REPORT ON GROUP OPERATIONS
FOR THE FIRST QUARTER 2007

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REPORT OF THE BOARD OF DIRECTORS ON OPERATIONS AS OF 31 MARCH 2007

The Group's performance over the first three months of FY 2007 was positive overall, comparing favourable with the same quarter of 2006 both in revenues and earnings, notwithstanding the continued sluggishness of the European market and the lack of upturn in demand from our two biggest customers.

In Europe, the Group's principle market, new vehicle registrations fell by 0.2% against the previous-year period, including a sharp decline in Germany (-10%) following the VAT increase, with more modest weakness in the French (-1.4%) and Spanish (-0.7%) car markets. Bucking this trend, registrations rose in Italy (+4.1%) and the U.K.(+2.9%).

Among the major car makers, the best performance over the period was that of Fiat (+5.9%), through sales also increased to Ford, GM and Toyota. Meanwhile German manufacturers suffered for the reasons given above while French sales continued to slide (Renault -10.6% and PSA -2%).

As predicted trends continued to be positive in Latin America, which saw 4% growth in Brazilian auto production.

Consolidated sales for the quarter were up 1%, reaching € 267.1 million against 264.3 million from the previous financial year, despite unfavourable exchange rates.

The improvement was entirely due to strength in the Filters Division, while Suspension Components saw a decline in sales.

Operating profits improved by 4% despite increases in several cost factors, such as energy, aluminium for *filter systems* and special steels for *suspension products*.
This last factor, still modest for the time being, only concerns the European market, prices remaining stable in North and South America.

Consolidated operating profit was € 25.7 million (9.6% of revenues), compared with last year's 24.7 million (9.3%).

Both **EBITDA** and **EBIT** benefited, to the tune of € 1.8 million, from an adjustment of liabilities following recent changes to the UK pensions legislation which impacted the Filtration Division.

Consolidated EBITDA rose to € 34.6 million (13% of revenues) from the previous 33.4 million (12.6%).

Consolidated EBIT improved by 8.6% to € 22.9 million (8.6% of revenues) compared with 21.1 million (8%) in the first three months of 2006.

Profits before tax and minority interests amounted to € 20.8 million, compared with 18.8 million for Q1 2006.

Q1 **Consolidated earnings** grew by 8.9% even without the tax benefits enjoyed by the German subsidiaries in 2006, to reach € 12.7 million (4.7% of revenues) from 11.6 million (4.4%).

Net indebtedness amounted to € 124.5 million, an improvement of € 35.9 million (22.4%) on the 160.4 million at 31 March 2006 and compared with 126.3 million at the end of FY 2006 (-1.4%).

Sharply higher, compared with twelve months ago, was **consolidated shareholders' equity** including minority interests, which at 31 March 2007 totalled € 310.3 million against the 274.9 million at 31 March 2006 and 295.7 million at 31 December 2006.

As of 31 March 2007 the Group employed 6,193 people, compared with 6,287 at 31 March 2006 and 6,168 at 31 December 2006.

FILTRATION DIVISION

Original equipment sales continued to grow over the first quarter while the independent aftermarket remained stable.

Consolidated sales for the Division increased by 3.9% to € 136.7 million (of which 117.8 million in Europe, 19.4 million in Mercosur) compared with the previous year's 131.6 million.

Profits also improved significantly, thanks to reorganisation measures implemented in 2006.
Consolidated operating profit stood at € 14.1 million (10.3% of revenues), compared with 13 million (9.9%) while **EBITDA** and **EBIT** also benefited from the adjustment of liabilities at the

British subsidiary cited above, growing by 17% and 22.9% respectively.

Consolidated EBITDA amounted to € 18.4 million (13.5% of revenues), against 15.8 million (12%) in 2006.

Consolidated EBIT rose to € 13.8 million (10.1% of revenues) from 11.2 million (8.5%) in Q1 2006.

The period saw an important commercial breakthrough with a first-time order for *diesel filter systems* from Ford in the USA, requiring the building of a new production facility in loco by year-end 2008.

In China the joint venture signed last year with partner *Universe* has begun trading, while efforts continue to acquire a local producer in Korea.

SUSPENSION COMPONENTS AND PRECISION SPRINGS DIVISION

Continuation of the sluggishness in the auto market seen in late 2006, with persisting weak demand in the French market ruled out a recovery in sales for the Division, which fell by 4% in Europe while growing by 8.6% in Latin America.

The Division recorded **consolidated revenues** of € 130.5 million compared with 132.8 million in the first three months of 2006, the decline attributable to *industrial vehicles,* while *precision springs* showed a slight growth.

Earnings were down from the previous-year period due, besides the slide in revenues, to the higher steel prices (for alloys and scrap) and steeper energy costs.

Consolidated operating profit was € 12.5 million (9.6% of revenues), compared with last year's 13 million (9.8%).

EBITDA fell to € 17.3 million (13.2% of revenues) from 18.6 million (14%) in Q1 2006.

Consolidated **EBIT** for the division stood at € 10.4 million (8% of revenues), compared with 11.2 million (8.4%) in first quarter of 2006.

The lack of new orders for *coil springs* in North America and the drastic falloff in demand from Ford has led to a decision to halt production of *coil springs* in the USA.

The US production line will be transferred to Brazil and the company will continue to produce *stabilizer bars*.

Negotiations are ongoing with a Korean manufacturer with a view to setting up a joint venture.

THE PARENT COMPANY

The parent Sogefi ended the first quarter with a net loss of € 0.4 million compared with that of € 1.2 million in the previous-year period. The improvement is due to dividends of € 1 million paid in the period to shareholders by the Slovenian subsidiary which were absent last year, and from lower personnel costs partially offset by higher taxes.

OUTLOOK FOR THE REST OF THE YEAR

Rising steel prices, coupled with sluggish demand forecast to last at least until the middle of 2007, make it hard to foresee any meaningful improvement in operating profits compared with the previous financial year.

CONSOLIDATED BALANCE SHEET
(mln euro)

ASSETS	03.31.2007	12.31.2006
CURRENT ASSETS		
Cash and cash equivalents	46.7	51.5
Securities and financial assets held for trading	0.9	0.2
Current portion of long term financial assets	-	-
Working capital		
Inventories	116.0	111.7
Trade receivables	242.3	227.0
Other receivables	5.8	6.0
Receivables from tax authorities	9.6	10.9
Other assets	3.1	2.4
TOTAL WORKING CAPITAL	*376.8*	*358.0*
TOTAL CURRENT ASSETS	424.4	409.7
NON-CURRENT ASSETS		
Fixed assets		
Land	15.7	15.6
Property, plant and equipment	223.4	229.3
Other tangible fixed assets	4.2	4.5
Of which: leasing	*18.0*	*18.3*
Intangible assets	118.0	117.4
TOTAL FIXED ASSETS	361.3	366.8
OTHER NON-CURRENT ASSETS		
Equity investments in associated companies	0.1	0.1
Other financial assets available for sale	0.4	0.4
Long term trade receivables	-	-
Finacial receivables	0.3	0.3
Other receivables	5.2	5.3
Deferred tax assets	26.0	26.8
TOTAL OTHER NON-CURRENT ASSETS	32.0	32.9
TOTAL NON-CURRENT ASSETS	393.3	399.7
NON-CURRENT ASSETS HELD FOR SALE	3.5	2.6
TOTAL ASSETS	821.2	812.0

LIABILITIES	**03.31.2007**	**12.31.2006**
CURRENT LIABILITIES		
Current bank overdrafts	10.1	13.3
Current portion of medium/long term financial debt and other loans	16.1	18.6
Of which: leasing	*1.2*	*1.2*
TOTAL SHORT TERM FINANCIAL DEBT	26.2	31.9
Other short term liabilities for *cash flow hedge*	-	-
TOTAL SHORT TERM FINANCIAL DEBT AND *CASH FLOW HEDGES*	26.2	31.9
Trade and other payables	236.2	234.5
Tax payables	9.0	8.2
Other current liabilities	2.5	2.4
TOTAL CURRENT LIABILITIES	273.9	277.0
NON-CURRENT LIABILITIES		
MEDIUM/LONG TERM FINANCIAL DEBT AND *CASH FLOW HEDGES*		
Financial debt to bank	128.5	128.4
Other medium/long term financial debts	17.7	18.0
Of which: leasing	*14.9*	*15.3*
TOTAL MEDIUM/LONG TERM FINANCIAL DEBT	146.2	146.4
Other medium/long term financial liabilities for *cash flow hedge*	-	-
TOTAL MEDIUM/LONG TERM FINANCIAL DEBT AND *CASH FLOW HEDGES*	146.2	146.4
OTHER LONG TERM LIABILITIES		
Long term provisions	65.3	68.4
Other debts	-	-
Deferred taxation	25.5	24.5
TOTAL OTHER LONG TERM LIABILITIES	90.8	92.9
TOTAL NON-CURRENT LIABILITIES	237.0	239.3
SHAREHOLDERS' EQUITY		
Share capital	59.0	58.8
Reserves and retained earnings (accumulated losses)	221.9	170.0
Net income (loss) for the period	12.7	50.8
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE PARENT COMPANY	293.6	279.6
Minority interests	16.7	16.1
TOTAL SHAREHOLDERS' EQUITY	310.3	295.7
TOTAL LIABILITIES AND EQUITY	821.2	812.0

CONSOLIDATED INCOME STATEMENT FROM 1.1.2007 TO 03.31.2007

(mln euro)

	Period 01.01 – 03.31.2007		Period 01.01 – 03.31.2006		Variation	
	Amount	%	Amount	%	Amount	%
Sales revenues	267.1	100.0	264.3	100.0	2.8	1.0
variable cost of sales	174.1	65.2	170.2	64.4	3.9	2.3
CONTRIBUTION MARGIN	93.0	34.8	94.1	35.6	(1.1)	(1.2)
Manufacturing and R&D overheads	29.5	11.0	30.4	11.5	(0.9)	(3.0)
Depreciation and amortization	11.7	4.4	12.3	4.7	(0.6)	(4.8)
Distribution and sales fixed expenses	9.8	3.7	9.9	3.7	(0.1)	(0.3)
Administrative and general expenses	16.3	6.1	16.8	6.4	(0.5)	(3.4)
OPERATING INCOME	25.7	9.6	24.7	9.3	1.0	4.0
Restructuring costs	0.7	0.2	0.3	0.1	0.4	128.2
Losses (gains) on disposal	-	-	-	-	-	(144.6)
Exchange (gains) losses	0.1	0.1	0.1	-	-	107.9
Other non-operating expenses (income)	2.0	0.7	3.2	1.2	(1.2)	(39.2)
EBIT	22.9	8.6	21.1	8.0	1.8	8.6
Financial expenses (income), net	2.2	0.8	2.4	0.9	(0.2)	(5.0)
Losses (gains) from equity investments	(0.1)	-	(0.1)	-	-	(103.8)
INCOME BEFORE TAXES AND MINORITY INTERESTS	20.8	7.8	18.8	7.1	2.0	10.6
Income taxes for the period	7.5	2.9	6.7	2.5	0.8	12.3
NET INCOME BEFORE MINORITY INTERESTS	13.3	4.9	12.1	4.6	1.2	9.7
Loss (income) attributable to minority interests	(0.6)	(0.2)	(0.5)	(0.2)	(0.1)	(29.5)
GROUP NET INCOME	12.7	4.7	11.6	4.4	1.1	8.9

SOGEFI GROUP NET FINANCIAL POSITION

(mln euro)

	Position as 03.31.2007	Position as 12.31.2006	Position as 03.31.2006
A. Cash and banks	46.7	51.5	53.3
B. Securities and other liquid funds	-	-	-
C. Financial instruments held for trading	0.9	0.2	6.1
D. Liquid funds (A) + (B) + (C)	**47.6**	**51.7**	**59.4**
E. Current financial receivables	**-**	**-**	**-**
F. Current bank overdrafts	(10.1)	(13.3)	(13.7)
G. Current portion of the non-current indebtedness	(16.1)	(18.6)	(102.1)
H. Other current financial payables	-	-	-
I. Current financial indebtedness (F) + (G) + (H)	**(26.2)**	**(31.9)**	**(115.8)**
J. <net current financial position (I) + (E) + (D)	**21.4**	**19.8**	**(56.4)**
K. Non-current financial debt to banks	(128.5)	(128.4)	(83.7)
L. Bond issues	-	-	-
M. Other non-current financial debts	(17.7)	(18.0)	(20.3)
N. Non-current financial indebtedness (K) + (L) + (M)	**(146.2)**	**(146.4)**	**(104.0)**
O. Net financial indebtedness (J) + (N)	**(124.8)**	**(126.6)**	**(160.4)**
P. Non-current financial receivables	0.3	0.3	-
Net financial indebtedness, non-current financial receivables included	**(124.5)**	**(126.3)**	**(160.4)**

EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENTS

1. INTRODUCTION

The unaudited consolidated report at 31 March 2007 has been prepared in accordance with International Financial Reporting Standards (IAS/IFRS) and to this end the financial statements of Group companies included in the perimeter have been suitably reclassified and adjusted.

The report has been prepared in accordance with art. 82 of Issuer Regulation no. 11971/1999 (as amended by Consob resolution no. 14990 of 14 April 2005 and subsequent amendments) and Attachment 3D of the same Regulations. Thus the IFRS principle regarding interim reports has not been applied (see IAS 34 "Interim Financial Reporting").

2. CONSOLIDATION PRINCIPLES

Consolidation is on a line-by-line basis. The principles adopted for the application of this method are the same as those used at 31 December 2006.

3. ACCOUNTING PRINCIPLES

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

COMMENTS ON THE ACCOUNTING SCHEDULES

Changes in Group shareholders' equity and total shareholders' equity over the first quarter of 2007 were as follows:

(mln euro)	Consolidated shareholders' equity - Group	Capital and reserves pertaining to minority interests	Total Group and minority shareholders' equity
Balance as of December 31, 2006	279,6	16,1	295,7
Increase in share capital	0,7	-	0,7
Dividends	-	-	-
Exchange differencies and other variations	0,6	-	0,6
Net income for the period	12,7	0,6	13,3
Balance as of March 31, 2007	293,6	16,7	310,3

Net sales totalled € 267.1 million compared with € 264.3 million for the same period of 2006.
The breakdown of sales by business area is as follows:

(mln euro)	Position as 03.31.2007		Position as 03.31.2006		Variation	
	Amount	%	Amount	%	Amount	%
Suspension components and precision springs	130,5	48,9	132,8	50,2	(2,3)	(1,7)
Filters	136,7	51,2	131,6	49,8	5,1	3,9
Intercompany eliminations	(0,1)	(0,1)	(0,1)	(0,0)	(0,0)	-
TOTAL	267,1	100,0	264,3	100,0	2,8	1,0

The breakdown of sales by geographical area is shown below:

(mln euro)	Position as 03.31.2007		Position as 03.31.2006		Variation	
	Amount	%	Amount	%	Amount	%
France	65,1	24,4	70,6	26,7	(5,5)	(7,7)
Germany	34,2	12,8	34,3	13,0	(0,1)	(0,1)
Great Britain	33,4	12,5	35,4	13,4	(2,0)	(5,5)
Italy	27,0	10,1	28,2	10,7	(1,2)	(4,4)
Spain	20,2	7,6	17,5	6,6	2,7	15,4
Benelux	17,4	6,5	16,7	6,3	0,7	4,3
Other European countries	27,3	10,2	23,0	8,7	4,3	17,9
Mercosur	31,8	11,9	29,5	11,2	2,3	8,0
United States	6,9	2,6	6,4	2,4	0,5	7,7
China	1,1	0,4	0,9	0,3	0,2	26,4
Rest of the world	2,7	1,0	1,8	0,7	0,9	43,3
TOTAL	267,1	100,0	264,3	100,0	2,8	1,0

As of 31 March 2007 the Group had 6,193 employees compared with 6,168 at 31 December 2006 and 6,287 at 31 March 2006, broken down as follows:

	Position as 03.31.2007	Position as 12.31.2006	Position as 03.31.2006
Managers	89	87	93
Clerical staff	1.403	1.386	1.427
Blue collar workers	4.701	4.695	4.767
TOTAL	6.193	6.168	6.287

Milan, 20 April 2007

THE BOARD OF DIRECTORS