Current Liabilities** | **40,208,786** | | | | |
| **TOTAL LIABILITIES** | **161,113,625** | | | | |
| **TOTAL NET SHAREHOLDERS' FUNDS & LIABILITIES** | **247,929,039** | | | | |

## FINANCIAL STATEMENTS

# BALANCE SHEET

(Euro)

| ASSETS | 31.12.2007 | Income Statement: Change in fair values | Investments held to maturity | Financing and Receivables | Hedging derivatives | Income Statement effect |
|---|---|---|---|---|---|---|
| **Non-current Assets** | | | | | | |
| **Tangible Fixed Assets** | **22,073,320** | | | | | |
| **Total Intangible Fixed Assets** | **471,079** | | | | | |
| Investments | 61,228,788 | | 61,228,788 | | | 9,233,790 |
| Tax assets for pre-paid taxes | 155,525 | | | | | |
| Non-current financial derivative instruments | 91,732 | | | | 91,732 | |
| Other non-current financial receivables | 106,772,720 | | | 106,772,720 | | 6,071,644 |
| Trade receivables and other non-current assets | 15,673 | | | 15,673 | | |
| **Total Financial Fixed Assets** | **168,264,438** | | | | | |
| **Total Non-current Assets** | **190,808,837** | | | | | |
| | | | | | | |
| **Current Assets** | | | | | | |
| Trade receivables and other current assets | 34,661,521 | | | 16,791,185 | | 10,754 |
| Tax assets for current taxes | 36,515 | | | | | |
| Current financial derivative instruments | 6,982 | | | | 6,982 | 9,376 |
| Cash and cash equivalents | 620,886 | | | | | |
| **Total Current Assets** | **35,325,904** | | | | | |
| **TOTAL ASSETS** | **226,134,741** | | | | | |

| NET SHAREHOLDERS' FUNDS & LIABILITIES | 31.12.2007 | Income Statement: Financial liabilities at fair value | Financial liabilities valued at amortised cost | Hedging derivatives | Income Statement effect |
|---|---|---|---|---|---|
| | | | | | |
| **TOTAL NET EQUITY** | **89,519,189** | | | | |
| | | | | | |
| **LIABILITIES** | | | | | |
| **Non-current Liabilities** | | | | | |
| Non-current debt | 90,422,952 | | 90,422,952 | | (4,525,224) |
| Payables for other non-current financing | 8,488,575 | | 8,488,575 | | (359,081) |
| Tax liabilities for deferred taxes | 3,397,303 | | | | |
| Post-employment benefits | 948,507 | | | | |
| **Total Non-current Liabilities** | **103,257,337** | | | | |
| | | | | | |
| **Current Liabilities** | | | | | |
| Trade payables and other current liabilities | 4,592,910 | | 3,202,161 | | |
| Tax liabilities for current taxes | 12,123,503 | | | | |
| Current debt | 15,206,665 | | 15,206,665 | | (877,184) |
| Payables for other current financing | 1,435,138 | | 1,435,138 | | (60,709) |
| **Total Current Liabilities** | **33,358,216** | | | | |
| **TOTAL LIABILITIES** | **136,615,553** | | | | |
| **TOTAL NET SHAREHOLDERS' FUNDS & LIABILITIES** | **226,134,741** | | | | |

The nature and the size of the Company's exposure to risk at the balance sheet date are shown in the following tables:

## FINANCIAL STATEMENTS

# BALANCE SHEET

(Euro)

| ASSETS | 31.12.2008 | Liquidity risk | Interest rate risk | Exchange rate risk | Credit risk |
|---|---|---|---|---|---|
| **Non-current Assets** | | | | | |
| **Tangible Fixed Assets** | **26,274,165** | | | | |
| **Total Intangible Fixed Assets** | **553,373** | | | | |
| Investments | 83,241,728 | | | | |
| Tax assets for pre-paid taxes | 135,273 | | | | |
| Non-current financial derivatives | - | | | | |
| Other non-current financial receivables | 93,392,451 | | 7,192,642 | 7,192,642 | |
| Trade receivables and other non-current assets | - | | | | |
| **Total Financial Fixed Assets** | **176,769,453** | | | | |
| **Total Non-current Assets** | **203,596,990** | | | | |
| | | | | | |
| **Current Assets** | | | | | |
| Trade receivables and other current assets | 37,767,740 | | | 684,937 | 21,109,149 |
| Tax assets for current taxes | 4,400,656 | | | | |
| Current financial derivatives | 285,100 | | | | |
| Cash and cash equivalents | 1,878,553 | | 1,878,553 | 177,588 | |
| **Total Current Assets** | **44,332,049** | | | | |
| **TOTAL ASSETS** | **247,929,039** | | | | |

| NET SHAREHOLDERS' FUNDS & LIABILITIES | 31.12.2008 | Liquidity risk | Interest rate risk | Exchange rate risk | Credit risk |
|---|---|---|---|---|---|
| | | | | | |
| **TOTAL NET EQUITY** | **86,815,414** | | | | |
| | | | | | |
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Non-current debt | 106,663,016 | | 40,305,016 | | |
| Payables for other non-current financing | 8,943,238 | | 8,943,238 | | |
| Tax liabilities for deferred taxes | 4,502,855 | | | | |
| Post-employment benefits | 795,730 | | | | |
| Total Non-current liabilities | 120,904.839 | | | | |
| | | | | | |
| Current Liabilities | | | | | |
| Trade payables and other current liabilities | 8,686,816 | | | | 1,838,916 |
| Tax liabilities for current taxes | 195,171 | | | | |
| Current debt | 29,648,361 | 14,648,361* | 28,276,371 | | 3,592,728 |
| Payables for other current financing | 1,522,607 | | 1,522,607 | | |
| Current financial derivatives | 155,832 | | | | |
| **Total Current Liabilities** | **40,208,786** | | | | |
| **TOTAL LIABILITIES** | **161,113,625** | | | | |
| **TOTAL NET SHAREHOLDERS' FUNDS & LIABILITIES** | **247,929,039** | | | | |

* total uncommitted credit lines at the balance sheet date

## FINANCIAL STATEMENTS

# BALANCE SHEET

(Euro)

| ASSETS | 31.12.2007 | Liquidity risk | Interest rate risk | Exchange rate risk | Credit risk |
|---|---|---|---|---|---|
| **Non-current Assets** | | | | | |
| **Tangible Fixed Assets** | **22,073,320** | | | | |
| **Total Intangible Fixed Assets** | **471,079** | | | | |
| Investments | 61,228,788 | | | | |
| Tax assets for pre-paid taxes | 155,525 | | | | |
| Non-current financial derivatives | 91,732 | | | | |
| Other non-current financial receivables | 106,772,720 | | 3,607,091 | 3,607,091 | |
| Trade receivables and other non-current assets | 15,673 | | | | 15,673 |
| **Total Financial Fixed Assets** | **168,264,438** | | | | |
| **Total Non-current Assets** | **190,808,837** | | | | |
| | | | | | |
| Current Assets | | | | | |
| Trade receivables and other current assets | 34,661,521 | | | 424,868 | 16,791,185 |
| Tax assets for current taxes | 36,515 | | | | |
| Current financial derivatives | 6,982 | | | | |
| Cash and cash equivalents | 620,886 | | 620,886 | 35,226 | |
| **Total Current Assets** | **35,325,904** | | | | |
| **TOTAL ASSETS** | **226,134,741** | | | | |

| NET SHAREHOLDERS' FUNDS & LIABILITIES | 31.12.2007 | Liquidity risk | Interest rate risk | Exchange rate risk | Credit risk |
|---|---|---|---|---|---|
| **TOTAL NET EQUITY** | **89,519,189** | | | | |
| **LIABILITIES** | | | | | |
| **Non-current liabilities** | | | | | |
| Non-current debt | 90,422,952 | | 20,730,662 | | |
| Payables for other non-current financing | 8,488,575 | | 8,488,575 | | |
| Tax liabilities for deferred taxes | 3,397,303 | | | | |
| Post-employment benefits | 948,507 | | | | |
| **Total Non-current liabilities** | **103,257,337** | | | | |
| | | | | | |
| **Current Liabilities** | | | | | |
| Trade payables and other current liabilities | 4,592,910 | | | 1,609,525 | |
| Tax liabilities for current taxes | 12,123,503 | | | | |
| Current debt | 15,206,665 | 5,426,475 | 13,982,810 | | |
| Payables for other current financing | 1,435,138 | | 1,435,138 | | |
| **Total Current Liabilities** | **33,358,216** | | | | |
| **TOTAL LIABILITIES** | **136,615,553** | | | | |
| **TOTAL NET SHAREHOLDERS' FUNDS & LIABILITIES** | **226,134,741** | | | | |

* *total uncommitted credit lines at the balance sheet date*

## Receivables

In accordance with IFRS 7, the table below shows past due trade receivables subdivided by the length of time that they are overdue:

| DESCRIPTION | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Not past due | 10,529,218 | 6,266,812 | 4,262,406 |
| Past due by 1-3 months | 4,280,303 | 3,077,964 | 1,202,339 |
| Past due by 3-6 months | 1,418,096 | 3,104,829 | (1,686,733) |
| Past due by over 6 months | 4,881,532 | 4,341,580 | 539,952 |
| **TOTAL** | **21,109,149** | **16,791,185** | **4,317,964** |

The receivables are almost entirely receivables from subsidiary companies for financial transactions and services rendered. To classify receivables as past due the conditions in the terms of payment have been used; those receivables shown as past due were also regulated by agreements between the parties.

All the receivables were found to be in the standard monitoring category with none falling into the other monitoring categories.

| Description | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Standard monitoring | 21,109,149 | 16,791,185 | 4,317,964 |
| Special monitoring | - | - | - |
| Monitoring for possible legal action | - | - | - |
| Extra-judicial monitoring in progress | - | - | - |
| Monitoring of legal action in progress | - | - | - |
| **TOTAL** | **21,109,149** | **16,791,185** | **4,317,964** |

# NOTES TO THE BALANCE SHEET

## NON-CURRENT ASSETS

### (1) Tangible fixed assets

Tangible fixed assets were Euro 26,274 thousand at 31 December 2008, an increase of Euro 4,201 thousand over the previous financial year.
The changes relative to the 2007 financial year are summarized in the table below:

| DESCRIPTION | HISTORICAL COST | | | | DEPRECIATION | | | | NET FIXED ASSETS 31/12/07 | NET FIXED ASSETS 31/12/08 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Value at 31/12/07 | Increase | Decrease | Value at 31/12/08 | Value at 31/12/07 | Increase | Decrease | Value at 31/12/08 | | |
| Land and buildings | 16,166,170 | 3,615,741 | - | 19,781,911 | 2,776,065 | 597,983 | - | 3,374,048 | 13,390,105 | 16,407,863 |
| Plant and machinery | 13,754,754 | 2,376,470 | 303,848 | 15,827,375 | 5,156,704 | 1,137,707 | 78,519 | 6,215,892 | 8,598,049 | 9,611,483 |
| Industrial and commercial equipment | 186,190 | | 79,969 | 106,222 | 130,206 | 21,244 | 55,730 | 95,719 | 55,985 | 10,503 |
| Other assets | 41,502 | 228,592 | - | 270,094 | 12,322 | 13,457 | - | 25,779 | 29,180 | 244,315 |
| **TOTAL** | **30,148,616** | **6,220,803** | **383,817** | **35,985,602** | **8,075,297** | **1,770,391** | **134,249** | **9,711,439** | | **26,274,165** |

The entry, land and buildings, refers to the value of the industrial site at Gariga di Podenzano (PC), the location of the manufacturing activities of the subsidiary, Drillmec S.p.A, held under a lease agreement, as defined by IAS 17.
The gross increase of Euro 3,615 thousand in land and buildings is due to the acquisition of two plots of land, one in the industrial area of Gariga di Podenzano (PC) where the industrial activities of Drillmec S.p.A. are located, and the other in the industrial area of Pievesestina (FC) where the manufacturing activities of Soilmec S.p.A. and Trevi S.p.A., are located. They also reflect work carried out on the industrial buildings at Gariga di Podenzano (PC).
The Euro 2,235 thousand gross increase in plant and machinery is primarily due to the purchase of drill shafts through lease contracts, as defined in IAS 17, and the purchase of a conveyor belt hydraulic drill bought directly by the subsidiary, Soilmec S.p.A. The decrease in the net figure for plant and machinery reflects the sale of an R/822 hydraulic drill to the subsidiary Swissboring Overseas Co. Ltd.
The decrease in the item, industrial and commercial equipment, was due entirely to the sale of drill shafts to the subsidiary, Petreven C.A.
The gross increase in other assets reflects the purchase of furniture and fittings for the new offices in Pievesestina di Cesena.
The net carrying value of leased fixed tangible assets was Euro 15,694 thousand at 31 December 2008 (Euro14,426 thousand at year-end 2007).
Leased assets and those acquired with hire contracts are used as guarantees for the related liabilities assumed.

### (2) Intangible fixed assets

Intangible fixed assets increased Euro 0.082 million year-on-year to Euro 553 thousand at 31 December 2008.
Movements relating to the 2008 financial year are summarized in the following table:

| DESCRIPTION | HISTORICAL COST | | | | DEPRECIATION | | | | NET INTANG-IBLES 31/12/07 | NET INTANG-IBLES 31/12/08 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Value at 31/12/07 | Increase | Decrease | Value at 31/12/08 | Value at 31/12/07 | Depr. for the year | Charge to reserves | Value at 31/12/08 | | |
| Patents | 768,746 | - | - | 768,746 | 733,588 | 17,249 | - | 750,837 | 35,158 | 17,909 |
| Licences and brands | 601,803 | 248,239 | - | 850,042 | 165,882 | 148,697 | - | 314,578 | 435,921 | 535,464 |
| **TOTAL** | **1,370,549** | **248,239** | **-** | **1,618,787** | **899,470** | **165,946** | **-** | **1,065,415** | **471,079** | **553,373** |

The increase in licences and brands was primarily due to the purchase of software licences and for the consultancy provided in implementing the software to the Italian and foreign subsidiaries of the Company.

## (3) Investments

Investments increased Euro 22,013 thousand year-on-year to Euro 83,242 thousand at year-end 2008.
Investments, divided between subsidiaries and other companies, are shown in the following table.

| DESCRIPTION | Value at 31/12/07 | Increase | Decrease | Revaluations | Write-downs | Other changes | Value at 31/12/08 |
|---|---|---|---|---|---|---|---|
| Subsidiaries | 61,205,156 | 22,012,945 | - | - | - | - | 83,218,102 |
| Other | 23,632 | - | - | - | - | - | 23,632 |
| **TOTAL** | **61,228,788** | **22,012,940** | **-** | **-** | **-** | **-** | **83,241,729** |

Details of investments in subsidiaries are shown in the following table:

| SUBSIDIARIES | Value at 31/12/07 | Increase | Decrease | Revaluations | Write-downs | Other changes | Value at 31/12/08 |
|---|---|---|---|---|---|---|---|
| TREVI S.p.A. | 26,732,503 | 19,956,654 | - | - | - | - | 46,689,157 |
| SOILMEC S.p.A. | 9,324,671 | | - | - | - | - | 9,324,671 |
| DRILLMEC S.p.A. | 9,915,985 | | - | - | - | - | 9,915,985 |
| PILOTES TREVI S.a.c.i.m.s. | 283,845 | | - | - | - | - | 283,845 |
| PETREVEN C.A. | 13,926,275 | | - | - | - | - | 13,926,275 |
| INTERNATIONAL DRILLING TECHNOLOGIES FZCO | 21,877 | | - | - | - | - | 21,877 |
| TREVI ENERGY S.p.A. | 1,000,000 | 2,050,000 | | | | | 3,050,000 |
| PETREVEN S.A. | - | 6,286 | | | | | 6,286 |
| **TOTAL SUBSIDIARIES** | **61,205,156** | **22,012,940** | **-** | **-** | **-** | **-** | **83,218,097** |

On 10 July 2008, the Extraordinary Shareholders' Meeting of the subsidiary, TREVI S.p.A. (a company active in the sector of contracts and services for foundation engineering for civil works and infrastructure projects) deliberated an increase in share capital from Euro 12,300 thousand to Euro 32,300 thousand to support the development programme of its foreign subsidiaries. The Company, as authorised by the Board of Directors meeting of 15 May 2008, exercised its pre-emptive rights and subscribed to 19,956,654 shares of nominal value Euro 1.00 each issued by the subsidiary TREVI S.p.A for a total sum of Euro 19,956,654 million.
The increase in the investment in the subsidiary, TREVI Energy S.p.A., a company active in research, development and generation of energy from renewable sources is due to Euro 2.050 million of payments on account of future share capital increases made to support the important growth plan of the company.
On 11 June 2008, the Company acquired all the shares of PETREVEN S.A., a company with registered offices in Buenos Aires, which is active in oil drilling services, for a total of Euro 0.006 million. At the balance sheet date, the company was not yet operative.
Comex S.p.A., in which the Company has an investment and which assembles hardware (personal computers, notebooks and servers,) under its own label has not, at the present date, approved the Financial Statements for 2008; those for 2007 show revenues of Euro 11.089 million, a pre-tax profit of Euro 0.106 million, and net profit of Euro 0.026 million.
The Company has forty shares in Banca di Cesena S.c.a.r.l. of nominal value Euro 25.82 each, equivalent to a stake of 0.03% in the bank.

Banca di Cesena S.c.a.r.l. has yet to approve the 2008 Financial Statements; those for 2007 showed net profit of Euro 1.621 million.
A list of subsidiary companies and the key data of these investments at 31 December 2008 is shown in the following table:

| SUBSIDIARIES | Registered Offices | Share capital (1) | Carrying value of Net equity (2) | Profit for the year (2) | % | Carrying value of shares | Share of equity |
|---|---|---|---|---|---|---|---|
| TREVI S.p.A. | Italy | 32,300,000 | 39,114,550 | 1,176,511 | 99.78 | 46,689,157 | 39,028,498 |
| SOILMEC S.p.A. (1) | Italy | 5,160,000 | 30,230,164 | 10,373,913 | 97.00 | 9,324,671 | 30,350,164 |
| DRILLMEC S.p.A. | Italy | 5,000,000 | 38,170,858 | 19,717,001 | 98.25 | 9,915,985 | 38,258,358 |
| PILOTES TREVI S.a.c.i.m.s. | Argentina | 1,650,000 | 4,141,306 | 720,141 | 57.00 | 283,845 | 2,360,544 |
| PETREVEN C.A. | Venezuela | 11,269,703 | 25,542,779 | 2,869,944 | 70.68 | 13,926,275 | 18,053,636 |
| INTERNATIONAL DRILLING TECHNOLOGIES FZCO | UAE | 1,000,000 | 16,460,151 | 5,352,310 | 10.00 | 21,877 | 1,646,015 |
| TREVI ENERGY S.p.A. | Italy | 1,000,000 | 2,380,834 | - 619,198 | 100.00 | 3,050,000 | 2,380,834 |
| PETREVEN S.A. | Argentina | 9,615 | 2,564 | - 4,135 | 100.00 | 6,286 | 2,564 |
| TOTAL SUBSIDIARIES | | | 156,043,206 | 39,586,487 | | 83,218,097 | 132,080,614 |

1) Figures are in Euro for Trevi Spa, Soilmec, Drillmec and Trevi Energy; in Argentine pesos for Pilotes S.a.c.i.m.s.; in US$ for Petreven C.A; and in UAE dirham for International Drilling Technologies FZCO.
2) Figures in Euro.

The carrying value of Drillmec S.p.A., Soilmec S.p.A., and Trevi Energy S.p.A. includes payments on account of future share capital increases.
The table shows a carrying value for the investment in TREVI S.p.A. lower than its initial value. The subsidiary, TREVI S.p.A., the sub-holding company in the special foundations sector, offers operating and financial support to its Italian and foreign subsidiaries. It is worth noting that consolidated accounting net equity of the special foundations sector more than justifies the difference between the carrying value and the initial value as shown in the table above.
Also for TREVI Energy S.p.A. the carrying value is lower than the initial value of the net equity. TREVI Energy S.p.A. is a start-up initiative with many costs the reasons for which only become clear over a period of years.

Values in Euro were obtained using the exchange rates ruling at the balance sheet date, which were as follows:

| CURRENCY | | Exchange rate at Balance Sheet date |
|---|---|---|
| Argentine Peso | ARS | 4.80 |
| Venezuelan Bolivar | VEB | 2.99 |
| UAE Dirham | AED | 5.11 |

There are no restrictions (including the right to vote) attached to any of the shares held.
For details concerning subsidiary and associate companies held directly or indirectly, please refer to the Notes to the Consolidated Financial Statements.

The main data for investments in other companies (using the values of their respective 2007 Financial Statements) are given in the following table:

| OTHER COMPANIES | Registered Offices | Share capital | Carrying value of net equity | Profit for the year | % | Carrying value of shares | Share of Equity |
|---|---|---|---|---|---|---|---|
| COMEX S.p.A. | Italy | 2,647,080 | 2,884,270 | 26,326,00 | 0.81 | 22,496 | 23,363 |
| Banca di Cesena | Italy | 7,368,021 | 56,741,971 | 1,621,336 | 0.04 | 1,136 | 22,697 |
| **TOTAL OTHER COMPANIES** | | | | | | **23,632** | **46,059** |

## 4) Tax assets for pre-paid taxes

Pre-paid taxes are provided for when there is a likelihood they will be recouped in the future, and on timing differences, subject to pre-paid tax, between the value of the assets and the liabilities for accounting purposes and the value of the same calculated for fiscal purposes.
The balance was Euro 0.135 million at 31 December 2008, a Euro 20 thausand year-on-year decrease.

## (5) Non-current financial derivative instruments

The Company had no non-current financial derivative instruments at 31 December 2008 in the Balance Sheet compared to Euro 92 thousand at year-end 2007.

## (6) Financial receivables from subsidiaries

At 31 December 2008, non-current financial receivables were Euro 93,392 thousand, a year-on-year decrease of Euro13,380 thousand. These receivables all constituted financing to subsidiaries to support business expansion.

| DESCRIPTION | Balance at 31/12/2008 | Balance at 31/12/2007 | change |
|---|---|---|---|
| Trevi S.p.A. | 67,041,046 | 81,824,381 | (14,783,334) |
| Drillmec S.p.A. | 22,500,000 | 24,500,000 | (2,000,000) |
| Pilotes Trevi S.a.c.i.m.s. | 258,676 | 448,339 | (189,663) |
| Petreven C.A. | 3,592,728 | - | 3,592,728 |
| **TOTAL** | **93,392,451** | **106,772,720** | **(13,380,269)** |

## (7) Trade receivables and other non-current receivables

There were no trade receivables and other non-current receivables at 31 December 2008 compared to Euro 16 thousand in the 2007 financial year.

# CURRENT ASSETS

## (8) Trade receivables and other current receivables

Trade receivables and other current receivables were Euro 1,719 thousand at 31 December 2008, Euro 740 thousand more than the previous year.
Details of this balance sheet entry are given in the following table:

| DESCRIPTION | Balance at 31/12/2008 | Balance at 31/12/2007 | change |
|---|---|---|---|
| Trade receivables | 87,665 | 42,821 | 44,844 |
| Prepayments | 124,652 | 573,515 | (448,863) |
| VAT | 896,473 | 298,745 | 597,729 |
| Receivables from Central Bank of Nigeria | 5,365 | 9,078 | (3,713) |
| Other receivables | 604,694 | 54,859 | 549,835 |
| **TOTAL** | **1,718,850** | **979,018** | **739,832** |

The change in the figure for other receivables is mainly due to the early payment, made at year-end, of an instalment on a lease contract.
Details of related party transactions are given in Attachment 1 to the present notes.

## (9) Trade receivables and other current receivables from subsidiaries

Trade receivables and other current receivables from subsidiaries were Euro 36,049 thousand at year-end 2008, an increase of Euro 2,366 thousand year-on-year.

A breakdown of this entry is given in the following table:

| DESCRIPTION | Balance at 31/12/2008 | Balance at 31/12/2007 | change |
|---|---|---|---|
| Trade receivables | 21,029,567 | 16,733,074 | 4,296,493 |
| Receivables arising from Group Taxation Regime | 15,019,324 | 16,949,430 | (1,930,106) |
| **TOTAL** | **36,048,891** | **33,682,504** | **2,366,387** |

## (10) Tax assets for current taxes

These were Euro 4,401 thousand at 31 December 2008, an increase of Euro 4,364 thousand year-on-year, due to higher pre-payments for IRES taxation on the Group.
A breakdown of this entry is given in the following table:

| DESCRIPTION | Balance at 31/12/2008 | Balance at 31/12/2007 | change |
|---|---|---|---|
| Interest on IRES withheld at source | 16,777 | 36,513 | (19,736) |
| Prepayments of IRAP | 154,800 | - | 154,800 |
| Consolidated pre-payments of IRES | 4,229,079 | - | 4,229,079 |
| **TOTAL** | **4,400,656** | **36,513** | **4,364,143** |

## (11) Current financial derivative instruments

At 31 December 2008, these were Euro 0.285 million, an increase of Euro 278 thousand compared to the previous year. The figure reflects the mark to market of a fixed term US dollar put contract taken out to protect against movements in the Euro/Dollar exchange rate.

## (12) Cash and cash equivalents

At 31 December 2008, cash and cash equivalents totalled Euro 1,879 thousand, an increase of Euro 1,258 thousand year-on-year.

The details are given in the following table:

| DESCRIPTION | Balance at 31/12/2008 | Balance at 31/12/2007 | change |
|---|---|---|---|
| Bank deposits | 1,867,106 | 613,381 | 1,253,725 |
| Cash and cash equivalents | 11,447 | 7,504 | 3,943 |
| **TOTAL** | **1,878,553** | **620,886** | **1,257,668** |

The increase in bank deposits at 31 December 2008 reflects an important payment received at the end of 2008.

## (13) SHAREHOLDERS' FUNDS

Changes in the shareholders' net equity of the Company are shown in the relative accounting statement and in the following table:

| DESCRIPTION | Share capital | Share premium reserve | Legal reserve | Reserve for Treasury stock | Extraordinary reserve | Other reserves | Accumulated profit/ (losses) | Net profit for the period | Total Shareholders' funds |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31/12/2006** | **32,000,000** | **34,355,654** | **3,812,254** | **-** | **5,361,997** | **7,976,357** | **1,497,050** | **4,811,230** | **89,814,542** |
| Allocation of profit | - | - | 240,562 | - | 1,370,668 | - | - | (1,611,230) | - |
| Dividend distribution | - | - | - | - | - | - | - | (3,200,000) | (3,200,000) |
| IFRS adjustments for dividends | - | - | - | - | - | - | - | - | - |
| Purchase and sale of treasury stock | (183,250) | - | - | (4,398,796) | - | - | - | - | (4,582,046) |
| Fair Value reserve | - | - | - | - | - | (76,775) | - | - | (76,775) |
| Other reserves | - | - | - | - | - | (2,495,653) | - | - | (2,495,653) |
| Accumulated net profit/ (losses) | - | - | - | - | - | - | - | - | - |
| Net profit for the period | - | - | - | - | - | - | - | 10,059,122 | 10,059,122 |
| **Balance at 31/12/2007** | **31,816,750** | **34,355,654** | **4,052,816** | **(4,398,796)** | **6,732,665** | **5,403,929** | **1,497,050** | **10,059,122** | **89,519,189** |
| Allocation of profit | - | - | 502,956 | - | 3,156,166 | - | - | (3,659,122) | - |
| Dividend distribution | - | - | - | - | - | - | - | (6,339,400) | (6,339,400) |
| IFRS adjustments for dividends | - | - | - | - | - | - | - | - | - |
| Purchase and sale of treasury stock | (203,445) | - | - | (4,061,100) | - | - | - | - | (4,264,545) |
| Other reserves | - | - | - | - | 60,600 | (1,520,258) | - | (60,600) | (1,520,258) |
| Accumulated net profit/ (losses) | - | - | - | - | - | - | - | - | - |
| Net profit for the period | - | - | - | - | - | - | - | 9,420,428 | 9,420,428 |
| **Balance at 31/12/2008** | **31,613,306** | **34,355,654** | **4,555,772** | **(8,459,896)** | **9,949,431** | **3,883,671** | **1,497,050** | **9,420,428** | **86,815,414** |

### (13.a) Share capital

At 31 December 2008, the Company share capital was Euro32,000,000, composed of 64,000,000 issued and fully paid-up ordinary shares of nominal value Euro0.50 each.

During 2008, as authorized by the Shareholders' Meetings of 7 May 2007 and 29 April 2008, the Company acquired 406,500 treasury shares.

The transaction was taken directly to shareholders' funds in accordance with IAS 32.

| | Shares ('000) | Share capital | Share premium reserve | Treasury stock |
|---|---|---|---|---|
| **Balance at 31/12/2006** | **64,000,000** | **32,000,000** | **34,355,654** | **-** |
| Purchase and sale of treasury stock | 366,500 | (183,250) | - | (4,398,796) |
| **Balance at 31/12/2007** | **63,633,500** | **31,816,750** | **34,355,654** | **(4,398,796)** |
| Purchase and sale of treasury stock | 406,889 | (203,445) | - | (4,061,100) |
| **Balance at 31/12/2008** | **63,226,611** | **31,613,306** | **34,355,654** | **(8,459,896)** |

On 23 November 2006, the Board of Directors deliberated a share capital increase of Euro3,097,345 made up of 6,194,690 ordinary shares with a nominal value of Euro0.50 per share to meet the conversion rights of the convertible bond, the Indirect Convertible Bond Loan.
At 31 December 2006 the authorized share capital was, therefore, Euro35,097,345 made up of 70,194,690 shares of nominal value Euro0.50 each.

## (13.b) Other reserves

### - Share premium reserve:

This was Euro34.355 million at 31 December 2008, the same as at 31 December 2007.

### - Legal Reserve:

The Legal Reserve represents the part of profits which, pursuant to Article 2430 of the Italian Civil Code, cannot be distributed as dividends. In 2008, the Legal Reserve increased by Euro 0.503 million following the movement to this reserve of 5% of the Parent Company profits for 2007. At 31 December 2008, this reserve was Euro 4.556 million.

### - Extraordinary reserve:

The extraordinary reserve was Euro 9.889 million at 31 December 2008, an increase of Euro 3.156 million over the previous year. The increase was due to the addition of the undistributed net profit of the Company for 2007.

### - Reserve for treasury stock:

At 31 December 2008, this reserve was negative Euro 8.460 million, having increased by Euro 4.061 million compared to 31 December 2007. The value of shareholders' funds is reduced for the carrying value of treasury stock purchased in 2008 net of the nominal value of these shares, which is taken against share capital.

### - Other reserves:

Other reserves totalled Euro3.884 million at 31 December 2008.
The reserve for convertible bonds, included in this entry, was Euro 4.650 million at 31 December 2008 and is for the option component, net of any related tax effect, of the Indirect Convertible Bond Loan issued by the Company on 30 November 2006. This figure was calculated by determining the net present value of the future cash flows relating to the Indirect Convertible Bond Loan at the market rate the Company would have had to pay to finance itself with alternative debt instruments of the same duration.
Other reserves also include the Fair Value reserve (negative for Euro 1.460 million at 31 December 2008) and the reserve for the transition to IAS/IFRS (Euro 0.694 million at 31 December 2008).

### - Dividends paid in 2008:

The Shareholders' Meeting of 29 April 2008 voted to distribute a dividend of Euro 0.10 per share on shares ranking for dividend with an ex-dividend date of 7 July 2008 and payment from 10 July 2008.

## (13.c) Accumulated profits (losses)

At 31 December 2008, the accumulated profits (losses) were Euro 1.497 million and were unchanged on 2007. This reserve includes amounts generated by the adoption of IAS/IFRS accounting standards at the transition date.
In accordance with Article 2427, paragraph 1 no. 7 bis, a breakdown of shareholders' funds, by source, possible use and availability for distribution, is given in the following table:

| DESCRIPTION | Balance at 31/12/2008 | Potential use | Availability for distribution | Summary of use in the last three years |
|---|---|---|---|---|
| | | | | To cover losses |
| Share capital | 31,613,306 | | | |
| Share premium reserve | 34,355,654 | A B | | |
| Legal reserve | 4,555,772 | B | | |
| Extraordinary reserve | 9,949,431 | A B C | 9,949,431 | |
| Other reserves | 3,883,671 | B | | |
| Accumulated profit (losses) | 1,497,050 | A B C | 1,497,050 | |
| **TOTAL** | **85,854,883** | | **11,446,481** | |
| | | | | |
| Available for use: | | | | |
| A) For share capital increase | | | | |
| B) To cover losses | | | | |
| C) For distribution to shareholders | | | | |

## (13.d) Net profit for the period

The net profit for the 2008 financial year was Euro 9,420 thousand, a decrease of Euro 639 thousand compared to the 2007 financial year. There was an operating loss in 2008 of Euro 0.464 million compared to an operating profit of Euro 1,400 thousand in 2007 although financial revenues rose by Euro 752 thousand year-on-year.

# LIABILITIES

## NON-CURRENT LIABILITIES

### (14) Non-current financing

At 31 December 2008, non-current financing was Euro 106,663 thousand, a Euro 16,240 thousand year-on-year decrease.
The details of non-current financing are given in the following table:

| Description | Bilance as at 31/12/2008 | Bilance as at 31/12/2007 | Change |
|---|---|---|---|
| Interbanca S.p.A. - Mortgage | 3,750,000 | 5,625,000 | (1,875,000) |
| Interbanca S.p.A. - Loan 50137 5milion | 2,500,000 | 3,125,000 | (625,000) |
| Interbanca S.p.A. – Loan 51376 15 milion | 5,625,000 | 9,375,000 | (3,750,000) |
| Cariromagna (ex SanPaolo Imi S.p.A.) - Loan | 7,500,000 | 9,166,667 | (1,666,667) |
| Banca Nazionale del Lavoro S.p.A. - Gruppo BNP Paribas – Revolving line of credit "stand by revolving" | 2,500,000 | - | 2,500,000 |
| Intesa Sanpaolo S.p.A. – Revolving loan | 10,000,000 | - | 10,000,000 |
| Medio Credito Centrale Revolving loan | 10,000,000 | - | 10,000,000 |
| Intesa SanPaolo S.p.A. – Indirect convertible bond loan | 64,788,016 | 63,131,284 | 1,656,731 |
| **TOTAL** | **106,663,016** | **90,422,951** | **16,240,065** |

- The long-term portion of the mortgage granted by Interbanca S.p.A., originally for Euro 15,000,000, is Euro3,750,000; this mortgage is repayable in sixteen six-monthly instalments from 30/06/04 (total duration eight years). Interest payable is six-month Euribor plus spread. The primary mortgage guarantee was given by Soilmec S.p.A. on its production facility at Cesena
- The long-term part of the variable rate financing agreed with Interbanca S.p.A., originally for Euro5,000,000, is Euro 2,500,000; this is payable in sixteen six-monthly instalments from 31/01/06 (total duration eight years) with final payment on 31/07/2013. The interest payable is six-month Euribor plus spread.
- The long-term part of the variable rate financing agreed with Interbanca S.p.A., originally for Euro15,000,000, of five year duration and repayable in eight six-monthly instalments, is Euro 5,625,000. The interest payable is six-month Euribor plus spread.
- The long-term part of the variable rate financing agreed with Cassa di Risparmio di Forlì e della Romagna S.p.A. (ex SanPaolo IMI S.p.A.) for Euro 10,000,000 million of eight years duration and repayable in twelve six-monthly instalments, is Euro 7,500,000. Interest payable is six-month Euribor plus spread.
- The fixed rate financing from Intesa Sanpaolo S.p.A. (ex SanPaolo IMI S.p.A.) of nominal Euro 70,000,000, of five years duration with capital repayment at expiry. At 31 December 2007, under IAS 39 (in particular, the rules governing split accounting and amortized cost), this loan required recognition of a residual debt of Euro 64,788,016.

The Indirect Convertible Bond Loan, issued by Sanpaolo IMI Bank Ireland plc matures on 30 November 2011 and was for a nominal amount of Euro 70,000,000 (the Bonds). The Bonds issued and repayable at par were issued by Sanpaolo IMI Bank Ireland plc and guaranteed by Intesa Sanpaolo S.p.A. (ex SanPaolo IMI S.p.A.) which has a credit rating of Aa3/AA-/AA-. The Bonds were placed exclusively with institutional investors, excluding those in Australia, Canada, Japan, South Africa, Ireland and United States of America, in accordance with Regulation S.
Banca IMI S.p.A. acted as the global coordinator and Banca IMI S.p.A. and Société Générale Corporate & Investment Banking were the joint book runners of the transaction.
The bonds are convertible into a maximum of 6,194,690 ordinary shares of nominal value Euro 0.50 per share (equivalent to 9.68% of the issued share capital of TREVI – Finanziaria Industriale S.p.A.). The aim of the operation was to give the Company new financial resources at advantageous conditions to grow its core business of foundation engineering and the innovative drilling sector.
The conversion price of the underlying shares is Euro 11.30, which incorporated a premium of about 30% on the Official Price on 23 November 2006. The bonds, with fixed annual interest payable of 1.5%, are convertible from 31 December 2007.

During the 2008 financial year, the Company set up the following stand-by revolving financing agreements, which are guaranteed to expiry, with leading credit institutions. The details of the agreements are as follows:

- Unicredit Corporate Banking S.p.A. for an amount of Euro50,000,000 expiring on 30 December 2015; the interest payable is variable and is Euribor plus spread. At 31 December 2008 this facility had not been used.
- Intesa Sanpaolo for an amount of Euro 30,000,000 expiring on 30 June 2013; the interest payable is variable and is Euribor plus spread. At 31 December 2008, Euro 10,000,000 of this facility had been drawn down by the Company and Euro 5,000,000 by the subsidiary companies.
- Banca Nazionale del Lavoro S.p.A. – Group BNP Paribas for an amount of Euro 25,000,000 expiring on 30 June 2013; interest payable is variable and is Euribor plus spread. At 31 December 2008, Euro 2,500,000 of this facility had been drawn down by the Company and Euro 20,000,000 by the subsidiary companies.
- Medio Credito Centrale for an amount of Euro 10,000,000; interest payable is variable is Euribor plus spread. At 31 December 2008, Euro 10,000,000 of this facility had been used.
- Banca Antonveneta Spa for an amount of Euro 5,000,000; interest payable is variable and is Euribor plus spread. At 31 December 2008, Euro 5,000,000 of this facility had been used.
- Centrobanca – Banca di credito finanziario e mobiliare S.p.A. for an amount of Euro 10,000,000; interest payable is variable is Euribor plus spread. At 31 December 2008, Euro 10,000,000 of this facility had been used.

Since use of the facilities agreed with Banca Antonveneta and Centrobanca are on a short-term basis, although the facility was granted for the medium-term, the amounts used are to be found under the entry for current financing.

Some of these non-current financing agreements contain covenants which require the maintenance of certain financial ratios (calculated on the Consolidated Financial Statements) as follows:

- EBITDA/ Net Financial Charges: an indicator of the weight of interest charges calculated as the ratio of EBITDA to interest charges;
- Net Financial Position/ EBITDA: an indicator of indebtedness, calculated as the ratio of net financial debt to EBITDA;
- Net Financial Position/ Net Equity: an indicator of indebtedness, calculated as the ratio of net debt to net equity;
- EBITDA/ Revenues: an indicator of profitability, calculated as the ratio of EBITDA to total revenues;
- CAPEX: the value of investments.

The agreement for the Convertible Bond Loan stipulates two financial covenants to be calculated quarterly on the Consolidated Financial Statements. These are:
"Interest Cover" indicates the ratio between Consolidated EBITDA and the Net Financial Costs in the twelve months prior to each Assessment Date of the Financial Covenants.
"Leverage Ratio" indicates the ratio Consolidated Financial Net Debt and Consolidated EBITDA in the twelve months prior to each Assessment Date of the Financial Covenants.
The financing agreement for the Indirect Convertible Loan also contains other covenants, which are routine international procedure, namely:

a. a so-called negative pledge clause whereby any eventual pledge present or future on assets connected to financing operations, bonds and other credit issues must be granted in an equal manner to the aforementioned financing
b. a pari passu clause under which no payment obligations can be taken on which are considered senior to the two transactions described above;
c. obligations to provide information periodically
d. a cross default clause which implies the immediate recoverability of the aforementioned loan should there be any default on other financial instruments issued by the Group
e. limitations on relevant sales of assets
f. other clauses general present in issues of this type

The failure to respect these covenants would allow the banks that have granted the financing to call in the financing or to renegotiate the conditions attached to the financing.
At 31 December 2008, all the financial covenants listed above had been respected.

## (15) Payables for other non-current financing

At 31 December 2008, payables for other non-current financing were Euro 8.943 million, a year-on-year increase of Euro 0.455 million due to the purchase of drill shafts using lease contracts as defined by IAS 17. The new equipment was hired out to the subsidiary, Petreven C.A.

Details of these payables are shown in the following table:

| DESCRIPTION | Balance at 31/12/2008 | Balance at 31/12/2007 | change |
|---|---|---|---|
| Payable to Unicredit Leasing S.p.A. | 3,536,667 | 3,841,224 | (304,558) |
| Payable to Banca Italease S.p.A. | 3,174,156 | 3,434,539 | (260,383) |
| Payable to Leasint S.p.A. | 1,663,426 | 593,375 | 1,070,051 |
| Payable to Sardaleasing S.p.A. | 568,989 | 619,436 | (50,447) |
| **TOTAL** | **8,943,238** | **8,488,575** | **454,664** |

## (16) Non-current financial derivative instruments

There were no non-current financial derivative instruments in the Balance Sheet at 31 December 2008.

## (17) Tax liabilities for deferred taxes

These were Euro 4,503 thousand at 31 December 2008, an increase of Euro 1,106 thousand compared to year-end 2007.

## (18) Post-employment benefits

This entry is an estimate of the liabilities, calculated using actuarial methods, for staff-leaving indemnities.
At 31 December 2008, post-employment benefits were Euro 795 thousand, a year-on-year decrease of Euro 153 thousand.
Changes in this entry in the course of 2008 are shown in the following table:

| DESCRIPTION | Balance at 31/12/2007 | Portion matured and charged to the Income Statement | Portion transferred from other companies | Portion transferred to other companies and paid out | Movements to pension funds | Actuarial gain/(loss) | Balance at 31/12/2008 |
|---|---|---|---|---|---|---|---|
| Post-employment benefits | 948,507 | 268,232 | 13,363 | (328,302) | (72,854) | (33,216) | 795,730 |

The portion transferred both from other companies and to other companies relates to movements between Group companies.
The adjustment to the TFR provision under IAS 19 takes into account the actuarial valuation of the fund.
From 1 January 2007, the Finance Law and other enacted laws introduced modifications relating to the treatment of the TFR, including giving employees the choice to decide the allocation of the maturing portion of their TFR. In particular, employees may now choose whether to transfer new TFR flows to a pension fund or to leave them within the Company.

# CURRENT LIABILITIES

## (19) Trade payables and other current liabilities

Trade payables and other current liabilities were Euro 4,883 thousand at 31 December 2008, a year-on-year increase of Euro 2,808 thousand due to the increase in trade payables caused by the strong growth in the activities of the Company and of the Group.

Details of this entry are shown in the following table:

| DESCRIPTION | Balance at 31/12/2008 | Balance at 31/12/2007 | change |
|---|---|---|---|
| Payables to suppliers | 4,174,735 | 1,539,646 | 2,635,089 |
| Payables to National Insurance and Social Security entities | 205,718 | 162,330 | 43,388 |
| Other payables | 279,264 | 217,532 | 61,732 |
| Accruals | 85,867 | 64,677 | 21,190 |
| Deferrals | 137,534 | 90,514 | 47,020 |
| **TOTAL** | **4,883,117** | **2,074,699** | **2,808,419** |

Details of payables to National Insurance and Social Security entities are shown in the following table:

| PAYABLES FOR NATIONAL INSURANCE AND TO SOCIAL SECURITY ENTITIES | Balance at 31/12/2008 | Balance at 31/12/2007 | change |
|---|---|---|---|
| Payables to INAIL | 3,256 | 6,459 | (3,203) |
| Payables to INPS | 193,310 | 149,267 | 44,043 |
| Payables to pension funds | 9,152 | 6,604 | 2,548 |
| **TOTAL** | **205,718** | **162,330** | **43,388** |

The increase in this entry is due to the increase in the number of employees.
Details of other payables are given in the following table:

| OTHER PAYABLES | Balance at 31/12/2008 | Balance at 31/12/2007 | change |
|---|---|---|---|
| Payables to employees | 261,864 | 194,997 | 66,867 |
| Other | 17,400 | 22,535 | (5,135) |
| **TOTAL** | **279,264** | **217,532** | **61,732** |

The entry, payables to employees, is entirely due to holidays earned but not taken.
Details of the accrued charges are given in the following table:

| ACCRUED CHARGES | Balance at 31/12/2008 | Balance at 31/12/2007 | change |
|---|---|---|---|
| Accrued charges for wages and employee contributions | 85,867 | 64,677 | 21,190 |
| Other accrued charges | - | - | - |
| **TOTAL** | **85,867** | **64,677** | **21,190** |

Details of the deferred charges are given in the following table:

| DEFERRED CHARGES | Balance at 31/12/2008 | Balance at 31/12/2007 | change |
|---|---|---|---|
| Deferred charges for leasing contracts | 137,534 | 86,750 | 50,784 |
| Accrued reimbursements for leasing expenses | - | 3,764 | (3,764) |
| **TOTAL** | **137,534** | **90,514** | **47,020** |

The entry, deferred charges for payments on leasing contracts is for early invoicing of leasing contract instalments to the Argentine-based subsidiary, Petreven UTE, for two HH 102 drilling rigs operated on behalf of Petrobras, and to the early invoice of the instalment for the hire of drill shafts to the subsidiary, Petreven C.A.

## (20) Trade payables and other current liabilities to subsidiaries

Trade payables and other current liabilities to subsidiaries were Euro 3,804 thousand at 31 December 2008, a year-on-year increase of Euro 1,285 thousand.
Details of this entry are given in the following table:

| DESCRIPTION | Balance at 31/12/2008 | Balance at 31/12/2007 | change |
|---|---|---|---|
| Trade payables to subsidiaries | 451,323 | 63,635 | 387,688 |
| Payables for the share of profits for the period due to UTE TREVI S.p.A., TREVI - Finanziaria Industriale S.p.A., Sembenelli S.r.l. for the "Borde Seco" contract | 1,716,669 | 1,598,821 | 117,848 |
| Payables attributable to the Group Taxation Regime | 1,635,647 | 855,755 | 779,892 |
| **TOTAL** | **3,803,638** | **2,518,210** | **1,285,428** |

Trade payables to subsidiaries are the current portion of payables to Trevi S.p.A. and Drillmec S.p.A.
The increase in payables for the share of profits for the period due to UTE TREVI S.p.A., TREVI – Finanziaria Industriale S.p.A., and Sembenelli S.r.l. is related to the negative 2008 results of the consortium.

## (21) Tax liabilities for current taxes

Tax liabilities for current taxes were Euro 195 thousand at 31 December 2008, all payable in the next financial period, and decreased Euro 11,928 thousand year-on-year.
Details of tax liabilities for current taxes are given in the following table:

| DESCRIPTION | Balance at 31/12/2008 | Balance at 31/12/2007 | change |
|---|---|---|---|
| Payable to the Tax Authority for direct taxes | - | 11,926,493 | (11,926,493) |
| Payable to the Tax Authority for retentions | 195,171 | 195,991 | (820) |
| Payable to the Tax Authority for the IRES tax on the TFR | - | 1,019 | (1,020) |
| **TOTAL** | **195,171** | **12,123,503** | **(11,928,333)** |

The latest financial period for which the tax liability, for both direct and indirect taxes, has been agreed with the Tax Authority is that ended on 31 December 2003.

## (22) Current debt

Current debt was Euro 29,648 thousand at 31 December 2008, a year-on-year increase of Euro 14,442 thousand.
Details of current debt are given in the following table:

| DESCRIPTION | Balance at 31/12/2008 | Balance at 31/12/2007 | change |
|---|---|---|---|
| Current debt | 18,138,966 | 1,000,000 | 17,138,966 |
| Current portion of non-current debt | 7,916,667 | 9,206,665 | (1,289,998) |
| Financing from subsidiaries | 3,592,728 | 5,000,000 | (1,407,272) |
| **TOTAL** | **29,648,361** | **15,206,665** | **14,441,696** |

The increase in current debt is primarily due to the use of two guaranteed revolving short-term credit lines from Centrobanca S.p.A. and Banca Antonveneta, included in non-current financing.
The current portion of non-current debt includes the instalments of interest expenses in the financial period on financing with periodic repayments deferred until after 31 December 2008 for a total of Euro 0.315 million.
The financing from subsidiaries is in US Dollars and was issued at market rates by Drillmec S.p.A. to optimise the Group treasury flows.

## (23) Payables for other current financing

At 31 December 2008, payables for other current financing were Euro 1,523 thousand, a Euro 87 thousand year-on-year increase. Details of this entry are given in the following table:

| DESCRIPTION | Balance at 31/12/2008 | Balance at 31/12/2007 | change |
|---|---|---|---|
| Payable to Unicredit Leasing S.p.A. | 485,561 | 647,063 | (161,502) |
| Payable to Banca Italease S.p.A. | 419,088 | 562,356 | (143,268) |
| Payable to Leasint S.p.A. | 535,092 | 114,155 | 420,937 |
| Payable to Sardaleasing S.p.A. | 82,866 | 111,564 | (28,698) |
| **TOTAL** | **1,522,607** | **1,435,138** | **87,469** |

The increase is attributable to the new financial lease contracts taken out in 2007.

## (24) Current financial derivative instruments

There were no current financial derivative instruments in the Balance Sheet at 31 December 2007 but at 31 December 2008 they totalled Euro 156 thousand and reflect the mark to market of a fixed term put contract in US dollars to protect the Company from fluctuations in the EUR/US Dollar exchange rate.

Details of net debt are given in the following table:

## NET FINANCIAL POSITION

(Euro)

| | | Note | 31/12/2008 | 31/12/2007 |
|---|---|---|---|---|
| A | Cash | (12) | 11,447 | 7,504 |
| B | Cash equivalents | (12) | 1,867,106 | 613,381 |
| C | Held for trading secutities | | | |
| **D** | **Total Cash (A+B+C)** | | **1,878,553** | **620,886** |
| E | Current financial derivative instruments | (11) (24) | 129,268 | 6,982 |
| F | Current bank debt | (22) | 18,138,966 | 1,000,000 |
| G | Current portion of non-current debt | (22) | 7,916,667 | 9,206,666 |
| H | Other current debt | (23) | 1,522,607 | 1,435,138 |
| I | Financing from subsidiaries | (22) | 3,592,728 | 5.,000,000 |
| **J** | **Current debt (F+G+H+I)** | | **31,170,968** | **16,641,803** |
| **K** | **Current net debt (I-E-D)** | | **29,163,147** | **16,013,935** |
| L | Non-current bank debt | (14) | 106,663,016 | 90,422,951 |
| M | Other non-current debt | (15) | 8,943,238 | 8,488,575 |
| **N** | **Non-current debt (L+M)** | | **115,606,254** | **98,911,527** |
| **O** | **Total Net Debt (K+N)** | | **144,769,401** | **114,925,462** |

The net financial position does not include intergroup financial receivables (Euro 93,393 thousand at 31 December 2008 and Euro 106,773 thousand at 31 December 2007) as these receivables are not fixed term.

## GUARANTEES AND COMMITMENTS

Guarantees and commitments given by the Company at 31 December 2008 are shown in the following table:

| DESCRIPTION | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Guarantees given to credit institutions | 141,961,116 | 190,593,082 | (48,631,966) |
| Guarantees given to insurance companies | 82,109,927 | 11,120,958 | 70,988,970 |
| Guarantees given to third-parties | 51,487,519 | 28,062,912 | 23,424,607 |
| Commitments to third-parties | 434,223 | 434,223 | - |
| Leasing contracts to expiry | 5,218,434 | 8,978579 | (3,760,145) |
| **TOTAL** | **281,211,219** | **239,189,754** | **42,021,466** |

The decrease in guarantees given to credit institutions reflects a concentration of non-current financial exposure in the Parent Company; previously, these were in the individual subsidiaries and were guaranteed by the Company.
The increase in guarantees to insurance companies is in US dollars and is a guarantee given in 2008 to some leading American insurance companies on behalf of the indirect subsidiary Trevi Icos Corporation, for the contract for the repair of the Tuttle Creek dam in Missouri and of the Wolf Creek dam.
These guarantees decrease in relation to the remaining work still to be carried out at the end of each financial year.
The entry, guarantees given to third-parties, refers to trade guarantees (mainly for participating in construction tenders, for good execution and for contract pre-payments) issued on behalf of subsidiaries.
It includes the guarantee given to SIMEST S.p.A. (Società Italiana per le Imprese all'Estero) for a total of Euro12,163,907 (of which Euro 8,777,774 as a capital guarantee and Euro 3,386,133 for the related expenses).
In 2006, SIMEST S.p.A. subscribed to a share capital increase in the subsidiary, Petreven C.A., guaranteed by a re-purchase option of the Parent Company from 30 June 2010, for 25,557 shares for a total of VEB 24,700,073,790, equivalent to 15.93% of the share capital.
Given the adoption of IAS / IFRS accounting standards and the desire of SIMEST S.p.A. to start taking shareholdings in Italian companies outside Italy as part of its financing agreements, it should be noted that the aforementioned contract was underwritten not only by the Company but also by the subsidiary, Petreven C.A.
The contract requires that the costs of the services provided by SIMEST S.p.A. are incurred by the foreign subsidiary and that the Parent Company, under IAS / IFRS accounting standards, will act as the guarantor of a financing agreement, including the related costs, granted to a foreign subsidiary.
This financing is included in non-current bank debt in the Consolidated Financial Statements of the Group.
The entry, commitments to third-parties, as in the previous financial year, relates exclusively to the commitment given to the subsidiary Soilmec S.p.A. for the purchase of the 1.75% stake it holds in Drillmec S.p.A.
Leasing contracts to expiry represents the total value of hire charges to expiry owed to leasing companies from 2009 onwards.
Details of the time to expiry of existing contracts are given in the following table:

| DESCRIPTION | Within 12 months | From 1-5 years | Beyond 5 years |
|---|---|---|---|
| Laesing contracts to expiry | 3,208,157 | 2,010,277 | - |

Payments under leasing contracts are indexed to the prevailing EURIBOR.
Third-parties (mainly banks and insurance companies) have given third-party guarantees on behalf of TREVI - Finanziaria Industriale S.p.A. for a total of Euro 26,876 thousand (Euro 18,818 thousand at year-end 2007).

With regard to the mortgage loan agreed with Interbanca S.p.A., the residual amount of which is Euro 5.625,000 (original value Euro 15,000,000), the subsidiary Soilmec S.p.A. gave the bank a secondary guarantee, which at the current date is a primary guarantee, worth Euro 30,000,000 on its production facility at Cesena.

# NOTES TO THE INCOME STATEMENT

Further details and information on the 2008 Income Statement are given below.

## (25) Revenues from sales and services

Revenues from sales and services were Euro 12,055 thousand at 31 December 2008, a year-on-year increase of Euro1,715 thousand on the Euro 10,341 thousand of 2007.
The breakdown of revenues is shown in the following table:

| DESCRIPTION | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Revenues from equipment hire | 6,108,889 | 6,404,536 | -295,647 |
| Revenues from commissions on guarantees | 819,804 | 536,939 | 282,865 |
| Revenues from services to subsidiaries | 5,126,703 | 3,399,250 | 1,727,453 |
| **TOTAL** | **12,055,396** | **10,340,725** | **1,714,671** |

The breakdown of revenues by geographical area is shown in the following table:

| GEOGRAPHICAL BREAKDOWN | 31/12/2008 | % | 31/12/2007 | % |
|---|---|---|---|---|
| Italy | 5,262,933 | 43.66% | 3,484,753 | 33.70% |
| Europe (ex-Italy) | 2,812 | 0.02% | 164,775 | 1.59% |
| USA and Canada | 103,604 | 0.86% | 91,903 | 0.89% |
| Latin America | 3,822,983 | 31.71% | 5,241,642 | 50.69% |
| Africa | - | 0.00% | - | 0.00% |
| Asia | 2,863,063 | 23.75% | 1,357,651 | 13.13% |
| **TOTAL** | **12,055,396** | **100%** | **10,340,725** | **100%** |

The revenues are almost exclusively from companies of the Group.
The increase in revenues from commissions on guarantees is due to the strong growth in the business of the Group.
Revenues from services to subsidiaries includes revenues for services carried out by employees at the headquarters and the increase in this figure is due to the growth in services supplied by the Parent Company.

## (26) Other operating revenues

Other operating revenues were Euro 1,483 thousand at year-end 2008 compared to Euro 3,071 thousand at year-end 2007, a decrease of Euro 1,588 thousand.
Details of this entry are given in the following table:

| DESCRIPTION | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Rental revenues | 934,825 | 893,490 | 41,335 |
| Recovery of costs | 54,379 | 915,491 | (861,112) |
| 2007 results of U.T.E. TREVI S.p.A.- TREVI - Fin.-Sembenelli-Venezuela | - | 1,075,606 | (1,075,606) |
| Other | 493,631 | 185,962 | 307,669 |
| **TOTAL** | **1,482,835** | **3,070,549** | **(1,587,714)** |

The entry, rental revenues, is mainly rental costs charged to the subsidiary Drillmec S.p.A. for renting the production facility in Gariga di Podenzano (PC).
The entry, recovery of costs, is mainly for the reallocation of costs to subsidiary companies for transport of leased equipment.
The entry, 2007 results of UTE TREVI S.p.A. - TREVI – Finanziaria Industriale S.p.A. – Sembenelli S.r.l. - Venezuela, which does not appear in the 2008 Financial Statements, is the portion of 2007 profit belonging to the Company. The consortium carried out the repair work on the dam known as "Borde Seco" in Venezuela.
The entry, other, comprises mainly write-backs of excess tax provisions made in previous financial years.

## (27) Raw materials and consumables

The costs for raw materials and consumables were Euro 64 thousand in 2008 compared to Euro 28 thousand in 2007, an increase of Euro 35 thousand mainly due to petrol costs for vehicles used by various employees.

## (28) Personnel expenses

Personnel expenses totalled Euro 4,603 thousand in 2008 compared to Euro 3,691 thousand in 2007, an increase of Euro 912 thousand due to increase in employees.
The details of personnel expenses are summarised in the following table:

| DESCRIPTION | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Salaries | 3,282,857 | 2,761,794 | 521,063 |
| Social security costs | 1,051,721 | 838,707 | 213,014 |
| Staff termination indemnity fund | 268,108 | 90,571 | 177,538 |
| **TOTAL** | **4,602,687** | **3,691,072** | **911,615** |

At 31 December, employees numbered 53, of which nine were managers, twelve qualified personnel and thirty-two support staff.
The average number of employees in 2008 was forty-seven: seven managers, twelve qualified personnel and twenty-eight support staff.
The changes in these figures during 2008 are shown in the following table:

| DESCRIPTION | 31/12/2008 | Increase | Decrease | 31/12/2007 |
|---|---|---|---|---|
| Managers | 9 | 4 | - | 5 |
| Qualified staff | 12 | - | - | 12 |
| Support staff | 32 | 11 | 2 | 23 |
| **TOTAL** | **53** | **15** | **2** | **40** |

## (29) Other operating expenses

Other operating expenses were Euro 7,400 thousand compared to Euro 6,497 thousand in 2007, an increase of Euro 903 thousand.
The breakdown of other operating expenses is shown in the following table:

| DESCRIPTION | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Expenses for third-party services | 3,310,173 | 3,149,083 | 161,090 |
| Expenses for use of third-party assets | 3,738,247 | 3,115,728 | 622,519 |
| Other operating expenses | 351,085 | 231,824 | 119,261 |
| **TOTAL** | **7,399,505** | **6,496,635** | **902,870** |

Details of expenses for third-party services are shown in the following table:

| EXPENSES FOR THIRD-PARTY SERVICES | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Directors remuneration | 575,600 | 565,000 | 10,600 |
| Statutory Auditors' remuneration | 52,000 | 50,000 | 2,000 |
| Telephone and postal services | 67,208 | 45,573 | 21,635 |
| Legal, administrative and technical consultancy | 1,278,839 | 1,371,404 | (92,565) |
| Computerised data control maintenance | 605,630 | 355,812 | 249,818 |
| Travel and accommodation | 359,086 | 273,071 | 86,015 |
| Insurance | 81,198 | 59,306 | 21,892 |
| Transport | 28,644 | 166,903 | (138,259) |
| Advertising and communication | 105,928 | 116,857 | (10,929) |
| Social Security contributions for independent workers | 37,979 | 34,265 | 3,715 |
| Bank expenses and commission | 28,616 | 50,130 | (21,513) |
| Other | 89,445 | 60,763 | 28,682 |
| **TOTAL** | **3,310,173** | **3,149,083** | **161,091** |

Costs for computerised data control maintenance are for work carried out for the development and maintenance of the Group Information System which is centralised within TREVI – Finanziaria Industriale S.p.A.

The breakdown of expenses for use of third-party assets is shown in the following table:

| EXPENSES FOR USE OF THIRD-PARTY ASSETS | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Equipment hire | 3,293,358 | 3,081,313 | 212,045 |
| Rents | 103,114 | 24,600 | 78,514 |
| Work carried out on leased properties | 316,398 | - | 316,398 |
| Other | 25,377 | 9,815 | 15,562 |
| **TOTAL** | **3,738,247** | **3,115,728** | **622,520** |

Work carried out on leased properties refers to restructuring and refurbishment of offices rented in the area of Pievesestina di Cesena during 2008.
A breakdown of other operating expenses is shown in the following table:

| OTHER OPERATING EXPENSES | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Taxes other than income tax | 194,916 | 213,939 | (19,023) |
| Other expenses | 36,554 | 17,886 | 18,668 |
| Capital loss on sales of assets | 94,133 | - | 94,133 |
| Result for the financial period 2007 of U.T.E. TREVI S.p.A.- TREVI - Fin.-Sembenelli- Venezuela | 25,482 | - | 25,482 |
| **TOTAL** | **351,085** | **231,824** | **119,261** |

In the 2007 financial year, UTE TREVI S.p.A., - TREVI – Finanziaria Industriale S.p.A. – Sembenelli S.r.l. made a profit; in 2008, the consortium reported a loss mainly due to current operating expenses.
The capital loss is due to the sale of the R/822 hydraulic drill to Swissboring Overseas Co. Ltd. and of the sale of drill shafts to the subsidiary, Petreven C.A.

## (30) Depreciation

In 2008, depreciation was Euro 1,936 thousand compared to Euro 1,773 thousand in 2007, an increase of Euro 163 thousand, as shown in the following table:

| DESCRIPTION | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Depreciation of intangible fixed assets | 165,946 | 156,677 | 9,269 |
| Depreciation of tangible fixed assets | 1,770,391 | 1,616,396 | 153,995 |
| **TOTAL** | **1,936,337** | **1,773,073** | **163,264** |

Further details are given in the notes on intangible and tangible fixed assets.

## (31) Financial revenues

Financial revenues totalled Euro 17,922 thousand, compared to Euro 15,763 thousand in 2007, an increase of Euro 2,160 thousand.
Details of financial revenues are shown in the following table:

| DESCRIPTION | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Income from investments | 11,727,533 | 9,233,790 | 2,493,743 |
| Income from receivables entered in fixed assets | 5,576,635 | 6,071,644 | (495,010) |
| Other income | 617,987 | 457,148 | 160,839 |
| **TOTAL** | **17,922,155** | **15,762,582** | **2,159,573** |

Income from investments relate entirely to dividends received in 2008 from the subsidiaries Soilmec S.p.A. (Euro 4,850 thousand) and Drillmec S.p.A. (Euro 6,878 thousand). The increase compared to 2007 reflects the significant improvement in the results of these subsidiaries.
Income from receivables entered in fixed assets is interest receivable from financing provided by the Company to its subsidiaries; the interest rates applied are at market rates. The reduction in this entry is due to the decrease in financing to subsidiaries.
Other income is mainly bank interest received and the Company's share of interest rate hedging transactions.

## (32) Financial expenses

Financial expenses were Euro 7,373 thousand in 2008 compared to Euro 6,616 thousand in 2007, an increase of Euro 756 thousand. The breakdown of financial expenses is shown in the following table:

| DESCRIPTION | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Bank interest | 5,850,346 | 5,454,215 | 396,131 |
| Commission and bank charges | 580,340 | 730,585 | (150,246) |
| Interest payable to leasing companies | 617,586 | 419,790 | 197,795 |
| Interest on loans from subsidiaries | 106,814 | 11,663 | 95,151 |
| Interest payable on other financing | 217,604 | - | 217,604 |
| **TOTAL** | **7,372,689** | **6.616.253** | **756,436** |

The increase in interest payable in 2008 compared to 2007 is mainly due to the increase in non-current financing taken out by the Parent Company to support the industrial development plan of the entire Group. The entry also includes the interest payable on the Indirect Convertible Loan, Euro 1.307 million of notional expenses; the entry, commissions and bank charges, includes the attributable portion of Euro 350 thousand of commissions relating to the Convertible Bond Loan.
The entry, interest on payables to subsidiaries, refers to the financing in US Dollars provided by the subsidiary, Drillmec S.p.A.
Interest payable on other financing is linked to the payment in instalments of IRES and IRAP taxes.

## (33) Gains (losses) on exchange rates

Net losses on exchange rates were Euro 668 thousand in 2008 compared to Euro 17 thousand in 2007, an increase of Euro 651 thousand.

| DESCRIPTION | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| Gains (losses) on exchange rates | (668,285) | (16,962) | (651,323) |
| **TOTAL** | **(668,285)** | **(16,962)** | **(651,323)** |

The figure is mainly due to the long-term hedging of open Euro/US Dollar positions of the Company and subsidiaries.

## (34) Income taxes

The provision for income taxes was determined on the basis of the likely tax burden. The income tax balance was positive for Euro 3 thousand in the 2008 financial year, a reduction in the total income tax liability of Euro496 thousand.
A breakdown of this entry is shown in the following table:

| DESCRIPTION | 31/12/2008 | 31/12/2007 | change |
|---|---|---|---|
| IRES tax for the period | 92,963 | 1,490,607 | (1,397,644) |
| IRAP tax for the period | 199,008 | 326,356 | (127,348) |
| Substitute taxes for tax adjustments | - | 291,297 | (291,297) |
| Deferred taxes | (315,298) | (1,578,090) | 1,262,792 |
| Pre-paid taxes | 20,252 | (37,743) | 57,995 |
| **TOTAL** | **(3,075)** | **492,428** | **(495,503)** |

Current taxes were calculated using a 27.50% taxable rate for IRES and 4.82% for IRAP.
Deferred and pre-paid taxes are calculated on the basis of a total tax rate of 32.32% ruling since the start of the 2008 financial year.
The entry, substitute taxes for tax adjustments, in the 2007 Financial Statements, refers to the adjustment of assets in accordance with the Finance Law 2008 Article 1, paragraph 48, which allows accounting and fiscal depreciation to be adjusted to 31 December 2007 with a related waiver of the substitute tax.
The main components of income taxes in the 2008 and 2007 financial years are shown in the following table:

| | 2008 | 2007 |
|---|---|---|
| **Income Statement** | | |
| Current taxes | | |
| Current taxes | 115,552 | 1,239,897 |
| Current CFC taxes | 176,419 | 649,398 |
| Substitute taxes for tax adjustments due to the framework law on the economy | 0 | 291,298 |
| Adjustments to previous years current taxes | 0 | |
| Income from tax consolidation | 0 | (72,332) |
| Deferred taxes | | |
| Related to the existence of and reversal of timing differences | (295,046) | (1,615,833) |
| **Taxes on profit in the Income Statement** | **(3,075)** | **492,428** |
| Changes in net equity | | |
| Deferred taxes for items taken directly to equity | 1,420,850 | 0 |

It is worth highlighting that the most significant reduction in tax is Euro 11.150, equal to 95% of the dividends received in the 2008 financial year by TREVI Finanziaria from its subsidiaries Soilmec S.p.A. and Drillmec S.p.A; this change led to a fiscal loss.
Taxes for the year were calculated by taking as non-deductible the estimated costs and expenses for the 2008 taxable period, equivalent to Euro 1.306 million, which are linked to the convertible bond loan issued on 30 November 2006; these are equal to the difference between the facilitated rate of about 2.5%, applicable on the convertible bond loan, and the normal market rates. These costs were recognised in the Income Statement in accordance with IAS 39.
Since, at the approval date of the 2008 Financial Statements, there exists some doubt concerning the fiscal treatment of these costs, since the Decree of the Ministry of Economy and Finance containing the adoption procedures for the standards in paragraphs 58 and 59 of Article 1 of the Law of 24 December 2007, no. 244 concerning the income of subjects required to adopt the International Accounting Standards (henceforward the "Decree"), has yet to be approved (it is currently being examined by the Council of State), the Company has decided to consider the aforementioned costs as non-deductible against Company income. The Company proposes to analyse the matter as soon as the necessary and relevant legislative clarifications become available.

The reconciliations between the IRES tax accounted and the theoretical charge deriving from the application to the pre-tax profit of the fiscal rate ruling at the balance sheet dates of 2008 and 2007 are as follows:

## Current taxes

| | 31/12/2008 | | 31/12/2007 | |
|---|---|---|---|---|
| | | | Importo | % |
| **Pre-tax profit** | **9,417,353** | | **10,551,550** | |
| Ordinary rate applicable | | 27.5% | | 33.0% |
| | | | | |
| Effect of increases (decreases): | | | | |
| -Temporary differences | (237,806) | | (498,507) | |
| -Permanent differences | (9,483,023) | | (7,284,737) | |
| | | | | |
| **IRES taxable income** | **(303,476)** | | **2,768,306** | |
| | | | | |
| **Taxes / Effective rate** | **(83,456)** | **(0.89%)** | **913,541** | **8.66%** |
| **CFC tax** | **176,419** | | **649,398** | |

| | 2008/12/2008 | | 31/12/202007 | |
|---|---|---|---|---|
| | | | Importo | % |
| **Pre-tax profit** | **9,417,353** | | **10,551,550** | |
| Ordinary rate applicable | | 3.90% | | 4.25% |
| Increase for financial entities in Emilia Romagna | | 4.82% | | 5.25% |
| | | | | |
| Effect of increases (decreases): | | | | |
| -Personnel expenses | 4.602,686 | | 3,691,072 | |
| -Net financial/extraordinary results | (11,059,248) | | (9,251,144) | |
| -Changes (temporary and permanent) | 2,752,306 | | 1,945,620 | |
| | | | | |
| | | | | |
| **IRAP gross taxable base** | **5,713,097** | | **6,937,098** | |
| | | | | |
| Deductions | 1,163,868 | | 720,794 | |
| | | | | |
| **IRAP net taxable base** | **4,549,229** | | **6,216,304** | |
| | | | | |
| Substitute tax credit on 2008 assets sales | (20,265) | | | |
| | | | | |
| **Tax / Effective rate** | **199,008** | **2.12%** | **326,356** | **3.10%** |

## Deferred taxes

Deferred taxes at 31 December 2008 were as follows:

| | Balance Sheet | Income Statement | Balance Sheet | Income Statement |
|---|---|---|---|---|
| **Entries that generate deferred taxes:** | **31/12/2007** | **31/12/2007** | **31/12/2008** | **31/12/2008** |
| | | | | |
| **Payables** | | | | |
| Convertible bond loan | (1,824,224) | 492,852 | (1,401,844) | 422,380 |
| Increase for adjustment to deferred taxes on property lease agreements (deducted from net equity) | 0 | 0 | (1,420,850) | 0 |
| - Discrepancies between fisal depreciation provsions and depreciation provisiona under IAS | (1,417,311) | 1,125,489 | (1,466,790) | (49,480) |
| - Capital gains in instalments | (379) | | (189) | 195 |
| - Unrealised gains on exchange rates | (103,701) | (23,547) | (119,150) | (15,449) |
| Derivative instruments | (31,904) | (10,311) | (92,078) | (60,174) |
| TFR payables | (19,783) | (6,393) | 0 | 19,783 |
| Dividends receivable but accounted for and taxed at 5% | 0 | 0 | (1,957) | (1.957) |
| **Total payables** | **(3,397,302)** | **1,578,090** | **(4,502,859)** | **315,298** |
| | | | | |
| | | | | |
| **Receivables** | | | | |
| - Representation expenses ANTE 2008 Ires Irap | 1,420 | 3,263 | 904 | (516) |
| - Unrealised losses on exchange rates | 154,105 | 34,480 | 134,369 | (19,736) |
| Total receivables | 155,525 | 37,743 | 135,273 | (20,252) |
| | | | | |
| **TOTAL** | **(3,241,776)** | **1,615,833** | **(4,367,586)** | **295,046** |

Pre-paid tax assets are entirely provided for as there is a reasonable certainty that they will be recouped in future financial periods; they derive from the application of IRES at 27.5% and IRAP at 4.82%.

## (35) Earnings per share

The Company has chosen to show information concerning earnings per share exclusively in the Group Consolidated Financial Statements in accordance with IAS 33.

# OTHER INFORMATION

No financial expenses were capitalised in the 2008 financial period or in the preceding year.
At 31 December 2008, the Company had an Interest Rate Swap contract with a leading financial counterpart exclusively to hedge existing operations and not held for trading:
Euro2,942.033 (originally Euro 9,775,196) Interest Rate Swap on the depreciation plan of a leasing contract of five years duration expiring 22/12/2009. This has been accounted for as a cash flow hedge as it is an effective hedge under IAS 39.
At the balance sheet date, the Company had three put contracts with leading financial counterparts for a total of US$ 5,500,000, due to expire during 2009. The mark to market fair value of these was Euro 239,392. The fair value of a fixed term contract is calculated as the difference between an exchange rate at the end of the contract and one of an opposite sign of equal value and with the same expiry date, calculated at the year-end exchange rates and at the differential rate of interest at 31 December.
At the balance sheet date, the Company also had a hedging contract for the payment of sums related to the business in Colombia for a total of US$ 1,914,236, due to expire in 2009 which had a mark to market fair value that was negative for Euro 80,112.
The accounting effects of these operations have already been described in these Notes to the Accounts.

## Related party transactions

Related party transactions at 31 December 2008 are shown in the following table:

| Subsidiary | Year | Revenues | Expenses | Financial income | Financial expenses | Trade receivables and other | Trade payables and other | Financial receivables | Financial payables |
|---|---|---|---|---|---|---|---|---|---|
| TREVI SPA | 2008 | 2,667,845 | | 4,291,950 | | 9,377,057 | 1,599,011 | 67,041,046 | |
| | 2007 | 2,607,788 | | 4,683,940 | | 9,267,949 | 545,879 | 81,824,381 | |
| SOILMEC SPA | 2008 | 1,368,795 | 59,802 | 4,850,000 | | 5,103,615 | 95,865 | | |
| | 2007 | 638,732 | 26,400 | 7,760,000 | 11,663 | 8,844,818 | 215,281 | | 5,000,000 |
| DRILLMEC SPA | 2008 | 1,646,142 | | 8,035,470 | 106,814 | 11,014,473 | 142,848 | 22,500,000 | 3,592,728 |
| | 2007 | 1,516,771 | | 2,823,675 | | 7,925,764 | 42,552 | 24,500,000 | |
| TREVI ENERGY SPA | 2008 | 88,476 | | 6,133 | | 52,189 | 232,975 | | |
| | 2007 | 478,840 | | | | 270,739 | | | |
| TREVI CONSTRUCTION CO. LTD. | 2008 | 54,035 | | | | 34,064 | | | |
| | 2007 | 14,039 | | | | 1,378 | | | |
| TREVI ICOS CORPORATION | 2008 | 103,604 | | | | 2,892 | | | |
| | 2007 | 91,903 | | | | 22,833 | | | |
| TREVI CONTRACTORS B.V. | 2008 | | | | | | | | |
| | 2007 | | | 12,021 | | | | | |
| PETREVEN C.A. | 2008 | 1,306,815 | 23,528 | 97,493 | | 2.789,118 | | 3,592,728 | |
| | 2007 | 1,220,189 | | | | 1.338,868 | | | |
| PETREVEN C.A. – SUCC. COLOMBIA | 2008 | 586,811 | | | | 935,033 | | | |
| | 2007 | 448,750 | | | | 344,776 | | | |
| PETREVEN C.A. – SUCC. PERU | 2008 | 75,003 | | | | 169,915 | | | |
| | 2007 | 76,582 | | | | 94,913 | | | |
| PETREVEN U.T.E. | 2008 | 2,127,281 | | | | 5.318,269 | | | |
| | 2007 | 2,044,886 | | | | 4.231,988 | | | |
| PILOTES TREVI SACIMS | 2008 | | | 23,089 | | 4,115 | 15,169 | 258,676 | |
| | 2007 | | | 25,798 | | 51,457 | | 448,339 | |
| TREVI CIMENTACIONES S.A. | 2008 | 38,459 | | | | 37,651 | | | |
| | 2007 | | | | | - | | | |
| SWISSBORING OVERSEAS CORP. LTD | 2008 | 1,311,424 | 70,604 | | | 552,209 | | | |
| | 2007 | 1,475,234 | | | | 356,682 | | | |
| SWISSBORING & CO LLC - OMAN | 2008 | 4,972 | | | | 1,313 | | | |
| | 2007 | 5,407 | | | | 1,325 | | | |
| SWISSBORING QATAR WLL | 2008 | 40,075 | | | | 29,436 | | | |
| | 2007 | 5,463 | | | | 2,654 | | | |
| INTERNATIONAL DRILLING TECHNOLOGIES FZCO | 2008 | 1,463,253 | | | | 425,181 | | | |
| | 2007 | 1,359,781 | | | | 758,689 | | | |
| R.C.T. SRL | 2008 | 17,167 | | | | 58,013 | 1,107 | | |
| | 2007 | 6,738 | | | | 1,580 | 115,677 | | |
| SOILMEC DEUTSCHLAND GMBH | 2008 | 2,812 | | | | 1,406 | | | |
| | 2007 | | | | | - | | | |
| SOILMEC FRANCE SAS | 2008 | 85,348 | | | | 85,346 | | | |
| | 2007 | 86,021 | | | | 86,021 | | | |
| SOILMEC LTD | 2008 | 56,283 | | | | 57,596 | | | |
| | 2007 | 78,753 | | | | 80,066 | | | |
| CONSORZIO BORDE SECO | 2008 | | 25,484 | | | | 1,716,663 | | |
| | 2007 | 1,075,606 | | | | | 1,598,821 | | |
| **TOTAL SUBSIDIARIES** | **2008** | **13,044,600** | **179,418** | **17,304,135** | **106,814** | **36,048,891** | **3,803,638** | **93,392,451** | **3,592,728** |
| | **2007** | **13,231,483** | **26,400** | **15,305,434** | **11,663** | **33,682,500** | **2,518,210** | **106,772,720** | **5,000,000** |

| ASSOCIATES | Year | Revenues | Expenses | Financial income | Financial expenses | Trade receivables and other | Trade payables and other | Financial receivables | Financial payables |
|---|---|---|---|---|---|---|---|---|---|
| ROMA PARK SRL | 2008 | | | | | 17,697 | | | |
| | 2007 | 4,000 | | | | 17,697 | | | |
| PARCHEGGI SPA | 2008 | 41,213 | | | | 61,885 | | | |
| | 2007 | 26,000 | | | | 19,053 | | | |
| I.F.C. LTD | 2008 | | | | | | | | |
| | 2007 | | | | | 180 | | | |
| **TOTAL ASSOCIATES** | **2008** | **41,213** | **-** | **-** | **-** | **79,582** | **-** | **-** | **-** |
| | **2007** | **30,000** | **-** | **-** | **-** | **36,930** | **-** | **-** | **-** |

There were no transactions between the Company and the controlling Company, TREVI Holding Aps, which has registered offices in Copenhagen, Denmark.

The related party transactions were all carried out at normal market conditions and, therefore, at conditions that would apply between independent parties. Market prices are applied to all transactions whether they are of a commercial or of a financial nature. Non-interest bearing loans are only given as pro-quota financing by members of a consortium to the consortium; this results in an increase in expenses of a similar amount, which is charged by the consortium to the consortium members. If these loans are for more than one year, the net present value is calculated and recognized in the financial statements of the Company. In addition to financial services, the Company also supplies administrative and information services to some of the companies of the Group.
Below is a list of the main centralized service contracts with other Group companies:
integrated business management software and information services;
Group communication services;
Design, research and development services;
Human resources and personnel management services;
Administration, fiscal and treasury administration services.
The Company also carries out the following activities:
equipment hire for foreign subsidiaries
investment management and financing for Italian and foreign subsidiaries.

At 31 December 2008, the Board of Directors was composed of nine members.
They were appointed by the Shareholders' Meeting of 7 May 2007 and will remain in office for three years, until the approval of the Financial Statements at 31 December 2009.

The Directors received compensation and remuneration totalling Euro 575,600.
In accordance with Consob regulations, details of the remuneration paid to by the Company and its subsidiaries to the Directors and/or the Statutory Auditors of the Company are shown in the following table.

| Surname and name | Position | Length of appointment (months) | Remuneration from the Company | Remuneration from subsidiaries | Total |
|---|---|---|---|---|---|
| Trevisani Davide | Chairman of the Board and Managing Director | 12 | 150,000 | 293,000 | 443,000 |
| Trevisani Gianluigi | Vice President of the Board and Managing Director | 12 | 135,000 | 303,000 | 438,000 |
| Trevisani Cesare | Managing Director | 12 | 180,000 | 178,000 | 358,000 |
| Trevisani Stefano | Managing Director | 12 | 100,000 | 147,000 | 247,000 |
| Pinza Riccardo | Director | 12 | 30,000 | - | 30,000 |
| Moscato Guglielmo | Director | 12 | 30,000 | - | 30,000 |
| Teodorani Fabbri Pio | Director | 12 | 30,000 | - | 30,000 |
| Bocchini Enrico | Director | 12 | 30,.000 | - | 30,000 |
| Mosconi Franco | Director | 12 | 30,000 | - | 30,000 |
| **TOTAL** | | | **715,000** | **921,000** | **1,636,000** |

The amounts indicated for the Directors, Cesare Trevisani and Stefano Trevisani, include the salaries they were paid as employees of the Parent Company.
The Directors received no non-monetary benefits, stock options, bonuses or other incentives.
The Company Articles give the Board of Directors the right to appoint an Executive Committee. This right has not been exercised by the current Board of Directors.
The remuneration of the Statutory Auditors totalled Euro 52,600.

| Surname and name | Position | Length of appointment (months) | Remuneration from the Company | Remuneration from subsidiaries | Total |
|---|---|---|---|---|---|
| Leonardi Adolfo | Chairman of the Board of Statutory Auditors | 12 | 20,800 | 20,000 | 40,800 |
| Alessandri Giacinto | Auditor | 12 | 15,600 | 11,000 | 26,600 |
| Poletti Giancarlo | Auditor | 12 | 15,600 | 15,000 | 30,600 |
| **TOTAL** | | | **52,000** | **46,000** | **98,000** |

The mandate of the Board of Statutory Auditors, appointed at the Shareholders' Meeting of 7 May 2007, expires with approval of the Financial Statements at 31 December 2009.
The total remuneration paid by the Company and its subsidiaries to Reconta Ernst & Young S.p.A., appointed for nine years at the Shareholders' Meeting of 29 April 2008, and to PricewaterhouseCoopers S.p.A., the auditing company whose mandate ended with the verification of the first quarter 2008 results, is shown in the following table as required by Article 160 c. 1-bis No. 303 Law 262 of 28/12/2005 integrated by Decree Law 29/12/2006.

| Service provider | 31/12/2008 | |
|---|---|---|
| | Audit – Control | TOTAL |
| | (Euro) | (Euro) |
| PricewaterhouseCoopers SpA | 54,048 | 54,048 |
| Reconta Ernst& Young SpA | 141,844 | 141,844 |
| **TOTAL** | **195,892** | **195,892** |

The Shareholders' Meeting of 29 April 2008, following that of 7 May 2007, renewed the authority given the Board of Directors to purchase a maximum of 2,000,000 treasury shares; at 31 December 2008, 773,389 shares had been purchased for a total investment of Euro 8.847 million.

The Chairman of the Board of Directors
DAVIDE TREVISANI

**Attestation of the Financial Statements in accordance with Article 81-ter of Consob ruling no. 11971 of 14 May 1999 and subsequent modifications**

The signatories Davide Trevisani, Chairman and Managing Director, Gianluigi Trevisani, Managing Director, Cesare Trevisani, Managing Director, Stefano Trevisani, Managing Director and Daniele Forti, Group Chief Financial Officer and in the role of Manager for Preparation of Company Accounts for TREVI – Finanziaria Industriale S.p.A., in accordance with Article 154-bis, paragraphs 3 and 4 of the Decree Law of 24 February 1998, no.58 attest to:

- the appropriateness to the nature of the business and
- the effective application of the administrative and accounting procedures for the preparation of the Financial Statements for the financial period of 2008.

They also attest that the Financial Statements to 2008:

a. have been prepared in accordance with applicable International Accounting Standards recognised by the European Community under Ruling (EC) no. 1606/2002 of the European Parliament and Council of 19 July 2002.
b. correspond to the results written in the company accounts and books;
c. are adequate to give a true and fair view of the capital, economic and financial position.

The interim review of operations refers to important events that have occurred in the financial year and their impact on the financial statements, together with a description of the principal risks and uncertainties for the remaining of the financial year.

Cesena, March 30, 2009

Davide Trevisani
CHAIRMAN

Daniele Forti
Group CFO

Gianluigi Trevisani
CEO & DIRECTOR

Cesare Trevisani
CEO & DIRECTOR

Stefano Trevisani
CEO & DIRECTOR

Cap. Sociale Euro 32.000.000,00 interamente versato R.E.A. C.C.I.A.A. Forlì-Cesena n° 201271 Iscrizione Registro delle imprese di Forlì-Cesena Codice Fiscale / Partita IVA n° 01547370401 Iscrizione Ufficio Italiano Cambi N. 6081

ERNST & YOUNG

**Independent auditors' report**
**pursuant to Article 156 of Legislative Decree No. 58 of February 24, 1998**
**(Translation from the original Italian text)**

To the Shareholders
of TREVI – Finanziaria Industriale S.p.A.

1. We have audited the financial statements of TREVI - Finanziaria Industriale S.p.A. as of and for the year ended December 31, 2008, comprising the balance sheet, the statement of income, changes in shareholders' equity and cash flows and the related explanatory notes. The preparation of these financial statements in compliance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree n° 38/2005 is the responsibility of the TREVI – Finanziaria Industriale S.p.A.'s management. Our responsibility is to express an opinion on on these financial statements based on our audit.

2. Our audit was made in accordance with auditing standards and procedures recommended by CONSOB (the Italian Stock Exchange Regulatory Agency). In accordance with such standards and procedures, we planned and performed our audit to obtain the information necessary to determine whether the financial statements are materially misstated and if such financial statements, taken as a whole, may be relied upon. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, as well as assessing the appropriateness and correct application of the accounting principles and the reasonableness of the estimates made by management. We believe that our audit provides a reasonable basis for our opinion.

   For the opinion on the financial statements of the prior year, which are presented for comparative purposes, reference should be made to the auditors' report dated April 14, 2008, issues by other auditors.

3. In our opinion, the financial statements of TREVI - Finanziaria Industriale S.p.A. at December 31, 2008 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with art. 9 of Italian Legislative Decree n° 38/2005; accordingly, they present clearly and give a true and fair view of the financial position, the results of operations, the changes in shareholders' equity and the cash flows of TREVI - Finanziaria Industriale S.p.A. for the year then ended.

4. The management of TREVI – Finanziaria Industriale S.p.A. is responsible for the preparation of the Board of Directors Review of Operations in accordance with the applicable laws and regulations. Our responsibility is to express an opinion on the consistency of the Board of Directors Review of Operations with the financial statements as required by art. 156, paragraph 4-bis, letter d) of the Legislative Decree 58/98. For this purpose, we have performed the procedures required under Auditing Standard n. 001 issued by the Italian Accounting Profession (CNDCEC) and recommended by CONSOB. In our opinion the Board of Directors Review of Operations is consistent with the financial statements of TREVI – Finanziaria Industriale S.p.A. as of December 31, 2008.

Bologna, April 14, 2009

Reconta Ernst & Young S.p.A.
signed by: Gianluca Focaccia, partner

# RESOLUTIONS OF THE SHAREHOLDERS' MEETING DATED 30th APRIL 2009

The year two thousand nine, on the 30th day of the month of April at 11 o'clock, at the registered office in Cesena, the Ordinary Shareholders' Meeting of TREVI – Finanziaria Industriale S.p.A was held at first calling, in the presence of Shareholders owning nr. 38,967,643 ordinary shares, representing 60,89% of the capital stock.
The Ordinary Shareholders' Meeting has resolved:

1. To approve the Financial Statement as at 31st December 2008, as well as the Report of the Board of Directors on Operations and to allocate the net profit for the year amounting to Euro 9,420,428 as follows:
   - 5%, that is Euro 471,021, to the legal reserve;
   - Euro 0.12 per share (for a total amount of Euro 7,680,000 ) to the entitled Shareholders, with dividends' detachment date on 13th July 2009 and payment starting from 16th July 2009;
   - The remaining Euro 1,269,407 to the extraordinary reserve.
2. To approve the continuation of the purchasing/ alienation plan of own shares up to a maximum of nr. 2,000,000, equal to 3.125% of the capital stock. The duration of the plan is until 30th April 2010; the maximum equivalent amount is Euro 20, 00 per share; there is no minimum amount.

Gruppo TREVI

Ideazione e progetto grafico:
**Ufficio Comunicazione Gruppo TREVI**

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