

SOGEFI GROUP

**REPORT OF THE BOARD OF DIRECTORS
ON GROUP OPERATIONS
AS OF MARCH 31, 2003**

The poor state of the economy, not helped by the outbreak of war in Iraq, tended to condition the Group's activities during the first quarter of 2003. The already depressed situation in Europe's automotive market continued, turning in a 2.4% decrease in registrations compared with the same period of 2002.

The Italian market progressed by 5.8%, helped by government incentives which ended in March, while France, which is the Group's main market, was penalized with sales contracting by 7.4%.

The Brazilian market went against the flow with a 10% increase in output.

The independent aftermarket, which is the main outlet for the filtration business, has not suffered any serious drop in volumes despite weak demand in the UK, an important market.

In this context, Group revenues came in lower than in the first three months of 2002, mainly because of the impact of devaluation of the Brazilian real, the Pound sterling and the Argentine peso against the Euro. It also has to be borne in mind that the scope of consolidation has been reduced as a result of the sale of ANSA AUTOMOTIVE PARTS DISTRIBUTORS in December 2002 and the closure of KINGDRAGON.IT which has been put into liquidation.

Consolidated revenues amounted to 223.3 million Euro, compared with 232.6 million in the first quarter of 2002, a drop of 4%. At constant exchange rates, sales would have been 238 million, 2.3% better than this time last year.

The benefits deriving from the important restructuring measures carried out last year and stable costs for the main raw materials have led to an improvement in sales margins and result that are in line with 1st quarter 2002, despite the decline in sales.

The gross operating margin (EBITDA) for the quarter came to 30.9 million Euro, the same as in 2002, while it improved as a percentage of sales from 13.3% to 13.8% in 2003.

Consolidated operating income (EBIT) was the same as in 1st quarter 2002 at 17.3 million Euro. It has improved as a proportion of sales from 7.4% to 7.7%.

Income before taxes and minority interests amounted to 13.4 million euro compared with 15.2 million of 2002. Bear in mind that last year's first quarter result benefited from a capital gain of 2.3 million because of the disposal of an industrial building.

Consolidated net income generated during the quarter came to 7.1 million Euro (3.2% of sales), while in first quarter 2002 it came to 7.6 million (3.3%, but 2.7% net of the capital gain).

As a result of the devaluation of certain currencies, **total shareholders' equity**, including minority interests, as of March 31, 2003 amounted to 205.7 million Euro, not as good as the 221.5 million at March 31, 2002, but better than the 200.4 million at December 31, 2002.

Net financial indebtedness at March 31, 2003 is a good deal lower than at the end of 1st quarter 2002. It amounted to 250.6 million Euro, compared with 285.8 million at March 31, 2002 and 241.5 million at December 31, 2002.

Consolidated shareholders' equity at March 31, 2003 came to 192.2 million Euro versus 187.9 million at December 31, 2002 and 209.4 million at March 31, 2002.

The Group's **workforce** at the end of the quarter consisted of 6,667 people, 604 fewer than at March 31, 2002 and another 36 fewer than at December 31, 2002.

PERFORMANCE OF THE FILTRATION DIVISION

The division's consolidated sales for the quarter came to 120.2 million Euro, a reduction of 4.8% on 126.3 million in the first three months of 2002. At constant exchange rates, sales would have amounted to 131.3 million, a 4% increase.

SOGEFI FILTRATION EUROPE had sales of 46 million, down on the 47.1 million in first quarter 2002 because of the depressed state of the markets in Northern Europe.

SOGEFI FILTRATION SOUTH AMERICA achieved sales of 10.3 million, well down on the previous year (14.6 million) because of the exchange effect.

FILTRAUTO improved its turnover slightly to 65.3 million compared with 64.7 million in the same period of 2002.

In any case, the division managed to better the previous year's result in terms of operating profitability, coming in at 8.6% of sales compared with 7.8% in first quarter 2002. Net operating income came to 10.3 million Euro which compares with 9.8 million the previous year.

Despite the drop in sales, the operating income of SOGEFI FILTRATION EUROPE remained stable at 4.8 million, while increasing as a percentage of sales from 10.2% to 10.5% in first quarter 2003.

The operating profitability of FILTRAUTO also improved, going from 3.5 million (5.5% of sales) in first quarter 2002 to 4.5 million (7% of sales) in the quarter under review.

SOGEFI FILTRATION SOUTH AMERICA made net operating income of 0.9 million, compared with 1.5 million in first quarter 2002, falling as a percentage of sales from 10% to 8.9%.

PERFORMANCE OF THE SUSPENSION COMPONENTS AND PRECISION SPRINGS DIVISION

In the suspension business, the Group saw a slight decline in turnover, though less than for the market in general as the Group managed to increase its market share both in the automobile sector and in industrial vehicles.

Total sales came to 102.4 million Euro, 0.8% down on the 103.2 million billed in the first quarter of last year. At constant exchange rates, they would have come to 105.8 million (+2.5%).

ALLEVARD REJNA AUTOSUSPENSIONS closed the quarter with sales of 77.6 million (80.2 in 2002), while the industrial vehicle sector saw a distinct improvement thanks to the higher volumes sold on the German market, mainly to Daimler Chrysler, with revenues of 25.2 million compared with 23.3 million in 2002.

The decline in production volumes in the auto sector hit the company's results as its operating income came to 8.9 million Euro (having been 9.2 million in first quarter 2002). This was 8.7% of sales compared with 9% in the same period last year.

ALLEVARD REJNA AUTOSUSPENSIONS' bottom line was down because of lower margins on torsion bars and precision springs. Net operating income in first quarter 2003 came to 7 million (9% of sales) compared with 8.1 million (10% of sales) in the first quarter

of last year. The industrial vehicles business made operating income during the period that was well up on that of first quarter 2002, coming in at 1.8 million (7% of sales), compared with 0.9 million (4.1% of sales) in first quarter 2002. The rise in profitability was partly due to higher volumes and partly to a better product mix.

OUTLOOK FOR THE REST OF THE YEAR

Even though the first quarter 2003 results are repeating the good level of profitability achieved in 2002, there are still many uncertainties on the international horizon. However, the corrective measures taken last year and those planned for the current year are expected to have a positive impact on this year's results.

ACCOUNTING SCHEDULES

RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

(in thousands of Euro)	1st Quarter 2003		1st Quarter 2002		Change	
	Amount	%	Amount	%	Amount	%
Sales revenues	223,267	100.0	232,633	100.0	(9,366)	(4.0)
Cost of production	163,498	73.2	171,163	73.6	(7,665)	(4.5)
GROSS INDUSTRIAL INCOME	59,769	26.8	61,470	26.4	(1,701)	(2.8)
Sales costs, overheads and administrative costs	42,483	19.1	44,148	19.0	(1,665)	(3.8)
OPERATING INCOME	17,286	7.7	17,322	7.4	(36)	(0.2)
Financial expenses, net	(3,122)	(1.4)	(3,500)	(1.5)	378	10.8
Miscellaneous income, net	98	-,-	1,394	0.7	(1,296)	(93.0)
Extraordinary income (expenses), net	(831)	(0.3)	26	-,-	(857)	n.s.
INCOME BEFORE TAXES AND MINORITY INTERESTS	13,431	6.0	15,242	6.6	(1,811)	(11.9)
Income taxes	5,803	2.6	7,220	3.2	(1,417)	(19.6)
INCOME BEFORE MINORITY INTERESTS	7,628	3.4	8,022	3.4	(394)	(4.9)
Loss (income) attributable to minority interests	(505)	(0.2)	(425)	(0.1)	(80)	(18.8)
NET INCOME FOR THE PERIOD	7,123	3.2	7,597	3.3	(474)	(6.2)

NET FINANCIAL POSITION

(in thousands of Euro)	Situation at 3.31.2003	Situation at 12.31.2002	Situation at 3.31.2002
Cash, banks, financial receivables and tradable securities	68,796	76,824	49,999
Medium and long term lending	40	45	18
Short term borrowings (*)	(123,550)	(122,397)	(74,132)
Medium and long term borrowings	(195,873)	(195,995)	(261,722)
NET FINANCIAL INDEBTEDNESS	(250,587)	(241,523)	(285,837)

(*) including current portions of medium and long-term borrowings

COMMENTS ON THE ACCOUNTING SCHEDULES

The accounting and consolidation principles used in preparing these accounting schedules are consistent with those applied to the consolidated financial statements as of December 31, 2002.

In particular, the accounting schedules do not contain estimated figures, except for the inventory provisions for obsolete or slow-moving goods, or those made to write down the face value of receivables to their estimated realizable value and to update the amount of provisions for risks and charges, based on valuation criteria and accounting methods that are consistent with those used in preparing the consolidated financial statements as of December 31, 2002.

Changes in the Group share of shareholders' equity and in total shareholders' equity in the first quarter 2003 were as follows:

(in thousands of Euro)	Consolidated shareholders' equity - group	Capital and reserves pertaining to minority interests	Total Group and minority shareholders' equity
Balance as of December 31, 2002	187,866	12,537	200,403
Increase in share capital	318	-	318
Effect of translating foreign currency financial statements	(3,123)	473	(2,650)
Group net income (loss) for the period	7,123	505	7,628
Balance as of March 31, 2003	192,184	13,515	205,699

Sales amounted to 223.3 million Euro against 232.6 million in first quarter 2002. The decrease of 9.3 million was caused mainly by devaluation of the South American currencies and the Pound sterling against the Euro, as well as by the exclusion from the scope of consolidation of ANSA Automotive Parts Distributors (sold in December 2002).

The breakdown of sales by business sector is as follows:

(in millions of Euro)	1st Quarter 2003		1st Quarter 2002		Change
	Amount	%	Amount	%	%
Filters	120.2	53.8	126.3	54.3	(4.8)
Suspension components	102.4	45.9	103.2	44.4	(0.8)
Other	0.7	0.3	3.1	1.3	(80.2)
TOTAL	223.3	100.0	232.6	100.0	(4.0)

The breakdown of sales by geographical area is the following:

(in millions of Euro)	1st Quarter 2003		1st Quarter 2002		Change
	Amount	%	Amount	%	%
France	68.6	30.7	66.9	28.8	2.5
Italy	35.6	15.9	39.1	16.8	(9.0)
Other European countries	99.8	44.7	99.8	42.9	-, -
Rest of the World	19.3	8.7	26.8	11.5	(28.0)
TOTAL	223.3	100.0	232.6	100.0	(4.0)

At March 31, 2003 the Group had 6,667 employees compared with 6,703 at December 31, 2002 and 7,271 at March 31, 2002, broken down as follows:

	Situation as of 3.31.2003	Situation as of 12.31.2002	Situation as of 3.31.2002
Managers	112	112	112
Clerical staff	1,585	1,625	1,755
Blue collar workers	4,970	4,966	5,404
TOTAL	6,667	6,703	7,271

Mantua, April 17, 2003

THE BOARD OF DIRECTORS