

SOGEFI GROUP

**REPORT OF THE BOARD OF DIRECTORS
ON GROUP OPERATIONS
AS OF MARCH 31, 2002**

The first three months of the current year have confirmed the ongoing recession in the international automotive market; however, during this period, the Group has managed to complete the first stage of business development to consolidate the FILTRAUTO group.

Group sales in the first quarter of 2002 amounted to 232.6 million euro, up 27.2% on the figure of 182.9 million euro in the equivalent period of 2001.

Without the negative impact of the Argentine and Brazilian currency devaluation, i.e. using the same exchange rates as last year, net sales would have been of 235.5 million euro. Taking into consideration the change in the scope of consolidation as well, they would have come to 170.1 million euro (-7%).

The world original equipment market has seen a reduction in the number of new vehicles being registered. The main European markets have also experienced a negative trend, with the sole exception of the UK.

The independent aftermarket (IAM) has confirmed what is now a structural decline due to the fact that original spares last longer than they used to.

Volumes in Brazil have held up well both in original equipment (OE) and in the aftermarket (AM), while in Argentina the OE market has more or less come to a standstill with drastic cuts in the AM due to the devastating effects of the peso's devaluation.

Consolidated operating income has increased from 16.5 million in 1st quarter 2001 to 17.3 million euro in 1st quarter 2002.

The inclusion of FILTRAUTO in the scope of consolidation has reduced operating income as a percentage of net sales, coming in at 7.4% compared with 9% in the same period of 2001.

There are no significant changes in the main cost items compared with the period of 2001, though the period saw a higher charge for amortization due to the goodwill paid on acquisition of the FILTRAUTO (0.2 million euro).

Income before taxation and minority interests in 1st quarter 2002 amounts to 15.2 million euro, which is higher than in the same period in 2001, when it came to 12.9 million euro. This result includes a capital gain of 2.3 million realized on the sale of a building in Castelbelforte (Mantua) which is no longer used.

Despite the sizeable increase in debt because of the acquisition of FILTRAUTO, financial charges for the period are down to 3.5 million euro compared with 4.1 million in 1st quarter 2001. This improvement was made possible by the reduction in interest rates and by lower charges for the companies operating on the South American market.

Consolidated net income is also well up (+31.7% on 1st quarter 2001) coming to 7.6 million euro compared with 5.8 million in the first three months of 2001.

As mentioned previously, Group net financial indebtedness has risen to 285.8 million euro, because of the outlay to buy the FILTRAUTO group, and because the consolidation also includes the indebtedness of the companies acquired. Net debt as of December 31, 2001 came to 274.5 million, whereas at March 31, 2001 it amounted to 199.9 million.

Consolidated shareholders' equity at the end of the period includes minority interests of 221.5 million euro, which compares with 219.6 million as of December 31, 2001 and 228.5 million at 31 March, 2001.

The Group employed 7,271 people at the end of the quarter, which is down on the figure of 7,283 at the end of 2001, but up on the 5,181 as of March 31, 2001, when the FILTRAUTO group was not included.

FILTRATION DIVISION

With the consolidation of FILTRAUTO, filtration is once again the Group's main business. Sales in this sector have increased by 86.6% to reach 126.3 million euro versus 67.7 million in 1st quarter 2001. Based on the same scope of consolidation and exchange rates, which hit sales due to devaluation of the South American currencies, sales in 2002 would have come to 63.9 million euro (-5.6%).

Sales for just the FILTRAUTO group amounted to 64.7 million euro. Sales by SOGEFI FILTRATION in Europe amounted to 47.1 million (-4.6% on 2001), while those in South America amounted to 14.6 million (-21%).

Overall, the division made operating income of 9.8 million euro (7.8% of sales) compared with 7.3 million in the same period of 2001 (10.7% of sales), which did not include FILTRAUTO.

The steps taken to restructure the FILTRAUTO group and raise its profitability began to show fruit with an improvement in the margin on the French group's sales, which rose from a pro-forma figure of 4.1% for the whole of 2001 to 5.5%. Operating income came to 3.5 million euro.

In Europe, the Sogefi Filtration Group made operating income of 4.8 million euro (10.2% of sales) compared with 5.6 million in the first quarter of 2001 (11.3% of sales).

In South America, the filtration business generated operating income of 1.5 million euro (10% of sales) compared with 1.7 million (9.1% of sales) in the same period of 2001. The writedown made during the period has penalized the 2002 result, as mentioned earlier.

PERFORMANCE OF THE SUSPENSION COMPONENTS DIVISION

This division's sales are down on 1st quarter 2001 despite the first-time consolidation of Shanghai Alleverd, which was previously carried at net equity.

Sales for the period came to 103.2 million euro, a reduction of 8.3% on the 112.6 million achieved in 2001.

This reduction was less than it might have been thanks to the continuing positive trend by PSA, for which Alleverd Rejna Autosuspensions S.A. (ARA) is a major supplier.

Sales by the ARA group, excluding precision springs, amounted to 70.1 million euro with a decrease of 6.2% compared with 74.7 million in the preceding period.

Sales by the precision springs sector amounted to 10.1 million euro, which is down (-9.8%) on the 11.2 million made in the first three months of 2001.

Sales in the industrial vehicles and rolling stock sector came to 23.3 million euro, down 13.5% on 26.9 million the previous year.

The division's operating income came to 9.2 million euro with a reduction the first quarter of 2001 when it was 10.8 million. As a percentage of sales, it has gone from 9.6% in 2001 to 9% in 2002.

OUTLOOK FOR THE REST OF THE YEAR

Forecasts for the sector suggest that volumes will not recover to their previous levels for at least the first half of the year; indeed, it is probable that the 1st quarter's rather lackluster market in terms of demand will continue for the rest of the year.

The plan to restructure operations, reducing the number of production locations and the workforce is currently being implemented on schedule and in accordance with the budget.

The period saw the start of closedown procedures at the production facilities at Carmen de Areco and Villa Mercedes in Argentina, at Kingswinford and Dudley in the UK and at Morlanwelz in Belgium. The costs involved in these restructurings and the charges for further writedowns of the remaining activities in Argentina have not had any impact on the 1st quarter results as they had already been provided for in 2001.

Given the current state of the markets, but thanks to the reorganization plan that is already underway and a decisive reinforcement of the filtration sector, forecasts for the rest of the year are that the Sogefi Group should achieve results that will be just as good if not better than those posted in 2001.

ACCOUNTING SCHEDULES

CONSOLIDATED RECLASSIFIED STATEMENT OF INCOME

(in thousands of Euro)	1st Quarter 2002		1st Quarter 2001		Change	
	Amount	%	Amount	%	Amount	%
Sales revenues	232,633	100.0	182,872	100.0	49,761	27.2
Cost of goods sold	171,163	73.6	136,211	74.5	34,952	25.7
GROSS MARGIN	61,470	26.4	46,661	25.5	14,809	31.7
Selling, general and administrative expenses	44,148	19.0	30,185	16.5	13,963	46.3
OPERATING INCOME	17,322	7.4	16,476	9.0	846	5.1
Financial expenses, net	(3,500)	(1.5)	(4,078)	(2.2)	578	14.2
Net miscellaneous income	1,394	0.7	900	0.5	494	54.9
Extraordinary expenses, net	26	-,-	(389)	(0.2)	415	106.7
INCOME BEFORE TAXES AND MINORITY INTERESTS	15,242	6.6	12,909	7.1	2,333	18.1
Income taxes for the period	7,220	3.2	6,818	3.8	402	5.9
INCOME BEFORE MINORITY INTERESTS	8,022	3.4	6,091	3.3	1,931	31.7
Loss (income) attributable to minority interests	(425)	(0.2)	(322)	(0.1)	(103)	(32.0)
GROUP NET INCOME FOR THE PERIOD	7,597	3.2	5,769	3.2	1,828	31.7

NET FINANCIAL POSITION

(in thousands of Euro)	Situation as of 3.31.2002	Situation as of 12.31.2001	Situation as of 3.31.2001
Cash, banks, financial receivables and marketable securities	49,999	71,223	46,893
Medium/long term investments	18	245	276
Short term borrowings (*)	(74,132)	(87,006)	(63,014)
Medium/long term debt	(261,722)	(258,976)	(184,032)
NET FINANCIAL INDEBTEDNESS	(285,837)	(274,514)	(199,877)

(*) including current portion of medium and long-term financial debt

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, 2001.

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, 2001.

Changes in the Group share of shareholders' equity and in total shareholders' equity, in the first quarter 2002, were as follows:

(in thousands of Euro)	Group share of consolidated shareholders' equity	Capital and reserves pertaining to minority interests	Total group and minority shareholders' equity
Balance as of December 31, 2001	209,338	10,274	219,612
Effect of translating foreign currency financial statements and other changes	(7,541)	1,430	(6,111)
Group net income for the period	7,597	425	8,022
Balance as of March 31, 2002	209,394	12,129	221,523

Sales amounted to 232.6 million euro compared with 182.9 million in 1st quarter 2001, an increase of 49.7 million, mainly due to the enlargement of the scope of consolidation.

The breakdown of sales by business sector is as follows:

(in millions of Euro)	1st Quarter 2002		1st Quarter 2001		Change
	Amount	%	Amount	%	%
Filters	126.3	54.3	67.7	37.0	86.6
Suspension components	103.2	44.4	112.6	61.6	(8.3)
Other	3.1	1.3	2.6	1.4	18.1
TOTAL	232.6	100.0	182.9	100.0	27.2

The breakdown of sales by geographical area is the following:

(in millions of Euro)	1st Quarter 2002		1st Quarter 2001		Change
	Amount	%	Amount	%	%
Italy	29.6	12.7	33.3	18.2	(11.1)
France	66.5	28.6	38.2	20.9	74.3
Other European countries	110.0	47.3	81.8	44.7	34.4
Rest of the World	26.5	11.4	29.6	16.2	(10.2)
TOTAL	232.6	100.0	182.9	100.0	27.2

At March 31, 2002 the Group had 7,271 employees compared with 7,283 at December 31, 2001 and 5,181 at March 31, 2001, broken down as follows:

	Situation as of 3.31.2002	Situation as of 12.31.2001	Situation as of 3.31.2001
Managers	112	117	85
Clerical staff	1,755	1,714	1,126
Blue collar workers	5,404	5,452	3,970
TOTAL	7,271	7,283	5,181

Mantua, April 18, 2002

THE BOARD OF DIRECTORS