REPORT OF THE BOARD OF DIRECTORS ON OPERATIONS AS OF DECEMBER 31, 2004

OPERATIONS IN THE QUARTER OCTOBER – DECEMBER

Fourth quarter 2004 confirmed both the positive and negative features of the previous nine months.

Sales growth was consolidated with further strong progress in the suspension sector and substantial stability in filtration. This was thanks to South American markets that continued to be extremely dynamic, while the situation in China was less expansive than before as a result of government measures to cool down the local economy.
The trend on the European market was slightly better than in the same period of 2003, while in Italy Group sales declined mainly because suspension production for IVECO has more or less ceased.

Consolidated sales for the quarter came to € 246.6 million, with an increase of 7% on the last quarter of 2003, when they amounted to € 230.5 million.

Prices for the special steels used to make suspension components and the flat-rolled steels used in many filtration products continued to rise during the period, up to 30% year-on-year.

After an initial refusal on the part of customers, our efforts to pass on these increases in raw material costs to selling prices met with some success. Discussions with certain customers were quite heated, but we do not believe that this will have a negative impact on our commercial relationship in the future.
The positive variances in selling prices that this achieved, together with higher volumes and the benefits resulting from the organizational changes introduced to optimize costs, enabled us to post another slight improvement in the already good level of profitability reached in the same quarter of 2003.

The consolidated gross operating margin (EBITDA) remained substantially unchanged, going from € 34.5 million in the period October-December 2003 to € 34.6 million in the same quarter of 2004. As a percentage of sales this comes to 14%, which is slightly lower than the average of the previous quarters, and compares with the 15% achieved in the last three months of 2003, when EBITDA was particularly high.

Consolidated net operating income (EBIT) has grown by 1.8% to € 22.2 million compared with € 21.8 million in the last quarter of 2003. This is 9% of sales compared with 9.4% in the same period of 2003, which means that profitability has held up well despite the extraordinary increase in the cost of ferrous materials.

Income before taxes and minority interests has been affected by certain non-recurring factors that arose during the period. In December, a building in Castelfranco Veneto (Italy) no longer used for industrial purposes was sold for € 8.3 million, giving rise to a capital gain of € 7.2 million.

Following the announcement that filter production at the Nottingham (UK) plant was to cease in 2005, the pre-existing reserve for social security charges to be incurred was raised by € 5.1 million.

Overall, the net effect of non-recurring income and expenses was € 6.5 million less penalizing in fourth quarter 2004 than in the same period of the previous year.

The reduction in financial expenses during the period October-December 2004 compared with 2003, thanks to the lower level of debt, was more than offset by period-end provisions for potential exchange losses on the US dollar.

Income before taxes in the quarter therefore comes to € 16.6 million (6.7% of sales), which compares with € 10.9 million in the same period of 2003 (4.7% of sales).

Group net income in the fourth quarter rose by 104%, from € 5.7 million in 2003 to € 11.7 million in 2004, helped by a lower proportion of tax charges following the corporate reorganization of the filter division and the inclusion of the Italian companies in the CIR Group's consolidated tax return.

The objective of a further reduction in net financial indebtedness by December 31, 2004 has been achieved in full, coming in at € 190.5 million; this is € 22.9 million lower than the € 213.4 million at the end of 2003 (€ 219.1 million at September 30, 2004).

Consolidated shareholders' equity including minority interests as of December 31, 2004 amounted to € 238 million, an increase of € 25.4 million compared with € 212.6 million as of December 31, 2003 (€ 229.9 million at September 30, 2004).

As of December 31, 2004, the Group had 6,303 employees on open-ended contracts (i.e. excluding temporary staff), compared with 6,548 as of December 31, 2003 and 6,522 at the end of September 2004.

PERFORMANCE OF THE FILTRATION DIVISION

During the last quarter of 2004 the operations of the filtration division produced consolidated sales of € 126.3 million, 1.5 % up on the € 124.4 million in the same quarter of 2003, thanks to the ongoing positive trend in original equipment sales and the strong growth in Argentina and Brazil (+ 21.4%). The European aftermarket remained substantially stable. The increase in the cost of raw materials was recovered to a reasonable extent by means of the adjustments made to price lists in Mercosur and in Europe markets. The higher cost of steel plate was not entirely recouped in this way, but the difference was offset by savings on other materials and lower fixed costs thanks to the corporate reorganization, all of which had a positive impact on profitability.

The consolidated gross operating margin (EBITDA) amounted to € 19.8 million, a rise of 13.2% compared with 17.5 million in the same period of 2003, with a distinct improvement as a percentage of sales to 15.6% from 14% in fourth quarter 2003.

Consolidated operating income (EBIT) rose considerably, going from € 11.7 million in the last quarter of 2003 (9.4% of sales) to € 14.8 million (11.7% of sales) in the same period of 2004.

PERFORMANCE OF THE SUSPENSION COMPONENTS AND PRECISION SPRINGS DIVISION

The further increase in steel prices had a negative impact on the division's profitability after the particularly good results achieved in the same period of 2003.

The fact that we were able to pass on part of these extra raw material costs to customers, combined with the significant increase in revenues (+13.3%), made it possible to limit the decline in earnings.

The greatest difficulties in adjusting prices were encountered in the auto suspension sector in Europe and USA, and in the precision springs sector, while in South America and the industrial vehicle suspension sector it was possible to recover almost all of the increases in raw material costs.

The division's consolidated sales amounted to € 120.3 million, compared with € 106.1 million in the last quarter of the previous year.
Consolidated operating income (EBITDA) amounted to € 15.2 million compared with € 17.9 million in fourth quarter 2003, which at 12.6% of sales is lower than the extraordinary 16.9% made in the same period of 2003.
Consolidated net operating income (EBIT) came to € 9 million, 7.4% of sales, versus € 12.2 million in the corresponding period of the previous year (11.5% of sales).

The operational levels of the US subsidiary Allevard Springs U.S.A. Inc. were in line with budget, but productivity and product quality were still below par during the quarter, with the result that the bottom line was still a loss, confirming the difficulties encountered during this start-up period, which have been greater than expected. A team from Europe has been sent to West Virginia to sort out the company's efficiency problems as quickly as possible and will stay there for as long as is needed. An Italian manager with proven experience in the suspension sector has also been appointed the company's CEO.

A prudent provision of € 1.5 million was made during the period for possible charges that might arise from quality problems on supplies of shock absorber springs.
Mr Giorgio Poletto was appointed General Manager of the Allevard Rejna Autosuspension group in order to reinforce the management structure of the auto suspension division.

PRELIMINARY RESULTS FOR THE WHOLE OF 2004

The report of the board of directors for the whole of 2004 will be reviewed at the board meeting that has been called for February 28, 2005.

In light of the fourth quarter results, it is reasonable to say at this stage that the overall performance for the whole year has been very positive with a significant improvement on the key figures in 2003.

Given the unexpected hike in steel prices, this performance confirms the Group's strength, above all the ability to react in an effective manner to contrast negative factors in the business cycle, be they external or internal to the sector.

Consolidated sales for the entire year are up by 7.1%, coming in at € 966.1 million, compared with € 902.4 million the previous year.

The gross operating margin (EBITDA) has improved by 6.1% to € 138 million (14.3% of sales) compared with 130.1 million in 2003 (14.4% of sales).

Consolidated operating income (EBIT) has grown by 9% to € 85.7 million (8.9% of sales) versus € 78.6 million in 2003 (8.7% of sales).

Net income comes to € 37.9 million (3.9% of sales) increasing by 33.1% compared with the 2003 result of € 28.5 million (3.2% of sales).

As mentioned previously, net financial indebtedness has fallen to € 190.5 million, confirming the Group's capacity for cash generation (€ 36.4 million) which is not far from that of the previous year (€ 38.9 million) despite the significant increase in sales.

OUTLOOK FOR GROUP OPERATIONS

Sales in January 2005 came to € 77.9 million, 3.6% higher than in January 2004.
The vehicle sector ought to see a moderately positive trend in 2005, substantially confirming the dynamics encountered in the principal markets at the end of 2004.
Steel prices have gone on rising during the first quarter of the current year, forcing the Group to update its list prices and to continue the organizational and operational measures to improve production efficiency and adjust costs to the competitive scenario.

ACCOUNTING SCHEDULES

CONSOLIDATED RECLASSIFIED STATEMENT OF INCOME FOR THE FOURTH QUARTER

(in thousands of Euro)	Period 10.1 – 12.31.2004		Period 10.1 – 12.31.2003		Change	
	Amount	%	Amount	Amount	%	Amount
Sales revenues	246,550	100.0	230,501	100.0	16,049	7.0
Cost of production	182,322	73.9	167,285	72.6	15,037	9.0
GROSS INDUSTRIAL INCOME	64,228	26.1	63,216	27.4	1,012	1.6
Sales costs, R&D, overheads and administrative costs	42,067	17.1	41,452	18.0	615	1.5
OPERATING INCOME (EBIT)	22,161	9.0	21,764	9.4	397	1.8
Financial expenses, net	(3,572)	(1.4)	(2,594)	(1.1)	(978)	(37.7)
Income (expenses) from equity investments	(141)	(0.1)	21	--	(162)	(771.4)
Miscellaneous income (expenses), net	8,465	2.9	3,176	1.4	5,289	166.5
Extraordinary income (expenses), net	(10,292)	(3.7)	(11,483)	(5.0)	1,191	10.4
INCOME BEFORE TAXES AND MINORITY INTERESTS	16,621	6.7	10,884	4.7	5,737	52.7
Income taxes for the period	4,737	1.9	4,423	1.9	314	7.1
INCOME BEFORE MINORITY INTERESTS	11,884	4.8	6,461	2.8	5,423	83.9
Loss (income) attributable to minority interests	(228)	(0.1)	(748)	(0.3)	520	69.7
GROUP NET INCOME FOR THE PERIOD	11,656	4.7	5,713	2.5	5,943	104.0

CONSOLIDATED RECLASSIFIED STATEMENT OF INCOME FOR 2004

(in thousands of Euro)	Period 1.1 - 12.31.2004		Period 1.1 – 12.31.2003		Change	
	Amount	%	Amount	%	Amount	%
Sales revenues	966,148	100.0	902,369	100.0	63,779	7.1
Cost of production	709,176	73.4	659,675	73.1	49,501	7.5
GROSS INDUSTRIAL INCOME	256,972	26.6	242,694	26.9	14,278	5.9
Sales costs, overheads and administrative costs	171,271	17.7	164,073	18.2	7,198	4.4
OPERATING INCOME (EBIT)	85,701	8.9	78,621	8.7	7,080	9.0
Financial expenses, net	(12,095)	(1.3)	(11,470)	(1.3)	(625)	(5.4)
Income (expenses) from equity investments	1,704	0.2	713	0.1	991	139.0
Miscellaneous income (expenses), net	7,869	0.8	3,864	0.4	4,005	103.6
Extraordinary income (expenses), net	(12,881)	(1.3)	(17,279)	(1.9)	4,398	25.5
INCOME BEFORE TAXES AND MINORITY INTERESTS	70,298	7.3	54,449	6.0	15,849	29.1
Income taxes for the period	30,657	3.2	23,713	2.6	6,944	29.3
INCOME BEFORE MINORITY INTERESTS	39,641	4.1	30,736	3.4	8,905	29.1
Loss (income) attributable to minority interests	(1,722)	(0.2)	(2,251)	(0.2)	529	23.5
NET INCOME FOR THE PERIOD	37,919	3.9	28,485	3.2	9,434	33.1

NET FINANCIAL POSITION

(in thousands of Euro)	Situation as of 12.31.2004	Situation as of 09.30.2004	Situation as of 12.31.2003
Cash, banks, financial receivables and marketable securities	57,035	46,934	43,033
Medium/long term investments	30	35	38
Short-term borrowings (*)	(105,685)	(44,229)	(67,140)
Medium/long-term debt	(141,871)	(221,814)	(189,379)
NET FINANCIAL INDEBTEDNESS	(190,491)	(219,074)	(213,448)

(*) 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, 2003.

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 accounting principles and methods that are consistent with those used in preparing the consolidated financial statements as of December 31, 2003.

Changes in the Group share of shareholders' equity and in total shareholders' equity in 2004 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, 2003	**198,161**	**14,443**	**212,604**
Dividends paid to minority interests	(15,776)	--	(15,776)
Increase in share capital	1,647	936	2,583
Exchange gains and other changes	2,615	147	2,762
Group net income (loss) for the period	26,263	1,494	27,757
Balances as of September 30, 2004	**212,910**	**17,020**	**229,930**
Dividends paid to minority interests	--	(1,133)	(1,133)
Increase in share capital	907	--	907
Exchange gains and other changes	(3,358)	(212)	(3,570)
Group net income (loss) for the period	11,656	222	11,878
Balance as of December 31, 2004	**222,115**	**15,897**	**238,012**

Consolidated net sales for the period amounted to 966.1 million euro with respect to 902.4 in the corresponding period of 2003.

The breakdown of sales by business sector is as follows:

for the quarter:

(in millions of euro)	Period 10.1 - 12.31.2004		Period 10.1 - 12.31.2003		Change
	Amount	%	Amount	%	%
Filters	126.3	51.2	124.4	54.0	1.5
Suspension components	120.3	48.8	106.1	46.0	13.3
TOTAL	246.6	100.0	230.5	100.0	7.0

for the whole year:

(in millions of euro)	Period 1.1 - 12.31.2004		Period 1.1 - 12.31.2003		Change
	Amount	%	Amount	%	%
Filters	514.6	53.3	496.0	55.0	3.8
Suspension components	451.5	46.7	404.8	44.9	11.6
Other	--	--	1.6	0.1	--
TOTAL	966.1	100.0	902.4	100.0	7.1

The breakdown of sales by geographical area is reported in the following tables,

for the quarter:

(in millions of euro)	Period 10.1 - 12.31.2004		Period 10.1 - 12.31.2003		Change
	Amount	%	Amount	%	%
France	72.2	29.3	69.4	30.1	4.1
Great Britain	31.0	12.6	28.1	12.2	10.3
Italy	30.1	12.2	33.8	14.7	(10.9)
Germany	29.4	11.9	28.7	12.5	2.5
Spain	16.8	6.8	15.8	6.9	6.0
Other European countries	35.6	14.5	32.5	14.1	9.5
Mercosur	21.7	8.8	16.0	6.9	35.3
United States	6.7	2.7	2.6	1.1	160.3
China	0.8	0.3	0.7	0.3	11.6
Rest of the World	2.3	0.9	2.9	1.2	(19.8)
TOTAL	246.6	100.0	230.5	100.0	7.0

for the whole year:

(in millions of euro)	Period 1.1 - 12.31.2004		Period 1.1 - 12.31.2003		Change
	Amount	%	Amount	%	%
France	286.4	29.6	276.3	30.6	3.7
Great Britain	125.3	13.0	119.0	13.2	5.3
Italy	123.0	12.7	135.5	15.0	(9.2)
Germany	120.7	12.5	108.0	12.0	11.7
Spain	69.1	7.2	57.9	6.4	19.4
Other European countries	133.4	13.8	121.2	13.4	10.1
Mercosur	79.4	8.2	60.9	6.7	30.3
United States	16.4	1.7	11.2	1.2	47.0
China	2.8	0.3	3.2	0.4	(12.4)
Rest of the World	9.6	1.0	9.2	1.1	4.0
TOTAL	966.1	100.0	902.4	100.0	7.1

At December 31, 2004 the Group had 6,303 employees compared with 6,548 at December 31, 2003 broken down as follows:

	Situation as of 12.31.2004	Situation as of 09.30.2004	Situation as of 12.31.2003
Managers	98	99	107
Clerical staff	1,460	1,496	1,559
Blue collar workers	4,745	4,927	4,882
TOTAL	6,303	6,522	6,548

Milan, February 14, 2005

THE BOARD OF DIRECTORS