

**REPORT OF THE BOARD OF DIRECTORS ON
OPERATIONS FOR THE QUARTER
OCTOBER-DECEMBER 2007**



SOCIETA' PER AZIONI - SHARE CAPITAL EURO 59,598,339.84
MANTUA COMPANY REGISTER AND TAX CODE 00607460201
COMPANY SUBJECT TO THE ACTIVITY AND COORDINATION OF CIR S.p.A.
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REPORT OF THE BOARD OF DIRECTORS ON OPERATIONS FOR THE PERIOD OCTOBER / DECEMBER 2007

OPERATIONS AND RESULTS IN THE FOURTH QUARTER

In the fourth quarter of 2007, the Group repeated the excellent level of revenue growth already achieved in the third quarter (+8.4% on the same period of 2006).

This growth in sales was generated by an excellent performance on the part of the Suspension Components Division.

The Filtration business also improved its revenues and the dynamic performance continued by both sectors in South America.

Sales have improved essentially in the original equipment (O.E.) and original equipment spares (O.E.S.) sector, while the independent aftermarket has been stable.

Consolidated sales for the quarter came to € 274.4 million , compared with 253.1 million in the same period of 2006.

The positive trend in sales revenues, at a time when the main cost factors remained more or less stable, enabled us to consolidate operating profitability, whereas a higher tax burden penalised the bottom line compared with the last quarter of 2006.

Consolidated operating income came to € 29.2 million, 9.8% more than last year's figure of 26.6 million (10.6% of sales versus 10.5% in 2006).

EBITDA came to € 27.7 million (10.1% of sales), 7.8% up on last year's figure of 25.7 million (10.2% of sales), despite being hit by a € 5.9 million charge for restructuring to be carried out in 2008.

Consolidated EBIT is up by 5.5%, coming in at € 16.3 million (5.9% of sales) compared with 15.5 million (6.1% of sales) in the same period last year.

A similar improvement was achieved in **profit before taxes and minority interests**, which rose to € 13.9 million from 12.8 million in the fourth quarter of 2006.

Consolidated net profit was € 10.3 million, 9.7% down on 11.5 million last year, due to higher income taxes compared with the same quarter last year, which benefited from a non-recurring reduction in the tax burden as a result of restructuring the Group.

The latter part of the year saw a continuation of the excellent generation of cash flow (€ 10.4 million) which enabled us to further reduce **net indebtedness** at December 31, 2007 to € 92.4 million, having been 126.3 million at the end of 2006 (-26.9%) and 102.8 million at the end of September 2007 (-10.1%).

Consolidated equity, including minority interests, amounted to € 326.7 million at December 31, 2007 compared with 295.7 million twelve months earlier (+10.5%) and 318.2 million at September 30, 2007.

There was a similar strengthening in **consolidated equity** which amounted to € 310.9 million at December 31, 2007 versus 279.6 million at the end of 2006 and 303.3 million at September 30, 2007.

The higher volumes of activity only gave rise to a very marginal increase (+0.5%) in the Group's workforce, which at the end of 2007 came to 6,200 people, having been 6,168 at December 31, 2006 and 6,250 at September 30, 2007.

PERFORMANCE OF THE SUSPENSION COMPONENTS DIVISION

The Division saw its sales growth accelerate during the last quarter, turning in a 15.1% gain on the same quarter of 2006.

This growth was made possible by stronger demand from French car manufacturers, higher market shares in Brazil and in the European industrial vehicles sector, as well as by additional price increases to recover the increase in steel costs during the first half.

Consolidated sales amounted to € 136.3 million for an increase of 17.8 million compared with 118.5 million in the last quarter of 2006.

The Division's profitability has also improved considerably, with **consolidated operating income** rising to € 15.1 million (11.1% of sales) compared with 11.8 million (10% of sales) in last quarter 2006.

EBITDA is also showing a distinct improvement, coming in at € 18.3 million (13.4% of sales), which is 57.1% up on last year's 11.6 million (9.8% of sales); similarly, **EBIT** almost doubled to € 12 million (8.8% of sales) compared with 6.2 million (5.2% of sales) in the fourth quarter of 2006.

PERFORMANCE OF THE FILTRATION DIVISION

Even though it was conditioned by the unfavourable trend in the independent aftermarket in Europe, the Filtration Division still managed sales growth of 2.8% thanks to a positive performance by original equipment and its South American markets.

Consolidated sales came in at € 138.4 million compared with 134.7 million in the fourth quarter of last year (+2.8%).

During the last quarter, the negative performance of the Italian company led to a dip in **operating income** compared with the same period of 2006, coming in at € 14.6 million (10.5% of sales) compared with the previous figure of 15.6 million (11.6% of sales).

EBITDA and EBIT were also heavily affected by the provision mentioned earlier for restructuring work to be carried out this year.

Consolidated **EBITDA** came to € 10.6 million (7.7% of sales), compared with 17.4 million (12.9% of sales) in the last quarter of 2006, whereas **EBIT** came to € 5.7 million (4.1% of sales) versus 12.8 million (9.5% of sales).

PRELIMINARY FIGURES FOR THE WHOLE OF 2007

The directors' report and the results for the entire year will be prepared and reviewed at the board meeting to be held on February 26, 2008.

The Group's main consolidated results for the whole of 2007, which can be deducted on a preliminary basis from the above fourth quarter results, are as follows.

Consolidated sales amount to € 1,071.8 million, with a significant improvement of 5.2% on the 2006 figure of 1,018.6 million.

Operating income is up by 6.6% to € 113.6 million (10.6% of sales) in a year that featured increases in raw material and energy costs. In 2006 it came to 106.6 million (10.5% of sales).

Consolidated EBITDA increased by 4.7% to € 134.6 million compared with 128.5 million (12.6% of sales, the same as last year).

Consolidated EBIT improved by 7.7% to € 89.9 million (8.4% of sales) compared with last year's figure of 83.5 million (8.2% of sales) in the presence of extraordinary charges for unsuccessful acquisitions (€ 5.3 million) and the restructuring provision mentioned above, having benefited from gains on property disposals of € 4.6 million.

Despite the higher tax burden, **consolidated net income** is up by 2.8% to € 52.2 million (4.9% of sales) from 50.8 million in 2006 (5% of sales).

OUTLOOK

The Group should be able to confirm its positive trend in the first part of the current year, despite the deterioration in the world economic scenario, given that it only has a limited exposure to the North American market, which is expected to contract, while being able to benefit from the growth in demand on the Brazilian market, in Europe's industrial vehicles sector and from France's car manufacturers.

CONSOLIDATED BALANCE SHEET OF THE SOGEFI GROUP (PRELIMINARY FIGURES)
(in millions of Euro)

ASSETS	12.31.2007	12.31.2006
CURRENT ASSETS		
Cash and cash equivalents	63.7	51.5
Other financial assets	1.0	0.2
<i>Working capital</i>		
Inventories	113.2	111.7
Trade receivables	220.1	227.0
Other receivables	6.0	6.0
Tax receivables	10.7	10.9
Other assets	2.5	2.4
TOTAL WORKING CAPITAL	352.5	358.0
TOTAL CURRENT ASSETS	417.2	409.7
NON-CURRENT ASSETS		
Fixed assets		
Land	11.3	15.6
Property, plant and equipment	224.3	229.3
Other tangible fixed assets	4.4	4.5
<i>Of wich: leases</i>	12.7	18.3
Intangible assets	118.7	117.4
TOTAL FIXED ASSETS	358.7	366.8
OTHER NON-CURRENT ASSETS		
Equity investments in associated companies	0.1	0.1
Other financial assets available for sale	0.5	0.4
Financial receivables	-	0.3
Other receivables	5.0	5.3
Deferred tax assets	25.2	26.8
TOTAL OTHER NON-CURRENT ASSETS	30.8	32.9
TOTAL NON-CURRENT ASSETS	389.5	399.7
NON-CURRENT ASSETS HELD FOR SALE	6.8	2.6
TOTAL ASSETS	813.5	812.0

LIABILITIES	12.31.2007	12.31.2006
CURRENT LIABILITIES		
Bank overdrafts and short-term loans	12.4	13.3
Current portion of medium/long-term financial debts and other loans	13.7	18.6
<i>Of which: leases</i>	1.3	1.2
TOTAL SHORT-TERM FINANCIAL DEBTS	26.1	31.9
Other short-term liabilities for cash flow hedge	0.5	-
TOTAL SHORT-TERM FINANCIAL DEBTS AND CASH FLOW HEDGES	26.6	31.9
Trade and other payables	228.9	234.5
Tax payables	11.8	8.2
Other current liabilities	3.0	2.4
TOTAL CURRENT LIABILITIES	270.3	277.0
NON-CURRENT LIABILITIES		
MEDIUM/LONG TERM FINANCIAL DEBTS AND CASH FLOW HEDGES		
Financial debts to bank	118.0	128.4
Other medium/long-term financial debts	12.5	18.0
<i>Of which: leases</i>	9.1	15.3
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS	130.5	146.4
TOTAL MEDIUM/LONG-TERM FINANCIAL DEBTS AND CASH FLOW HEDGES	130.5	146.4
OTHER LONG-TERM LIABILITIES		
Long-term provisions	58.8	68.4
Other payables	-	-
Deferred taxation	27.2	24.5
TOTAL OTHER LONG-TERM LIABILITIES	86.0	92.9
TOTAL NON-CURRENT LIABILITIES	216.5	239.3
SHAREHOLDERS' EQUITY		
Share capital	59.6	58.8
Reserves and retained earnings (accumulated losses)	199.1	170.0
Group net profit (loss) for the year	52.2	50.8
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE HOLDING COMPANY	310.9	279.6
Minority interests	15.8	16.1
TOTAL SHAREHOLDERS' EQUITY	326.7	295.7
TOTAL LIABILITIES AND EQUITY	813.5	812.0

CONSOLIDATED INCOME STATEMENT OF THE SOGEFI GROUP FOR THE FOURTH QUARTER OF 2007

(in millions of Euro)

	Period 10.01 - 12.31.2007		Period 10.01 - 12.31.2006		Variation	
	Amount	%	Amount	%	Amount	%
Sales revenues	274.4	100.0	253.1	100.0	21.3	8.4
Variable cost of sales	180.6	65.8	165.0	65.2	15.6	9.5
CONTRIBUTION MARGIN	93.8	34.2	88.1	34.8	5.7	6.5
Manufacturing and R&D overheads	28.2	10.3	26.9	10.6	1.3	4.8
Depreciation and amortization	11.4	4.1	10.2	4.0	1.2	11.2
Distribution and sales fixed expenses	9.6	3.6	9.2	3.6	0.4	4.0
Administrative and general expenses	15.4	5.6	15.2	6.0	0.2	1.8
OPERATING INCOME	29.2	10.6	26.6	10.5	2.6	9.8
Restructuring costs	5.9	2.1	1.9	0.8	4.0	204.4
Losses (gains) on disposal	0.1	-	(0.1)	(0.1)	0.2	135.0
Exchange (gains) losses	0.2	0.1	0.2	0.1	-	-
Other non-operating expenses (income)	6.7	2.5	9.1	3.6	(2.4)	(26.3)
EBIT	16.3	5.9	15.5	6.1	0.8	5.5
Financial expenses (income), net	2.4	0.8	2.5	1.0	(0.1)	(3.5)
Losses (gains) from equity investments	-	-	0.2	0.1	(0.2)	(100.0)
PROFIT BEFORE TAXES AND MINORITY INTERESTS	13.9	5.1	12.8	5.0	1.1	8.9
Income taxes	2.7	1.0	0.7	0.3	2.0	290.0
NET PROFIT BEFORE MINORITY INTERESTS	11.2	4.1	12.1	4.7	(0.9)	(7.0)
Losses (income) attributable to minority interests	(0.9)	(0.3)	(0.6)	(0.2)	(0.3)	(43.1)
GROUP NET PROFIT	10.3	3.8	11.5	4.5	(1.2)	(9.7)

CONSOLIDATED INCOME STATEMENT OF THE SOGEFI GROUP IN THE PERIOD FROM 01.01.2007 TO 12.31.2007 (PRELIMINARY FIGURES)

(in millions of Euro)

	Period		Period		Variation	
	01.01 – 12.31.2007		01.01 – 12.31.2006			
	Amount	%	Amount	%	Amount	%
Sales revenues	1,071.8	100.0	1,018.6	100.0	53.2	5.2
Variable cost of sales	699.4	65.3	653.2	64.1	46.2	7.1
CONTRIBUTION MARGIN	372.4	34.7	365.4	35.9	7.0	1.9
Manufacturing and R&D overheads	115.2	10.7	114.3	11.2	0.9	0.8
Depreciation and amortization	44.7	4.2	45.0	4.4	(0.3)	(0.8)
Distribution and sales fixed expenses	38.4	3.6	37.7	3.7	0.7	1.9
Administrative and general expenses	60.5	5.6	61.8	6.1	(1.3)	(2.0)
OPERATING INCOME	113.6	10.6	106.6	10.5	7.0	6.6
Restructuring costs	7.6	0.7	5.2	0.5	2.4	44.4
Losses (gains) on disposal	(4.6)	(0.4)	(4.0)	(0.4)	(0.6)	(16.5)
Exchange (gains) losses	0.9	0.1	0.9	0.1	-	-
Other non-operating expenses (income)	19.8	1.8	21.0	2.1	(1.2)	(5.7)
EBIT	89.9	8.4	83.5	8.2	6.4	7.7
Financial expenses (income), net	9.4	0.9	10.2	1.0	(0.8)	(7.5)
Losses (gains) from equity investments	(0.1)	-	(1.6)	(0.2)	1.5	93.2
PROFIT BEFORE TAXES AND MINORITY INTERESTS	80.6	7.5	74.9	7.4	5.7	7.6
Income taxes	25.4	2.4	21.5	2.1	3.9	17.9
NET PROFIT BEFORE MINORITY INTERESTS	55.2	5.1	53.4	5.3	1.8	3.4
Losses (income) attributable to minority interests	(3.0)	(0.2)	(2.6)	(0.3)	(0.4)	15.5
GROUP NET PROFIT FOR THE YEAR	52.2	4.9	50.8	5.0	1.4	2.8

SOGEFI GROUP NET FINANCIAL POSITION (PRELIMINARY FIGURES)

(in millions of Euro)

	12.31.2007	12.31.2006
A. Cash	63.7	51.5
B. Other cash at bank and on hand	0.9	-
C. Financial instruments held for trading	0.1	0.2
D. Liquid funds (A) + (B) + (C)	64.7	51.7
E. Current financial receivables	-	-
F. Current payables to banks	(12.4)	(13.3)
G. Current portion of non-current indebtedness	(13.7)	(18.6)
H. Other current financial payables	(0.5)	-
I. Current financial indebtedness (F) + (G) + (H)	(26.6)	(31.9)
J. Current financial indebtedness, net (I) - (E) - (D)	38.1	19.8
K. Non-current payables to banks	(118.0)	(128.4)
L. Bonds issued	-	-
M. Other non-current payables	(12.5)	(18.0)
N. Non-current financial indebtedness (K) + (L) + (M)	(130.5)	(146.4)
O. Net indebtedness (J) + (N)	(92.4)	(126.6)
Long term financial receivables	-	0.3
Financial indebtedness, net including non-current financial receivables	(92.4)	(126.3)

FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. INTRODUCTION

The consolidated financial statements for the period January 1 – December 31, 2007 have been prepared in accordance with International Financial Reporting Standards (IFRS) and to this end the financial statement figures of the Group companies included in the consolidation have been suitably reclassified and adjusted.

2. CONSOLIDATION POLICIES

The consolidation has been carried out on a line-by-line basis. The principles adopted for the application of this method are the same as those used at December 31, 2006.

3. ACCOUNTING PRINCIPLES

The accounting principles adopted in the preparation of the financial statements at December 31, 2007 are consistent with those applied in the financial statements at December, 31 2006.

COMMENTS ON THE ACCOUNTING SCHEDULES (PRELIMINARY FIGURES)

Changes in the equity of the Group and in total equity in December 31, 2007 were as follow:

(in millions of Euro)	Consolidated shareholders' equity - Group	Capital and reserves pertaining to minority interests	Total Group and minority shareholders' equity
Balance at December 2006	279.6	16.1	295.7
Paid share capital increase	3.5	0.3	3.8
Dividends	(22.4)	(3.5)	(25.9)
Exchange differences and other variations	(2.0)	(0.1)	(2.1)
Net income for the period	52.2	3.0	55.2
Balance at December 2007	310.9	15.8	326.7

Net sales came to € 1,071.8 million compared with 1,018.6 million in 2006.

The breakdown of sales by business sector is as follows:

(in millions of Euro)	Year 2007		Year 2006		Variation	
	Amount	%	Amount	%	Amount	%
Filters	548.2	51.2	527.2	51.7	21.0	4.0
Suspension components and precision springs	524.6	48.9	491.6	48.3	33.0	6.7
Intercompany eliminations	(1.0)	(0.1)	(0.2)	(0.0)	(0.8)	-
TOTAL	1,071.8	100.0	1,018.6	100.0	53.2	5.2

The breakdown of sales by geographical area is as follows:

(in millions of Euro)	Year 2007		Year 2006		Variation	
	Amount	%	Amount	%	Amount	%
France	250.9	23.4	266.7	26.2	(15.8)	(5.9)
Germany	141.4	13.2	133.4	13.1	8.0	6.0
Great Britain	126.7	11.8	124.5	12.2	2.2	1.8
Italy	105.8	9.9	98.5	9.7	7.3	7.4
Spain	75.1	7.0	72.5	7.1	2.6	3.6
Benelux	71.4	6.7	70.8	7.0	0.6	0.8
Other European countries	108.5	10.1	89.6	8.8	18.9	21.1
Mercosur	148.5	13.9	123.4	12.1	25.1	20.3
United States	26.0	2.4	24.8	2.4	1.2	5.0
China	6.0	0.6	3.5	0.3	2.5	69.1
Rest of the World	11.5	1.0	10.9	1.1	0.6	7.0
TOTAL	1,071.8	100.0	1,018.6	100.0	53.2	5.2

At December 31, 2007 the Group had 6,200 employees compared with 6,168 at December 31, 2006, broken down as follows:

	12.31.2007	12.31.2006
Managers	86	87
Clerical staff	1,393	1,386
Blue collar workers	4,721	4,695
TOTAL	6,200	6,168

Milan, February 14, 2008

THE BOARD OF DIRECTORS

DECLARATION PURSUANT PARA. 2, OF ART. 154-BIS, DECREE 58/1998

Report on operations for the period October / December 2007

The Manager Responsible for preparing the Company's financial reports - Euro Trapani -

declares

pursuant to paragraph 2 of article 154-*bis* of the Consolidated Law on Finance that the accounting information contained in this document corresponds to the document results, books and accounting records.

SOGEFI S.p.A.
(Euro Trapani)