

REPORT ON GROUP OPERATIONS FOR THE FIRST QUARTER 2006



SOCIETA' PER AZIONI - SHARE CAPITAL EURO 58,690,627.84
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 AS OF MARCH 31, 2006

The scenario for the automobile market in which the SOGEFI Group operated during the first three months of 2006 showed an improvement compared with the latter part of 2005, with the European original equipment (OE) market achieving +3.2% in new registrations during the period. The Group has seen confirmation of lower demand from French automakers and there has been a further decline in sales on the North American market; however, sales to other European makers have improved and there has been further growth in the South American and Chinese market.

Demand for industrial vehicles and earth-moving equipment has remained high, while volume sales of precision springs have stabilised after a long period of decline.

As regards the independent aftermarket for filters, the sector has picked up considerably and is looking a lot more dynamic compared with 2005.

Consolidated sales in the first quarter of 2006 came to € 264.3 million, marking progress of 4.4% compared with € 253.2 million in the previous period, also taking advantage of exchange rate trends (thanks mainly to the revaluation of the Brazilian real), which made a positive contribution of € 6.4 million.

Comparison with the same quarter in 2005 shows an improvement in Group profitability which, despite higher costs for certain production factors, such as energy, materials and components derived from oil products, benefits from higher selling prices and the reorganisations carried out last year. There continues to be volatility in the price of steel, which is still subject to inflationary tensions, even if prices remain at much the same level as at the end of 2005, at least for the time being.

Consolidated **EBITDA** (income before interest, taxes and depreciation and amortization) improved by 7.5%, to € 33.4 million (12.6% of sales) compared with € 31.1 million (12.3% of sales) in the first quarter of 2005.

Consolidated net operating income increased by 12.4%, to € 24.7 million compared with € 22 million in the first three months of 2005. Its incidence on sales rose to 9.3% from 8.7%.

Consolidated **EBIT** (income before interest and taxes) also grew by 10.4%, to € 21.1 million (8% of sales), on € 19.1 million (7.6% of sales) in the corresponding period of 2005.

Income before taxation and minority interests came in at € 18.8 million, and compares with € 16.4 million in the first three months of last year. The result also benefited from a contraction in financial charges thanks to lower debt and better treasury management.

Consolidated net income improved by 18.8% on the same quarter of the previous year and, in addition to improved operating profitability, benefited from a lower proportion of tax charges following the corporate reorganisations carried out in 2005.

Income came to 11.6 million euro (4.4% of sales) compared with 9.8 million (3.9% of sales) in the first three months of 2005.

Cash flow was also very positive during the period, making it possible to reduce the level of **net financial indebtedness** compared with the end of 2005, as well as March 31, 2005, with a positive dynamic compared with the usual trend in the first quarter of the year.

Group net financial indebtedness at March 31, 2006 amounted to 160.4 million euro, a reduction compared with 207.4 million euro at March 31, 2005 and 167.3 million euro at December 31, 2005.

Consolidated group equity, including minority interests, also improved. At the end of the quarter under review it amounted to € 274.9 million compared with € 234.3 million at March 31, 2005 and € 261.3 million at December 31, 2005.

At March 31, 2006 the Group employed 6,287 people, compared with 6,337 twelve months earlier and 6,171 employees at the end of 2005.

PERFORMANCE OF THE FILTRATION DIVISION

The 3.4% progress in sales by the Filtration Division during the period originated in South America, almost entirely due to revaluation of the Brazilian real, whereas in Europe growth came to 1.2% with improvements by all of the main subsidiaries, except for Italy (-6.5%).

The division's consolidated sales amounted to € 131.6 million, compared with € 127.3 million of 2005 with a positive exchange effect of € 3.8 million.

Consolidated **EBITDA** came to € 15.8 million (12% of sales), compared with € 15.3 million in the first quarter of the previous year (same percentage of sales).

The result was € 13.6 million (11.9% of sales) in Europe and € 2.3 million (12.7% of sales) in

South America.

In the same quarter of 2005, the EBITDA of the European activities was € 13.4 million (11.8% of sales), whereas that of the South American companies was € 2 million (13.5% of sales).

Consolidated net income rose by 7.6%, coming in at € 13 million (9.9% of sales) compared with € 12.1 million (9.5% of sales) in the first quarter of 2005.

Consolidated **EBIT** rose to € 11.2 million, 4.3% up on first quarter 2005, when it totalled € 10.7 million, at 8.5% of sale (previously 8.4%).

Relocation of the production previously carried out at two existing sites continued at the new plant in Barcelona (Spain) and a personnel reduction plan was activated for the Italian and French companies.

PERFORMANCE OF THE SUSPENSION COMPONENTS AND PRECISION SPRINGS DIVISION

Sales of the Suspension Components Division improved by 5.4% on the same quarter of 2005, with strong progress by the activities in South America (+33.9%) and an increase of 4.9% by the European companies. This variance derives principally from a substantial increase in sales of truck suspension units on the part of the German company (+14.4%) less a 3.2% decline in the sales of the French company Allevard Rejna Autosuspensions S.A., which felt the brunt of the drop in demand from French automakers. Sales by the Italian company, Rejna S.p.A., on the other hand, rose by 5.5%.

The Division's profitability has improved considerably since last year's production reorganisations, helped by substantial stability on the part of steel prices, which enabled the Division to take full advantage of the increases in selling prices applied in 2005.

Consolidated **EBITDA** amounted to € 18.6 million (14% of sales), up by 13.6% compared with € 16.4 million in the first three months of the previous year (13% of sales).

The European companies made an EBITDA of € 16.2 million (13.6% of sales), while the South American ones made € 2.6 million (21.4% of sales); the equivalent figures for the first quarter of 2005 are € 14.5 million (12.8% of sales) and € 1.7 million (18.5% of sales) respectively.

Consolidated net operating income rose by 25.5%, coming in at € 13 million (9.8% of sales) compared with € 10.4 million (8.3% of sales) in the first quarter of 2005.

Consolidated **EBIT** of the Suspension Components Division amounted to € 11.2 million, an improvement of 21.4% compared with € 9.2 million in the same period last year.

EBIT as a percentage of sales also improved, going from 7.3% to 8.4% during the quarter.

Work began during the first three months of 2006 in implementing the industrial plans that will lead to closure of the factories at West Bromwich (precision springs) and San Felice del Benaco (truck suspensions) and of a production line at the Douai plant (auto shock absorber springs) by the end of the year: The costs have already been provided for in the 2005 financial statements.

PERFORMANCE OF SOGEFI S.p.A., THE PARENT COMPANY.

During the quarter, the Parent Company made a net loss of € 1.2 million compared with income of € 5.1 million in the same quarter of 2005, which benefited from € 6 million of dividends from the German subsidiary Luhn & Pulvermacher – Dittmann & Neuhaus GmbH. This investment was in fact sold at the end of 2005 to the subsidiary Allevard Federn GmbH and is therefore now held indirectly.

OUTLOOK FOR THE REST OF THE YEAR

For the rest of the year, further improvements in operating profitability, which are possible if the positive trend in demand continues, could be reduced if the inflationary tensions in the prices of oil-based materials and components, as well as in certain types of steel, persist.

CONSOLIDATED STATEMENT OF INCOME FOR THE FIRST QUARTER OF 2006

(in million euros)

	Period 01.01 – 03.31.2006		Period 01.01– 03.31.2005		Change	
	amount	%	amount	%	amount	%
<i>Sales revenues</i>	264.3	100.0	253.2	100.0	11.1	4.4
<i>Variable cost of sales</i>	170.2	64.4	164.3	64.9	5.9	3.5
CONTRIBUTION MARGIN	94.1	35.6	88.9	35.1	5.2	5.9
<i>Manufacturing and R&D overheads</i>	30.4	11.5	29.5	11.6	0.9	3.3
<i>Depreciation and amortizations</i>	12.3	4.7	12.0	4.7	0.3	3.0
<i>Distribution, Marketing and Sales Fixed Expenses</i>	9.9	3.7	9.7	3.8	0.2	1.7
<i>Admin. and General Expenses</i>	16.8	6.4	15.7	6.3	1.1	6.9
OPERATING INCOME (EBIT)	24.7	9.3	22.0	8.7	2.7	12.4
<i>Restructuring costs</i>	0.3	0.1	0.2	0.1	0.1	50.5
<i>Exchange (Gains) losses</i>	0.1	-	(0.4)	(0.2)	0.5	115.6
<i>Other non-operating expenses (income)</i>	3.2	1.2	3.1	1.2	0.1	4.7
EBIT	21.1	8.0	19.1	7.6	2.0	10.4
<i>Finan. Expenses Net</i>	2.4	0.9	2.8	1.1	(0.4)	(15.7)
<i>Losses (Gains) from Equity Investments</i>	(0.1)	-	(0.1)	-	-	-
INCOME BEFORE TAXES AND MINORITY INTERESTS	18.8	7.1	16.4	6.5	2.4	14.8
<i>Income taxes for the year</i>	6.7	2.5	6.2	2.5	0.5	7.4
NET INCOME INCLUDING MINORITY INTERESTS	12.1	4.6	10.2	4.0	1.9	19.3
<i>Loss/(income) Attributable to Minority Interests</i>	(0.5)	(0.2)	(0.4)	(0.1)	(0.1)	(34.4)
NET INCOME OF GROUP	11.6	4.4	9.8	3.9	1.8	18.8

NET FINANCIAL POSITION OF THE SOGEFI GROUP

(in million euros)

	Situation as of 03.31.2006	Situation as of 12.31.2005	Situation as of 03.31.2005
<i>Cash, banks, financial receivables and marketable securities</i>	59.4	57.5	56.7
<i>Short term financial payables (*)</i>	(115.8)	(120.4)	(100.6)
<i>Medium and long term financial payables</i>	(104.0)	(104.4)	(163.5)
NET FINANCIAL POSITION	(160.4)	(167.3)	(207.4)

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

EXPLANATORY NOTES

1. INTRODUCTION

The quarterly consolidated financial statements at March 31, 2006 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.

The quarterly report has been prepared in accordance with art. 82 of the Issuers' Regulations no. 11971/1999 (as amended by Consob resolution no. 14990 of April 14, 2005) and with Attachment 3D of the Regulations. In other words, the IFRS applicable to interim reports has not been applied (see IAS 34 "Interim Financial Reporting").

2. CONSOLIDATION PRINCIPLES

The consolidation is on a line-by-line basis. The principles adopted for the application of this method are the same as those used at December 31, 2005.

3. ACCOUNTING PRINCIPLES

The accounting principles adopted in the preparation of the financial statements at March 31, 2006 are consistent with those applied in the statutory financial statements at December 31, 2005.

COMMENTS ON THE ACCOUNTING SCHEDULES

Changes in the Group share of shareholders' equity and in total shareholders' equity in the first quarter 2006 were as follows:

(in million euros)	Consolidated shareholders' equity - group	Capital and reserves pertaining to minority interests	TOTAL GROUP AND MINORITY SHAREHOLDERS' EQUITY
<i>Balance as of December 31, 2005</i>	246.9	14.4	261.3
<i>Increase in share capital</i>	1.4	-	1.4
<i>Exchange gains</i>	0.2	(0.1)	0.1
<i>Net income for the period</i>	11.6	0.5	12.1
<i>Balance as of March 31, 2006</i>	260.1	14.8	274.9

Net sales totalled € 264.3 million compared with € 253.2 million in the previous period of 2005.

The breakdown of sales by business sector is as follows:

(in million euros)	1st quarter 2006		1st quarter 2005		Change
	amount	%	amount	%	%
<i>Suspension components and precision springs</i>	132.7	50.2	125.9	49.7	5.4
<i>Filters</i>	131.6	49.8	127.3	50.3	3.4
TOTAL	264.3	100.0	253.2	100.0	4.4

The breakdown of sales by geographical area is the following:

(in million euros)	1st quarter 2006		1st quarter 2005		Change
	amount	%	amount	%	%
<i>France</i>	70.6	26.7	73.1	28.9	(3.4)
<i>Great Britain</i>	35.4	13.4	31.2	12.4	13.3
<i>Germany</i>	34.3	13.0	32.8	12.9	4.6
<i>Italy</i>	28.2	10.7	29.9	11.8	(5.7)
<i>Spain</i>	17.5	6.6	16.0	6.3	9.8
<i>Benelux</i>	16.7	6.3	15.6	6.2	6.9
<i>Other European countries</i>	23.0	8.7	20.6	8.1	12.1
<i>Mercosur</i>	29.5	11.2	23.3	9.2	26.4
<i>United States</i>	6.4	2.4	7.9	3.1	(18.6)
<i>China</i>	0.9	0.3	0.8	0.3	10.9
<i>Rest of the World</i>	1.8	0.7	2.0	0.8	(7.7)
TOTAL	264.3	100.0	253.2	100.0	4.4

At March 31, 2006 the Group had 6,287 employees compared with 6,171 at December 31, 2005 and 6,337 at March 31, 2005, broken down as follows:

	Situation as of 03.31.2006	Situation as of 12.31.2005	Situation as of 03.31.2005
<i>Managers</i>	93	93	98
<i>Clerical staff</i>	1,427	1,420	1,455
<i>Blue collar workers</i>	4,767	4,658	4,784
TOTAL	6,287	6,171	6,337

Milan, April 20, 2006

THE BOARD OF DIRECTORS