

**REPORT ON GROUP OPERATIONS
IN THE FIRST HALF OF 2004**



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BOARD OF DIRECTORS

Chairman CARLO DE BENEDETTI (1) (4)

Managing Director
and General Manager EMANUELE BOSIO (2)

Directors RODOLFO DE BENEDETTI (4)
OLIVIERO MARIA BREGA (3) (6)
PIERLUIGI FERRERO (3)
GIOVANNI GERMANO
FRANCO GIRARD (4)
ALBERTO PIASER
RENATO RICCI
ROBERTO ROBOTTI (5) (6)
PAOLO RICCARDO ROCCA (5) (6)
ANTONIO TESONE (5)

Secretary of the Board NIVES RODOLFI

BOARD OF STATUTORY AUDITORS

Chairman ANGELO GIRELLI

In office FRANCO CARAMANTI
RICCARDO ZINGALES

Substitute MAURO GIRELLI
LUIGI MACCHIORLATTI VIGNAT
GIOVANNI RUSSO

INDEPENDENT AUDITORS

PRICEWATERHOUSECOOPERS S.p.A.

Details on the exercise of powers (Consob Resolution No. 97001574 of February 20, 1997):

- (1) All ordinary and extraordinary powers with single signature, except for those delegated to the Board of Directors by law or the Articles of Association.
- (2) All ordinary powers with single signature.
- (3) All ordinary and extraordinary powers with joint signatures, except for those delegated to the Board of Directors by law or the Articles of Association.
- (4) Members of the Remuneration Committee.
- (5) Members of the Internal Control Committee.
- (6) Members of Supervisory Body (D.Lgs. 231/2001).

REPORT OF THE BOARD OF DIRECTORS ON GROUP OPERATIONS IN THE FIRST HALF OF 2004

This report has been prepared in accordance with Consob resolution 11971 of May 14, 1999 and subsequent amendments, and includes the financial statements, accounting schedules, explanatory notes of the Group and of the Parent Company.

REPORT ON OPERATIONS

During the first half of 2004, in a market enjoying a certain upswing in demand, the Group managed to increase its turnover once again and improve its results.

A steady increase in market shares in original equipment (O.E.), continuing success on the part of the "stabilinkers" product line for industrial vehicle suspensions, the recovery in South American markets and the lack of significant exchange losses all made it possible for Group sales to expand a good deal faster than the market as a whole.

Compared with a 3.3% increase in registrations in the European automotive market versus the first half of 2003, during the same period SOGEFI boosted its consolidated net sales by 8.3%. All O.E. application sectors, where the Group operates, showed signs of rising volumes, particularly earth moving equipment and light commercial vehicles. The independent aftermarket, which essentially involves our filtration division, showed a slight decline in Europe, but was very dynamic in Mercosur.

The period also featured a significant increase in ferrous metal prices since the start of the year: by the end of June, +15% for the special steels used in suspensions and +25% for the steel plate used in filters. There were also procurement problems due to a lack of availability.

These cost increases only had a partial impact on the first-half results, as they really only began in the second quarter.

In this context, the Group achieved consolidated net sales of € 495.3 million, improving both consolidated net operating income (EBIT), which rose to € 43.4 million, and consolidated net income, which came in at € 18.3 million.

The positive trend in sales involved both the filtration division (+6.8% on first half 2003) and, to a greater extent, the suspension components business, which boosted its revenues by 10.6%.

Consolidated net sales, which in the first half of 2003 amounted to € 457.4 million, rose by 8.3% to € 495.3 million. The breakdown by product line shows that there is still a prevalence of filtration product sales, as can be seen from the following table:

(in millions of Euro)	<i>First half of 2004</i>		<i>First half of 2003</i>		% change <i>1st half 04/1st half 03</i>	<i>Year 2003</i>
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>		<i>Amount</i>
Filters	265.9	53.7	249.0	54.4	6.8	496.0
Suspension components	229.3	46.3	207.4	45.4	10.6	404.8
Other	0,1	-	1.0	0.2	-	1.6
TOTAL	495.3	100.0	457.4	100.0	8.3	902.4

As we said previously, O.E. sales are up to 61.4% of total sales compared with 58.5% in first-half 2003, while independent aftermarket sales are down.

(in millions of Euro)	<i>First half of 2004</i>		<i>First half of 2003</i>		% change <i>1st half 04/1st half 03</i>	<i>Year 2003</i>
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>		<i>Amount</i>
Original equipment (O.E.)	304.3	61.4	267.7	58.5	13.7	529.1
Independent aftermarket (I.A.M.)	122.2	24.7	124.0	27.1	(1.5)	241.3
Original equipment spares (O.E.S.)	68.8	13.9	65.7	14.4	4.6	132.0
TOTAL	495.3	100.0	457.4	100.0	8.3	902.4

The breakdown of sales by main geographical market confirms the downward trend in domestic sales and a recovery of turnover in Europe, especially in Germany and Spain, as well as outside Europe, thanks to the positive performance by the Brazilian and Argentine markets and despite a slight dip in the Chinese market.

(in millions of Euro)	<i>First half of 2004</i>		<i>First half of 2003</i>		% change <i>1st half 04/1st half 03</i>	<i>Year 2003</i>
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>		<i>Amount</i>
France	151.1	30.5	143.6	31.4	5.3	276.3
Italy	65.9	13.3	71.9	15.7	(8.4)	135.5
Great Britain	64.0	13.0	60.7	13.3	5.4	119.0
Germany	62.1	12.6	51.9	11.3	19.7	108.1
Spain	36.3	7.3	28.7	6.3	26.3	57.9
Other European countries	67.5	13.6	60.4	13.2	11.5	121.1
Mercosur	36.7	7.4	28.0	6.1	31.3	60.9
China	1.4	0.3	1.7	0.4	(15.6)	3.2
Rest of world	10.3	2.0	10.5	2.3	(1.5)	20.4
TOTAL	495.3	100.0	457.4	100.0	8.3	902.4

The following table shows the positive trend in results for the period, as they are up both in absolute terms and as a percentage of sales:

RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME FOR THE FIRST HALF OF 2004

(in millions of Euro)	<i>1st half 2004</i>		<i>1st half 2003</i>		<i>Year 2003</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
Sales revenues	495.3	100.0	457.4	100.0	902.4	100.0
Cost of production	362.5	73.2	333.8	73.0	659.7	73.1
GROSS INDUSTRIAL INCOME	132.8	26.8	123.6	27.0	242.7	26.9
Sales costs, R&D, overheads and administrative costs	89.4	18.0	85.3	18.6	164.1	18.2
OPERATING INCOME	43.4	8.8	38.3	8.4	78.6	8.7
Financial expenses, net	(5.6)	(1.1)	(5.4)	(1.2)	(11.5)	(1.3)
Income from equity investments	1.8	0.3	0.3	0.1	0.7	0.1
Miscellaneous income (expenses), net	(0.4)	(0.1)	1.9	0.4	3.9	0.4
Extraordinary expenses, net	(1.5)	(0.3)	(4.5)	(1.0)	(17.3)	(1.9)
INCOME BEFORE TAXES AND MINORITY INTERESTS	37.7	7.6	30.6	6.7	54.4	6.0
Income taxes for the period	18.2	3.7	13.7	3.0	23.7	2.6
NET INCOME BEFORE MINORITY INTERESTS	19.5	3.9	16.9	3.7	30.7	3.4
Loss (income) attributable to minority interests	(1.2)	(0.2)	(1.1)	(0.2)	(2.2)	(0.2)
NET INCOME FOR THE GROUP	18.3	3.7	15.8	3.5	28.5	3.2

Despite a higher incidence of material costs, it was still possible to achieve better operating results thanks to the increase in turnover which made it possible to keep labor cost and fixed costs under control. Consolidated gross operating income went from € 123.6 million in the first six months of 2003 to € 132.8 million in the first half of 2004 (26.8% of sales compared with 27% in first-half 2003).

The gross operating margin (EBITDA) went up from 65.4 million euro (14.3% of sales) in first-half 2003 to 71.2 million (14.4% of sales) in the first half of this year.

Consolidated net operating income (EBIT) came to € 43.4 million, in progress of 13.5% compared with € 38.3 million of the same period of 2003. It also improved as a percentage of sales, rising from 8.4% to 8.8% of the first half 2004.

As in previous years, the Group has also identified and planned reorganization and concentration measures in both areas of business during 2004. To cover the expenses that will be incurred during the year and in subsequent years in these operations, existing provisions at the end of 2003 were boosted by € 1.4 million, which will be used mainly to reorganize the Italian companies operating in suspension components and to improve filtration activities in Great Britain.

The advantages coming from the reduction of debt and interest rates were offset by not booking the tax credit on the French dividends following the changes made to France's tax regulations. On the other hand, the period benefited from the non-recurring proceeds of € 1.4 million from the sale of the investment in Immobiliare Regis S.r.l.

Income before taxes and minority interests therefore came to € 37.7 million, versus € 30.6 million in the first half of 2003, a period affected by reorganization costs of € 3 million and tax amnesty charges for the Italian companies of € 1.6 million.

Consolidated net income of the period under review amounts to € 18.3 million, up 15.4% compared with € 15.8 million of first half last year. As a percentage of sales it improves coming to 3.7% compared with 3.5% of 2003.

The increase in the “tax rate” compared with the first half of the previous year is mainly the result of changes in the fiscal treatment of Italian and French dividends, as well as lower tax-exempt income booked in the first half of 2004.

At June 30, 2004, consolidated shareholders' equity (including minority interests) also increased, coming to € 220.8 million, a rise of 9.2% compared with € 202.2 million at June 30, 2003, while as of December 31, 2003 it amounted to € 212.6 million.

The Group's consolidated balance sheet is analyzed in the following table:

(in millions of Euro)	June 30, 2004		December 31, 2003		June 30, 2003	
	Amount	%	Amount	%	Amount	%
Short term operating assets	405.5		370.6		397.3	
Short term operating liabilities	(252.2)		(241.5)		(239.9)	
Net working capital	153.3	33.5	129.1	30.3	157.4	33.9
Equity investments (including treasury stock)	10.0	2.2	11.3	2.7	11.7	2.5
Intangible, tangible and other medium and long-term assets	371.5	81.1	368.3	86.4	366.5	79.0
CAPITAL INVESTED	534.8	116.8	508.7	119.4	535.6	115.4
Other medium and long-term liabilities	(77.0)	(16.8)	(82.7)	(19.4)	(71.6)	(15.4)
CAPITAL INVESTED, NET	457.8	100.0	426.0	100.0	464.0	100.0
Financial indebtedness - net	237.0	51.8	213.4	50.1	261.8	56.4
Shareholders' equity - minority interests	16.8	3.6	14.4	3.4	13.7	3.0
Consolidated shareholders' equity - Group	204.0	44.6	198.2	46.5	188.5	40.6
TOTAL	457.8	100.0	426.0	100.0	464.0	100.0

At the end of the first six months of 2004, Group net financial indebtedness has decreased to 237 million euro, € 24.8 million less than € 261.8 million at June 30, 2003, but increased with respect to € 213.4 million at December 31, 2003, because of the payment of dividends and taxes, as well as the normal increase in working capital.

The following table shows the statement of changes in financial position of the period compared with June 30, 2003 and with the whole of 2003:

(in millions of Euro)	<i>First half of 2004</i>	<i>Year 2003</i>	<i>First half of 2003</i>
Self financing	43.2	80.7	36.2
Changes in net working capital	(24.6)	5.7	(22.6)
Cash flow from operations	18.6	86.4	13.6
Parent Company's share capital increase	1.3	3.1	0.4
Dividends paid	(15.8)	(14.8)	(14.8)
Capital increases in consolidated companies subscribed by minority interests	0.9	0.9	-
Additions to intangible fixed assets	(6.6)	(10.6)	(4.8)
Additions to tangible fixed assets	(23.0)	(49.7)	(18.5)
Net decrease from sale of tangible fixed assets	0.2	4.2	-
Disposal of equity investments, net	1.4	1.0	1.0
Net financial position of companies acquired/sold	-	0.4	-
Other changes, net	(0.6)	7.2	2.8
Change in net financial position	(23.6)	28.1	(20.3)
Net financial position, beginning of period	(213.4)	(241.5)	(241.5)
Net financial position, end of period	(237.0)	(213.4)	(261.8)

Net financial indebtedness returned to being prevalently medium/long term after the reimbursement of the bond loan on its maturity in December 2003 for € 70 million and the stipulation on the same date of a syndicated loan for € 100 million, of which € 40 million has been used at the end of the half-year.

(in millions of Euro)	<i>June 30, 2004</i>	<i>December 31, 2003</i>	<i>June 30, 2003</i>
Cash, banks, financial receivables and marketable securities	32.8	43.1	74.2
Short term borrowings (*)	(40.9)	(67.1)	(140.6)
Medium/long term debt	(228.9)	(189.4)	(195.4)
NET FINANCIAL INDEBTEDNESS	(237.0)	(213.4)	(261.8)

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

The Group's workforce at the end of the first half 2004 consisted of 6,605 people, a reduction compared with the 6,788 at June 30, 2003 and a slight increase on the total of 6,548 at December 31, 2003.

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

A corporate reorganization was carried out during the first half which, among other things, allowed the Holding Company SOGEFI S.p.A. to increase its net income (€ 30.1 million compared with € 17.6 million in the first half of the previous year). This change is mainly due to the higher dividends received, also because of the higher number of companies direct subsidiaries and to capital gains on the disposal of equity investments in Sogefi International B.V. and Immobiliare Regis S.r.l.

Operations during the period in connection with the restructuring of the Group were as follows:

- the purchase of the interest held in Sogefi Filtration d.o.o (Slovenia) by Filtrauto S.A. (France);
- the sale of the investment in Sogefi Filtration S.p.A. (Italy) to Filtrauto Italia S.r.l. (Italy);
- the sale of the investment in Sogefi International B.V. (Netherlands) to Sogefi Filtration S.A (Spain).

The summarized reclassified statement of income of SOGEFI S.p.A. shows an increase in operating costs due to higher consulting fees, which have been recharged to Group companies on a pro-quota basis. These costs are mainly related to the reorganization, the start-up of the plan to reduce working capital and personnel search as a result of transferring the head office to new office in Via Flavio Gioia 8, Milan.

(in millions of Euro)	1st half 2004	1st half 2003	Year 2003
Financial income and expenses	30.6	28.1	36.1
Adjustments to the value of financial assets	-	-	(7.3)
Other operating revenues	3.4	2.8	5.7
Operating costs	(6.1)	(5.1)	(9.9)
INCOME BEFORE EXTRAORDINARY ITEMS	27.9	25.8	24.6
Extraordinary charges	3.2	(1.4)	(1.4)
INCOME BEFORE TAXATION	31.1	24.4	23.2
Income taxes	1.0	6.8	6.1
NET INCOME	30.1	17.6	17.1

At June 30, 2004 the Company's shareholders' equity amounted to 177 million euro, an increase on the 159.3 million of twelve months earlier and on the 161.3 million at December 31, 2003 as shown in the following table:

(in millions of Euro)	June 30, 2004	December 31, 2003	June 30, 2003
Short term assets	9.0	9.6	9.4
Short term liabilities	(4.8)	(3.8)	(3.6)
Net working capital	4.2	5.8	5.8
Equity investments (including treasury stock)	197.1	226.9	222.6
Other fixed assets	9.5	9.6	10.3
CAPITAL INVESTED	210.8	242.3	238.7
Other medium and long-term liabilities	(1.9)	(2.2)	(2.6)
CAPITAL INVESTED, NET	208.9	240.1	236.1
Net, financial indebtedness	31.9	78.8	76.8
SHAREHOLDERS' EQUITY	177.0	161.3	159.3

The net financial indebtedness at June 30, 2004 has fallen to € 31.9 million, versus € 76.8 million of twelve months earlier and € 78.8 million as of December 31, 2003.

(in millions of Euro)	<i>June 30, 2004</i>	<i>December 31, 2003</i>	<i>June 30, 2003</i>
Cash, banks and short-term financial receivables from others	2.4	2.5	14.7
Short/medium-term financial receivables from subsidiaries	170.6	81.3	71.1
Medium/long term debt	(204.9)	(162.6)	(162.6)
Net financial position	(31.9)	(78.8)	(76.8)

The change in “Short/medium-term financial receivables from subsidiaries” and “Medium/long-term debt” relates to the fact that Sogefi S.p.A. now handles more of the treasury activities on the money market to raise the funds needed to finance the Group and their subsequent distribution to the subsidiaries, so as to obtain better economic conditions and optimize cash management.

The reduction in the net financial position is principally due to the reorganization of the filtration division.

At the end of the period the Parent Company employed 26 people.

PERFORMANCE OF BUSINESS DIVISION

FILTRATION DIVISION

By the end of the third quarter of 2004, the reorganization will lead to a total integration of the various companies making up the FILTRAUTO and SOGEFI FILTRATION groups, concentrating all of the activities carried on in each country in a single operating company.

This involved the following transactions during the period:

- the sale of the investment in Filtrauto B.V. (Netherlands) from Filtrauto UK Ltd (Great Britain) to Sogefi Filtration B.V. (Netherlands)
- the sale of the investment in Sogefi Filtration d.o.o. (formerly Filtrauto Slovenia d.o.o) (Slovenia) from Filtrauto S.A. (France) to Sogefi S.p.A.;
- the sale of the investment in Filtrauto GmbH (Germany) from Filtrauto S.A. (France) to Sogefi Filtration B.V. (Netherlands);
- the sale of the investment in Filtrauto UK Ltd (Great Britain) from Filtrauto S.A. (France) to Sogefi Filtration UK Ltd (Great Britain);
- the sale of the investment in Sogefi International B.V. (Netherlands) from Sogefi S.p.A. to Sogefi Filtration S.A. (Spain);
- the sale of the investment in Sogefi Filtration S.p.A. (Italy) from Sogefi S.p.A. to Filtrauto Italia S.r.l. (Italy);
- the merger of the French companies Filtrauto S.A., Efficiencia S.A. and Sogefi Filtration S.A.;
- the sale of 10% of the interest in Filtrauto Argentina S.A.C.I.F. (Argentina) from Filtrauto S.A. (France) to Filtrauto Italia S.r.l. (Italy);
- the liquidation of Filtrauto Ireland Ltd;
- a change of name from Filtrauto Slovenija d.o.o. to Sogefi Filtration d.o.o. (Slovenia).

The following measures have also been commenced:

- the merger between the Italian companies Filtrauto Italia S.r.l. and Sogefi Filtration S.p.A.;
- the merger between the Spanish companies Filtrauto Iberica S.A. and Sogefi Filtration S.A. ;
- the merger between the Dutch companies Sogefi Filtration B.V., Filtrauto B.V. and Coopers Filters Europe B.V.;
- the liquidation of Sogefi International B.V. (Netherlands)

The filtration division achieved a higher level of revenues compared with the first half of 2003 (+6.8%) thanks to the expansion in Europe of original equipment sales and a positive trend in the original equipment spares market, while the independent aftermarket experienced a slight contraction. The sales trend in Brazil and Argentina was very positive in all market sectors, with sales rising by 20.2% compared with the first half of 2003. Overall, the filtration division's total sales came to € 265.9 million, which compares with € 249 million in the same half of last year. The division's consolidated sales in Europe amounted to € 241.3 million (€ 228.3 million in the first half of last year). Sales in South America rose to € 25.7 million from € 21.4 million in first half 2003.

In the first six months of 2004 the division's consolidated operating income (EBITDA) of € 37.8 million increased compared with € 35.4 million in the first half of 2003, with a return on sales of 14.2%, the same as in first half 2003.

Consolidated net operating income (EBIT) also improved, reaching € 26.3 million compared with € 24 million in first half 2003. As a percentage of sales it has improved from 9.6% in first half 2003 to the current level of 9.9%. The most significant improvement was in Mercosur where operating profitability jumped to 12.6% from 7.4% in the corresponding period of 2003, while in Europe net operating income came in at 9.6% of sales versus 9.8% at June last year.

At June 30, 2004 the filtration division had 3,838 employees compared with 4,046 twelve months earlier and 3,847 at December 31, 2003.

SUSPENSION COMPONENTS AND PRECISION SPRINGS DIVISION

The suspension components division achieved important progress in its turnover. The increase in sales in the automobile sector came to 11.5% compared with first half 2003, despite the slowdown in the precision springs business; the industrial vehicles market, on the other hand, grew by 7.7%.

In this last sector, we more or less stopped providing IVECO with O.E. products in May as the customer was not willing to accept price increases needed to ensure a positive operating margin. We will still be producing some stabilizer bars for this customer up until July 2005, after which the business will be limited to products for the independent aftermarket.

The division turned in consolidated sales for the period of € 229.3 million versus € 207.4 million in the same period of 2003, with the auto sector at € 176.7 million compared with € 158.4 million and the industrial vehicles sector at € 53.4 million compared with € 49.6 million in the same period last year. During the period, we

started working for two new important European manufacturers of industrial vehicles: SCANIA and MAN.

The increase in steel prices only became fully concrete towards the end of the first half, so the division was able to turn in better operating margins than in the first six months of 2003. Consolidated operating income (EBITDA) was € 35.7 million (15.6% of sales) whereas in the first half of 2003 it came to € 31.7 million (15.3% of sales).

The auto sector achieved € 28.9 million compared with € 25.8 million in first half 2003 while the industrial vehicles sector made € 6.8 million versus € 5.9 million in the first six months of last year.

The division's consolidated operating income (EBIT) improved by € 21.9 million with a return on sales of 9.5%, versus € 18.6 million in first half 2003 (9% of sales). Both sectors improved, with the ALLEVARD REJNA AUTOSUSPENSIONS Group making net operating income of € 17.4 million (9.8% of sales), while the companies operating in the industrial vehicle sector made € 4.3 million (8.1% of sales). In the first half of 2003 they came in at € 14.9 million (9.4% of sales) and € 3.5 million (7.1% of sales) respectively.

The period saw completion of the shock absorber spring and stabilizer bar plant in West Virginia (USA), which has begun producing for FORD. Work continued on the new shock absorber line in Valencia (Spain) which is due to start up this fall.

Sales in the precision springs sector fell slightly (-0.6%), while operating margins contracted as a result of lower selling prices.

In May 2004 the precision springs business was spun off from Allevard Rejna Autosuspensions S.A. (France) and transferred to Allevard S.A.S. (France), which then changed its name to United Springs S.A.S. (France).

At the end of the period, the suspension and precision spring businesses employed 2,741 people, rising thanks to higher production volumes compared with 2,691 at June 30, 2003 and 2,678 at December 31, 2003. Since July, 180 employees of SIDERGARDA MOLLIFICIO BRESCIANO S.r.l. have been put on state redundancy benefits due to the change in the relationship with IVECO.

RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME FOR THE SECOND QUARTER OF 2004

(in millions of Euro)	<i>Period</i> 4.1 - 6.30.2004		<i>Period</i> 4.1 - 6.30.2003		<i>Change</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
Sales revenues	254.8	100.0	234.1	100.0	20.7	8.8
Cost of production	186.8	73.3	170.3	72.7	16.5	9.7
GROSS INDUSTRIAL INCOME	68.0	26.7	63.8	27.3	4.2	6.6
Sales costs, R&D, overheads and administrative costs	44.2	17.4	42.8	18.3	1.4	3.3
OPERATING INCOME	23.8	9.3	21.0	9.0	2.8	13.2
Financial expenses, net	(2.8)	(1.1)	(2.1)	(0.9)	(0.7)	(31.6)
Income from equity investments	0.3	0.1	0.1	0.1	0.2	126.0
Miscellaneous income (expenses), net	(0.3)	(0.1)	1.9	0.7	(2.2)	(115.6)
Extraordinary expenses, net	(0.3)	(0.1)	(3.7)	(1.6)	3.4	91.3
INCOME BEFORE TAXES AND MINORITY INTERESTS	20.7	8.1	17.2	7.3	3.5	20.1
Income taxes for the period	10.2	4.0	7.9	3.3	2.3	29.5
NET INCOME BEFORE MINORITY INTERESTS	10.5	4.1	9.3	4.0	1.2	12.2
Loss (income) attributable to minority interests	(0.5)	(0.2)	(0.6)	(0.3)	0.1	24.3
NET INCOME FOR THE PERIOD	10.0	3.9	8.7	3.7	1.3	14.9

In the second quarter of 2004 the Group made net income of € 254.8 million, an increase of 8.8% compared with the same period last year (+6.8% of the filtration division and +11.7% of the suspension components division).

Consolidated operating income (EBITDA) grew by 9.4%, from € 34.5 million (14.7% of sales) in the second quarter 2003 to € 37.7 million (14.8% of sales).

Consolidated net operating income (EBIT) went up by 13.2%, from € 21 million (9% of sales) in the second quarter 2003 to € 23.8 million (9.3% of sales).

Net income shows an increase to € 10 million (3.9% of sales) versus € 8.7 million (3.7% of sales) of the corresponding period 2003 (+14.9%).

INVESTMENTS AND RESEARCH AND DEVELOPMENT

The need for constant upgrading of products and processes led to 29.6 million euro of new investments, whereas capital expenditure in the first half of 2003 amounted to 23.3 million. This increase is mainly related to completion of the production lines of the North American and Spanish companies in the suspension components division.

Research and development involves 263 employees throughout the Group in constant innovation of products and processes and developing new components for each new model launched by customers. Total Research and Development expenditure

amounted to € 10.7 million compared with € 9.8 million in the first six months of 2003.

TREASURY STOCK

In the first half of 2004, the Company did not carry out any further transactions in treasury stock. Therefore, at June 30, 2004, the Company held 1,695,000 of its own shares (1.53% of its share capital), at an average price of Euro 2.219 per share.

INTERCOMPANY AND RELATED PARTY TRANSACTIONS

The following information on related-party transactions as defined in IAS 24 complies with Consob Recommendations No. 97001574 of February 20, 1997 and No. 98015375 of February 27, 1998.

No atypical or unusual transactions of the types mentioned in the relevant Consob Communications arose during the period.

Transactions with related parties are carried out at arm's-length conditions, taking into account the quality and specific nature of the services rendered.

The most important transactions that took place between Group companies in the period are analyzed in the explanatory notes.

Sogefi S.p.A. uses the services of its parent company, CIR S.p.A., in the fields of strategic development, disposals and acquisitions, administration, finance, tax and corporate matters.

Sogefi S.p.A. is interested in having these services as CIR S.p.A. is able to provide them more efficiently than others thanks to its knowledge and experience of the Company's set-up, its business and reference market.

The cost of these services is in proportion to their actual value for Sogefi, in terms of the time dedicated and the specific economic advantages deriving from them. This relationship is regulated by contracts at arm's-length conditions.

During the half-year Sogefi S.p.A. sold tax credits to Group companies.

SUBSEQUENT EVENTS AFTER JUNE 30, 2004

No significant events took place after June 30, 2004.

OUTLOOK FOR THE REST OF THE YEAR

The second half of the year should see this rising sales trend continue compared with 2003, though probably at a slower rate. A less favorable trend in the original equipment and original equipment spares markets should to be offset by a recovery in the independent aftermarket. We are unlikely to see any lessening of the tensions

on the prices of steel and the other raw materials that we use. Even though all Group companies immediately adopted commercial policies to pass raw material cost hikes on to selling prices, strong resistance from original equipment customers prevent us from achieving this aim entirely, at least for the time being. Operating profitability in the second half is therefore likely to be close to first half levels.

Milan, July 27, 2004

THE BOARD OF DIRECTORS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET

(in thousands of euro)

ASSETS	<i>June 30, 2004</i>	<i>December 31, 2003</i>	<i>June 30, 2003</i>
A) DUE FROM SHAREHOLDERS FOR CAPITAL NOT PAID IN	-	-	-
B) FIXED ASSETS	(*)	(*)	(*)
I. Intangible fixed assets	112.957	112.967	113.890
II. Tangible fixed assets	248.684	244.951	248.160
III. Financial fixed assets	177 (***)12.150	158 13.240	187 13.920
TOTAL FIXED ASSETS	373.791	371.158	375.970
C) CURRENT ASSETS	(**)	(**)	(**)
I. Inventories	114.237	109.914	115.677
II. Receivables	7.778 295.611	8.646 266.790	2.496 278.779
III. Financial assets not held as fixed assets	2.587	11.925	24.129
IV. Cash at bank and on hand	30.073	30.966	49.872
TOTAL CURRENT ASSETS	442.508	419.595	468.457
D) ACCRUED INCOME AND PREPAID EXPENSES	4.101	2.593	5.353
TOTAL ASSETS	820.400	793.346	849.780

(*) amounts due within one year

(**) amounts due beyond one year

(***) including no. 1,695,000 treasury stock with a total par value of 881 thousand euro

LIABILITIES AND SHAREHOLDERS' EQUITY	<i>June 30, 2004</i>		<i>December 31, 2003</i>		<i>June 30, 2003</i>	
A) SHAREHOLDERS' EQUITY						
I. Share capital		57.513		56.773		56.656
II. Share premium reserve		27.341		24.773		24.449
III. Revaluation reserves		1.547		1.547		1.547
IV. Legal reserve		11.530		11.480		11.480
V. Reserve for treasury stock		3.762		3.762		3.762
VI. Statutory reserves		-		-		-
VII. Other reserves		84.117		71.341		74.796
VIII. Retained earnings		-		-		-
IX. Income for the period		18.253		28.485		15.819
CONSOLIDATED SHAREHOLDERS' EQUITY-GROUP		204.063		198.161		188.509
MINORITY INTERESTS		16.776		14.443		13.721
TOTAL GROUP AND MINORITY SHAREHOLDERS' EQUITY		220.839		212.604		202.230
B) ALLOWANCES FOR RISKS AND CHARGES						
1) Pension and similar commitments		16.108		15.373		15.095
2) Taxation		13.114		12.607		5.448
3) Other		28.117		31.359		28.466
TOTAL ALLOWANCES FOR RISKS AND CHARGES		57.339		59.339		49.009
C) ALLOWANCE FOR EMPLOYMENT TERMINATION INDEMNITIES		19.491		21.038		20.870
D) PAYABLES		(*)		(*)		(*)
1) Bonds	80.000	80.000	80.000	80.000	80.000	150.000
2) Convertible bonds		-		-		-
3) Banks	141.019	181.158	100.926	167.207	103.215	173.098
4) Other providers of finance	7.895	8.644	8.452	9.258	12.197	12.833
5) Advances		709		1.369		2.061
6) Suppliers	37	175.567	20	172.798	34	165.784
7) Notes payable		4.656		5.076		3.509
8) Subsidiaries		25		55		90
9) Associated companies		-		450		450
10) Parent companies		909		-		808
11) Tax authorities	348	20.151	581	18.742	1.319	18.164
12) Social security institutions	72	13.725	72	14.987		14.091
13) Other	53	34.367	1.657	27.679	388	31.600
TOTAL PAYABLES		519.911		497.621		572.488
E) ACCRUED EXPENSES AND DEFERRED INCOME		2.820		2.744		5.183
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		820.400		793.346		849.780
MEMORANDUM ACCOUNTS		<i>June 30, 2004</i>		<i>December 31, 2003</i>		<i>June 30, 2003</i>
- Personal guarantees given		12.154		11.547		12.360
- Secured guarantees given		6.540		7.284		15.374
- Commitments		97.634		87.698		108.296
- Contingencies		5.828		5.620		5.490
TOTAL MEMORANDUM ACCOUNTS		122.156		112.149		141.520

(*) amounts due beyond one year

CONSOLIDATED STATEMENT OF INCOME
(in thousands of euro)

	<i>1st half 2004</i>	<i>1st half 2003</i>	<i>Year 2003</i>
A) VALUE OF PRODUCTION			
1) Revenues from the sale of goods and services	495.275	457.405	902.369
2) Change in inventories of work in progress, semi-finished goods and finished products	(1.154)	179	(1.222)
3) Change in contract work in progress	199	(665)	(692)
4) Additions to fixed assets by internal production	6.630	4.510	8.804
5) Other revenues and income	2.834	6.145	15.306
TOTAL VALUE OF PRODUCTION	503.784	467.574	924.565
B) PRODUCTION COSTS			
6) Raw, ancillary and consumable materials and goods for resale	226.560	201.829	396.347
7) Services received	82.731	75.532	149.006
8) Leases and rentals	5.070	4.464	8.716
9) Personnel	119.053	116.882	224.671
10) Depreciation, amortization and writedowns	28.921	27.971	55.706
11) Change in inventories of raw, ancillary and consumable materials and goods for resale	(5.675)	(4.493)	(2.520)
12) Provisions for risks and charges	485	379	1.699
13) Other provisions	598	518	1.948
14) Other operating expenses	3.066	4.262	6.507
TOTAL PRODUCTION COSTS	460.809	427.344	842.080
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A-B)	42.975	40.230	82.485
C) FINANCIAL INCOME AND EXPENSES			
15) Income from equity investments	117	78	664
16) Other financial income	798	3.587	6.519
17) Interests and other financial charges	6.411	8.998	17.989
TOTAL FINANCIAL INCOME AND EXPENSES	(5.496)	(5.333)	(10.806)
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS			
18) Revaluations	258	298	239
19) Writedowns	-	65	190
TOTAL ADJUSTMENTS	258	233	49
E) EXTRAORDINARY INCOME AND EXPENSES			
20) Income	1.540	-	475
21) Expenses	1.600	4.494	17.754
TOTAL EXTRAORDINARY ITEMS	(60)	(4.494)	(17.279)
INCOME BEFORE TAXES	37.677	30.636	54.449
22) Income taxes	18.225	13.670	23.713
INCOME INCLUDING MINORITY INTERESTS	19.452	16.966	30.736
Loss (income) attributable to minority interests	(1.199)	(1.147)	(2.251)
NET INCOME FOR THE PERIOD	18.253	15.819	28.485

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Sogefi Group have been prepared using the balance sheet and statement of income formats laid down by Decree 127 of April 9, 1991. They are presented in summarized form, as permitted by Art. 81.4 of Consob Resolution no. 11971 dated May 14, 1999, and subsequent amendments.

The consolidated financial statements (prepared on a line-by-line basis) include the financial statements of the parent company, Sogefi S.p.A., and all the Italian and foreign companies in which, directly or indirectly, it holds a majority of the voting rights.

The companies included in the consolidation as of June 30, 2004 are listed in an attachment.

The scope of consolidation has changed with respect to June 30, 2003 because of the sale of Fiamm Sogefi Buzinas Ltda in September 2003; the effects of this change in the scope of consolidation are not significant.

CONSOLIDATION PRINCIPLES AND ACCOUNTING POLICIES

The consolidation principles and accounting policies used to prepare the interim financial statements as of June 30, 2004 comply with Legislative Decree 127/91 and with Art. 2426 of the Civil Code. They are consistent with those adopted as of December 31, 2003.

Please note that:

- Assets and liabilities originally denominated in foreign currencies have been translated using year-end exchange rates, taking account of any transactions that hedged exchange risk.
- Commitments involving the forward exchange of currencies (or the settlement of differentials) are reported in the memorandum accounts.

The following exchange rates were applied:

	<i>1st half 2004</i>		<i>1st half 2003</i>	
	<i>Average</i>	<i>30.6</i>	<i>Average</i>	<i>30.6</i>
US dollar	1.2266	1.2155	1.1034	1.1427
Pound sterling	0.6735	0.6708	0.6851	0.6932
Swedish krona	9.1634	9.1451	9.1625	9.2488
Brazilian real	3.6390	3.7838	3.5602	3.2961
Argentine peso	3.5665	3.6009	3.3113	3.2007
Chinese Renminbi	10.1543	10.0643	9.1358	9.4616
Slovenian taller	238.0952	239.9900	232.0186	233.952

COMMENTS ON THE MAIN ASSET CAPTIONS

B) FIXED ASSETS

Intangible fixed assets

These amount to € 112,957 thousand at June 30, 2004 versus € 112,967 thousand at the end of the previous year and are broken down as follows:

(in thousands of Euro)	Gross values			
	Balance as of 12.31.03 <i>(a)</i>	Purchases <i>(b)</i>	Other changes (Note 1) <i>(c)</i>	Balance as of 06.30.04 <i>(d=a+b+c)</i>
Incorporation and expansion costs	4,601	250	(14)	4,837
Research, development and advertising expenses	22,682	3,281	(113)	25,850
Industrial patents and intellectual property rights	10,732	72	(699)	10,105
Concessions, licenses, trademarks and similar rights	4,441	181	(247)	4,375
Goodwill	9,869	-	397	10,266
Intangibles under construction and payments on account	2,759	2,808	124	5,691
Other	3,883	26	1,004	4,913
Differences arising on consolidation	103,696	-	-	103,696
TOTAL	162,663	6,618	452	169,733

(in thousands of Euro)	Accumulated amortization				Net values
	Balance as of 12.31.03 <i>(e)</i>	Amortization for the period <i>(f)</i>	Other changes (Note 1) <i>(g)</i>	Balance as of 06.30.04 <i>(h=e+f+g)</i>	Balance as of 06.30.04 <i>(I=d-h)</i>
Incorporation and expansion costs	4,133	317	22	4,472	365
Research, development and advertising expenses	9,930	2,364	(135)	12,159	13,691
Industrial patents and intellectual property rights	6,998	973	(575)	7,396	2,709
Concessions, licenses, trademarks and similar rights	3,409	184	(248)	3,345	1,030
Goodwill	6,074	258	289	6,621	3,645
Intangibles under construction and payments on account	-	-	-	-	5,691
Other	2,327	216	801	3,344	1,569
Differences arising on consolidation	16,825	2,614	-	19,439	84,257
TOTAL	49,696	6,926	154	56,776	112,957

Note (1): The column includes reductions for intangible fixed assets that are fully amortized, translation differences arising on financial statements denominated in foreign currencies and reclassifications.

The main increases are due to costs incurred by companies operating in the original equipment sector (O.E.) for the development of new products included in "Research, development and advertising expenses" and for start-up costs incurred by Allevard Springs U.S.A. Inc. included in "Intangibles under construction and payments on account".

Tangible fixed assets

These amount to € 248,684 thousand at June 30, 2004 versus € 244,951 thousand at the end of the previous year and are broken down as follows:

(in thousands of Euro)	Gross values				
	Balance as of 12.31.03 (a)	Purchases (b)	Disposals (c)	Other changes (Note 1) (d)	Balance as of 06.30.04 (e=a+b+c+d)
Land and buildings	129,294	93	(64)	1,260	130,583
Plant and machinery	419,555	2,445	(2,560)	7,746	427,186
Industrial and commercial equipment	77,395	870	(364)	735	78,636
Other assets	25,356	565	(48)	301	26,174
Tangibles under construction and payments on account	23,518	19,043	-	(4,688)	37,873
TOTAL	675,118	23,016	(3,036)	5,354	700,452

(in thousands of Euro)	Accumulated depreciation					Net values
	Balance as of 12.31.03 (f)	Depreciation for the period (g)	Utilizations in the period (h)	Other changes (Note 1) (l)	Balance as of 06.30.04 (j=f+g+h+l)	Balance as of 06.30.04 (l=e-j)
Land and buildings	55,407	2,494	(52)	387	58,236	72,347
Plant and machinery	289,577	14,813	(2,421)	2,804	304,773	122,413
Industrial and commercial equipment	64,275	2,590	(361)	281	66,785	11,851
Other assets	20,908	952	(22)	136	21,974	4,200
Tangibles under construction and payments on account	-	-	-	-	-	37,873
TOTAL	430,167	20,849	(2,856)	3,608	451,768	248,684

Note (1): The column includes translation differences on financial statements denominated in foreign currencies and reclassifications.

Additions for the period amount to € 23,016 thousand and are mainly capital investments to automate and improve production processes and to complete production lines at Allevard Springs U.S.A. Inc. and ISSA S.L. (Spain). In the first half of 2003 capital investments amounted to € 18,537 thousand.

The gross value of tangible fixed assets as of June 30, 2004 includes revaluations carried out in accordance with specific laws, as follows:

(in thousands of Euro)	
Land and buildings	3,040
Plant and machinery	68
Industrial and commercial equipment	-
Other assets	-
TOTAL	3,108

Tangible assets as of June 30, 2004 were encumbered by mortgages and liens totaling € 6,049 thousand to guarantee loans from financial institutions.

Financial fixed assets

As of June 30, 2004 these totaled € 12,150 thousand, compared with € 13,240 thousand as of December 31, 2003. They are analyzed as follows:

(in thousands of Euro)	June 30, 2004	December 31, 2003	June 30, 2003
Equity investments in subsidiaries	45	16	51
Equity investments in associated companies and other companies	6,203	7,491	7,915
Due from subsidiaries	-	30	30
Due from associated companies	133	133	133
Due from third parties	2,007	1,808	2,029
Treasury stock	3,762	3,762	3,762
TOTAL	12,150	13,240	13,920

Equity investments in non-consolidated subsidiary companies are recorded using the equity method, considering that no significant effect would have come from their consolidation.

Equity investments in associated and other companies were valued at equity, purchase or subscription cost and written down for any permanent losses; the original value is written back in future years, if the reasons of the writedown no longer apply; using the equity method would not have resulted in a significantly different valuation.

The decrease compared with the same period of last year in “Equity investments in associated companies and other companies” derives principally from the sale of the investment in Regis S.r.l. and the reduction in the value of the investment in KS Auto. Asia Private Ltd mainly because of the devaluation of the Chinese currency.

C) CURRENT ASSETS

Inventories

Inventories are analyzed below:

(in thousands of Euro)	June 30, 2004	December 31, 2003	June 30, 2003
Raw materials, ancillary materials and consumables	40,432	37,475	39,124
Work in progress and semi-finished products	14,069	14,375	15,552
Contract work in progress	838	662	765
Finished goods and goods for resale	58,841	56,320	58,070
Advances	57	1,082	2,166
TOTAL	114,237	109,914	115,677

The net decrease in inventories between June 2003 and June 2004 is mainly due to better production and stock management as a result of the reorganization of the filtration division, and to the net exchange effect. This improvement is even more evident if we consider the growth in turnover achieved during the first half of 2004 compared with the same period of 2003.

Receivables

Current receivables are analyzed as follows:

(in thousands of Euro)	June 30, 2004	December 31, 2003	June 30, 2003
Trade receivables	264,410	232,848	258,062
Due from subsidiaries	620	486	482
Due from associated companies	-	1	1
Due from third parties	30,581	33,455	20,234
TOTAL	295,611	266,790	278,779

The increase in "Trade receivables" between the two periods to June 2003 and June 2004 is a good deal lower than the growth in sales in each period, thanks above all to operations in countries that have market conditions with shorter collection terms.

The caption "Due from others" mainly includes tax credits due to Group companies for € 13,705 thousand and the caption "Deferred tax assets" of € 6,548 thousand relating to benefits expected on deductible timing differences and carry-forward tax losses, subject to the amount that can reasonably be expected to be recovered.

"Due from third parties" do not include amounts due beyond five years.

Financial assets not held as fixed assets

These are analyzed below:

(in thousands of Euro)	June 30, 2004	December 31, 2003	June 30, 2003
Other securities	2,587	11,837	12,125
Due from financial institutions and others	-	88	12,004
TOTAL	2,587	11,925	24,129

The decrease in "other securities" compared with the same period last year derives mainly from the disposal of mutual fund units by ISSA to optimize short term liquidity and to finance the construction of a new production line.

The caption "Due from financial institutions and others" has a zero balance this year as a result of a change in cash management policy.

Cash at bank and on hand

(in thousands of Euro)	<i>June 30, 2004</i>	<i>December 31, 2003</i>	<i>June 30, 2003</i>
Bank and post office deposits	29,058	30,392	49,651
Checks	54	400	137
Cash and valuables on hand	961	174	84
TOTAL	30,073	30,966	49,872

The decrease in cash at bank and on hand between June 2003 and June 2004 relates to optimization of the financial asset and liability positions of the individual companies.

Bank and post office deposits include Euro 4,100 thousand of time deposits to take advantage of the best market conditions available.

COMMENTS ON THE MAIN LIABILITY CAPTIONS

A) GROUP SHARE OF CONSOLIDATED EQUITY

As of June 30, 2004 this amounted to € 204,063 thousand, an increase of € 5,902 thousand since December 31, 2003.

Despite a decrease in shareholders' equity due to dividends of € 15,776 thousand paid by the Holding Company, it benefited from the net result for the period, as well as from sterling's reinforcement and the subscription of stock options by employees.

Movements are detailed below:

(in thousands of Euro)	Share capital	Share premium reserve	Revaluation reserves	Legal reserve	Reserve for treasury stock	Other reserves	Group net income for the period	Total
Balance as of December 31, 2003	56,773	24,773	1,547	11,480	3,762	71,341	28,485	198,161
Allocation of 2003 net income								
Dividends	-	-	-	-	-	-	(15,776)	(15,776)
Retained earnings	-	-	-	50	-	12,659	(12,709)	-
Increases in share capital	740	2,568	-	-	-	(2,003)	-	1,305
Effect of translating foreign currency financial statements	-	-	-	-	-	2,120	-	2,120
Income for the period	-	-	-	-	-	-	18,253	18,253
Balance as of June 30, 2004	57,513	27,341	1,547	11,530	3,762	84,117	18,253	204,063

B) ALLOWANCES FOR RISKS AND CHARGES

The caption "Other" amounts to € 28,117 thousand at June 30, 2004, a decline of € 3,242 thousand on December 31, 2003. The decrease mainly relates to the utilization of restructuring reserves for € 4,507 and the € 132 thousand of surplus provisions released to the statement of income. In addition, new reserves were allocated during

the half-year for the restructuring of Sidergarda Mollificio Bresciano S.r.l. and of certain companies in the filtration division for a total of € 1,598 thousand.

D) PAYABLES

At June 30, 2004 payables amounted to € 519,911 thousand, all due within five years, except where indicated for the amounts due to banks and other providers of finance.

Bonds

These amount to € 80 million and represent the bond loan organized by Caboto Holding SIM and Deutsche Bank and issued by Sogefi S.p.A. in December 2000 (repayable in December 2005) at an interest rate linked to 3-month Euribor plus 90 basis points (considering the issue and reoffering price of 99.566, the yield to investors comes to Euribor + 100 basis points). Taking account of the likelihood of a rise in interest rates over the coming years, for this last transaction, the parent company has stipulated an interest rate hedging contract (IRS) with a nominal value of 40 million euro, which falls due in December 2005, thus converting the floating rate into a fixed rate of 2.89%.

The decrease of € 70 million since last year is due to repayment of the bond at the end of December 2003.

Banks

These are analyzed as follows:

(in thousands of Euro)	June 30, 2004	December 31, 2003	June 30, 2003
Current account overdrafts	27,630	36,682	44,463
Secured loans:			
due within 12 months	2,716	4,016	523
due between one and five years	1,124	1,384	1,637
Other loans:			
due within 12 months	9,793	25,583	24,897
due between one and five years	138,350	99,542	100,215
due beyond five years	1,545	-	1,363
TOTAL	181,158	167,207	173,098

"Other loans due between one and five years" include a loan of 80 million granted by a pool of primary Italian banks to the parent company SOGEFI S.p.A. in the form of a syndicated loan. Repayment will be in a lump sum in December 2006 and the loan will bear interest at a floating rate 70 basis points above Euribor. Again, the parent company has stipulated an interest rate hedging contract (IRS) with a nominal value of 40 million, which falls due in December 2006, thus converting the floating rate into a fixed rate of 3.13%.

This caption also includes a financing contract in the form of a syndicated loan partially used for € 40 million. The loan has a duration of 5 years and bears floating-rate interest equal to Euribor plus an initial spread of 60 basis points. This loan does not provide for any real guarantee on the company's assets.

The interest rates on the other loans are prevalently floating.

Other providers of finance

(in thousands of Euro)	June 30, 2004	December 31, 2003	June 30, 2003
due within 12 months	749	806	636
due between one and five years	4,094	3,785	6,884
due beyond five years	3,801	4,667	5,313
TOTAL	8,644	9,258	12,833

This heading mainly refers to payables for financial leases on buildings of the French companies Allevard Rejna Autosuspensions S.A. and Allevard Rejna Technologie Froid S.A.

Suppliers

These amount to € 175,567 thousand versus € 165,784 thousand at June 30, 2003; the slight increase over the same period last year is also due mainly to higher production volumes and capital expenditure;

COMMENTS ON THE MEMORANDUM ACCOUNTS

These are detailed in the following table:

(in thousands of Euro)	June 30, 2004	December 31, 2003	June 30, 2003
PERSONAL GUARANTEES GIVEN			
a) Sureties in favor of:			
- subsidiaries	-	-	247
- third parties	2,440	1,833	2,399
c) Other personal guarantees in favor of third parties	9,714	9,714	9,714
TOTAL PERSONAL GUARANTEES GIVEN	12,154	11,547	12,360
SECURED GUARANTEES GIVEN			
b) Against liabilities shown in the balance sheet	6,540	7,284	15,374
TOTAL SECURED GUARANTEES GIVEN	6,540	7,284	15,374
COMMITMENTS			
- for the purchase of goods	4,694	4,370	2,789
- for the purchase of equity investments	1,824	1,064	1,064
- for interest rate risk hedging contracts	80,348	80,284	-
- for the sale of goods	-	-	87,378
- for the sale of securities under repurchase agreements	-	-	12,016
- for the sale of currency	10,768	1,980	5,049
TOTAL COMMITMENTS	97,634	87,698	108,296
CONTINGENCIES	5,828	5,620	5,490
TOTAL MEMORANDUM ACCOUNTS	122,156	112,149	141,520

Guarantees given to secure loans are stated at the full value of the commitment at the balance sheet date. These accounts indicate risks, commitments and guarantees provided by Group companies to third parties.

"Other personal guarantees in favor of third parties" essentially reflect the commitment of LPDN GmbH to the employee pension funds of the two acquired business segments. This commitment is covered by the contractual obligations of the seller.

Gains or losses on hedging transactions outstanding at the year-end (i.e. the differences that result from applying the exchange rates ruling when the contracts came into effect and those ruling at the balance sheet date) are recognized in the statement of income.

The caption "Interest rate risk hedging contracts" refers to the notional value of Euro 80 million of the two contracts stipulated by Sogefi S.p.A. and to the charge of Euro 348 thousand to be borne in future periods, calculated on the basis of the interest rate curve foreseen at the end of the period

INFORMATION ON THE STATEMENT OF INCOME

A) VALUE OF PRODUCTION

Revenues from the sale of goods and services

Revenues from the sale of goods and services are analyzed as follows:

By business sector:

(in thousands of Euro)	<i>1st half 2004</i>		<i>1st half 2003</i>		<i>Year 2003</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
Filters	265,945	53.7	248,963	54.4	495,961	55.0
Suspension components	229,330	46.3	207,374	45.4	404,805	44.9
Other	-	-	1,068	0.2	1,603	0.1
TOTAL	495,275	100.0	457,405	100.0	902,369	100.0

By geographical area:

(in thousands of Euro)	<i>1st half 2004</i>		<i>1st half 2003</i>		<i>Year 2003</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
France	151,124	30.5	143,571	31.4	276,269	30.6
Italy	65,860	13.3	71,932	15.7	135,462	15.0
Great Britain	63,965	13.0	60,669	13.3	118,975	13.2
Germany	62,145	12.6	51,894	11.3	108,068	12.0
Spain	36,276	7.3	28,716	6.3	57,894	6.4
Other European countries	67,447	13.6	60,446	13.2	121,178	13.4
Mercosur	36,693	7.4	27,985	6.1	60,902	6.8
China	1,443	0.3	1,710	0.4	3,237	0.4
Rest of world	10,322	2.0	10,482	2.3	20,384	2.2
TOTAL	495,275	100.0	457,405	100.0	902,369	100.0

Sales of the period record an increase of 8.3% compared with the first half of 2003. Based on the same scope of consolidation and exchange rates, sales would not have been significantly different (+8.7%).

B) PRODUCTION COSTS

Personnel

Personnel costs are analyzed as follows:

(in thousands of Euro)	<i>1st half 2004</i>	<i>1st half 2003</i>	<i>Year 2003</i>
Wages and salaries	88,777	86,808	165,740
Social security payments	25,428	24,986	48,289
Termination indemnities	1,432	1,574	2,876
Retirement benefits and similar	2,014	2,161	4,234
Other	1,402	1,353	3,532
TOTAL	119,053	116,882	224,671

Average employment is shown below by grade:

(Number of employees)	<i>1st half 2004</i>	<i>1st half 2003</i>	<i>Year 2003</i>
Managers	102	112	110
Clerical staff	1,538	1,586	1,575
Blue collar workers	4,984	5,019	5,017
TOTAL	6,624	6,717	6,702

C) FINANCIAL INCOME AND EXPENSES

Other financial income

These are analyzed as follows:

(in thousands of Euro)	<i>1st half 2004</i>	<i>1st half 2003</i>	<i>Year 2003</i>
Income from receivables held as fixed assets	-	7	8
Income from securities held as short-term assets not representing equity investments	44	132	324
Income other than the above:			
Financial income from repurchase agreements	-	152	259
Bank interest	143	322	672
Income from interest-rate hedging contracts	-	25	44
Exchange gains and income from exchange-rate hedging contracts	335	1,114	2,704
Other interest and commissions	276	1,835	2,508
TOTAL	798	3,587	6,519

"Other financial income" amounted to Euro 798 thousand compared with Euro 3,587 thousand in the first half of 2003. The caption "Exchange gains and income from

exchange-rate hedging contracts” is offset by the reduction in losses on such transactions, which are included in “Exchange losses and cost of hedging exchange risks” under “Interest and other financial charges”.

The reduction in “Other interest and commissions” is due to not recording the tax credit on the dividends paid by French companies following a change in the local tax regulations, which from January 1, 2005 no longer allow such tax credits to be recovered. Given that the dividends are likely to be paid during the first half of 2005, it is not yet clear which rules should apply in 2004: the accruals basis or the cash basis.

Interest and other financial charges

These are analyzed as follows:

(in thousands of Euro)	<i>1st half 2004</i>	<i>1st half 2003</i>	<i>Year 2003</i>
Interest on non-convertible bonds	1,244	2,651	4,866
Interest on bank overdrafts	456	558	1,096
Interest on bank loans	2,047	2,917	4,872
Interest on loans from third parties	1	7	14
Costs of interest-rate hedging contracts	372	190	995
Exchange losses and cost of hedging exchange risks	969	1,617	3,479
Other interest and commissions	1,322	1,058	2,667
TOTAL	6,411	8,998	17,989

Interest and other financial charges amount to Euro 6,411 thousand compared with Euro 8,998 thousand in the first half of 2003. The fall in total financial expenses results from the general reduction in indebtedness and in interest rates.

The caption "Exchange losses and cost of hedging exchange risks" (higher than in the corresponding period of 2003) includes the impact of hedging sterling and the Brazilian real, as well as exchange losses on commercial transactions.

E) EXTRAORDINARY INCOME AND EXPENSES

The caption “Extraordinary income and expenses” shows a negative balance of € 60 thousand for the first half of 2004, mainly due to a capital gain on the sale of Immobiliare Regis S.r.l. and allowances for reorganization plans being carried out or due to be carried out in the future.

During the same period last year, this caption showed a negative balance of Euro 4,494 thousand as a result of extraordinary charges for the restructuring of various Group companies and the costs involved in taking the tax amnesty in Italy.

LIST OF EQUITY INVESTMENTS AS AT JUNE 30, 2004

SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS

Direct subsidiaries	Currency	Share capital	No. of shares	% ownership	Par value per share	Par value of interest held
REJNA S.p.A. Settimo Torinese (TO)	Euro	5.200.000	7.986.134	99,83	0,65	5.190.987,10
SOGEFI FILTRATION B.V. Weesp (Olanda)	Euro	1.125.000	2.500	100,00	450	1.125.000
SOGEFI FILTRATION Ltd Llantrisant (Gran Bretagna)	GBP	5.126.737	5.126.737	100,00	1	5.126.737
SOGEFI FILTRATION A.B. Stoccolma (Svezia)	SEK	100.000	1.000	100,00	100	100.000
SOGEFI FILTRATION S.A. Rubi (Spagna)	Euro	29.098.412,66	4.841.666	100,00	6,01	29.098.412,66
FILTRAUTO S.A. Guyancourt (Francia)	Euro	5.750.000	287.494	99,99	20	5.749.880
SIDERGARDA MOLLIFICIO BRESCIANO S.r.l. San Felice del Benaco (BS)	Euro	17.700.000		100,00		17.700.000
ALLEVARD REJNA AUTOSUSPENSIONS S.A. Saint Cloud (Francia)	Euro	18.517.734	1.028.582	99,98	18	18.514.476
LUHN & PULVERMACHER - DITTMANN & NEUHAUS GmbH Hagen (Germania)	Euro	50.000		100,00		50.000
ALLEVARD SPRINGS U.S.A. Inc. Charleston (U.S.A.) Held by Sogefi S.p.A.: 60% Held by Allevard Rejna Autosuspensions S.A. :20%	USD	10.500.000	80	80,00		8.400.000
SENECA S.c.a.r.l. Milano Held by Sogefi S.p.A. : 85,75% Held by Rejna S.p.A.: 0,25% Held by Sidergarda Mollificio Bresciano S.r.l. : 0,25%	Euro	10.000		86,25		8.625
LES NOUVEAUX ATELIERS MECANIQUES S.A. Morlanwelz (Belgio) Held by Sogefi S.p.A.: 74,9% Held by Sidergarda Mollificio Bresciano S.r.l. :25,1%	Euro	2.880.000	120.000	100,00	24	2.880.000
KINGDRAGON.IT S.p.A. (*) Torino	Euro	517.000	413.600	80,00	1	413.600
SOGEFI FILTRATION d.o.o. Medvode (Slovenia)	SIT	2.466.326.560		100,00		2.466.326.560

(*) In liquidation

Indirect subsidiaries						
	Currency	Share capital	No. of shares	% ownership	Par value per share	Par value of interest held
FILTRATION GROUP						
COOPERS FILTERS EUROPE B.V. Weesp (Olanda) Held by Sogefi Filtration B.V.	Euro	453.780	1.000	100,00	453,78	453.780
COOPERS FILTERS Ltd Abergavenny (Gran Bretagna) Held by Sogefi Filtration Ltd	GBP	3.000.000	3.000.000	100,00	1	3.000.000
FILTRAUTO ITALIA S.r.l. Sant'Antonino di Susa (TO) Held by Filtrauto S.A.	Euro	21.951.000		100,00		21.951.000
SOGEFI FILTRATION S.P.A Mantova Held by Filtrauto Italia Srl	Euro	500.000	500.000	100,00	1	500.000
FILTRAUTO GmbH Ludwigsburg (Germania) Held by Sogefi Filtration B.V.	Euro	51.130		100,00		51.130
FILTRAUTO IBERICA S.A. Oyarzun-Guipuzcoa (Spagna) Held by Filtrauto S.A.	Euro	1.803.000	300.000	100,00	6,01	1.803.000
FILTRAUTO UK Ltd Nottingham (Gran Bretagna) Held by Sogefi Filtration Ltd	GBP	6.810.000	6.810.000	100,00	1	6.810.000
FILTRAUTO B.V. s'Hertogenbosch (Olanda) Held by Sogefi Filtration B.V.	Euro	113.446	113.446	100,00	1	113.446

Indirect subsidiaries						
	Currency	Share Capital	No. of shares	% ownership	Par value per share	Par value of interest held
ALLEVARD REJNA AUTOSUSPENSIONS GROUP						
ALLEVARD SPRINGS Co. Ltd Mid Glamorgan (Gran Bretagna) Held by Allevard Rejna Autosuspensions S.A.	GBP	4.000.002	4.000.002	100,00	1	4.000.002
ALLEVARD FEDERN GmbH Volklingen (Germania) Held by Allevard Rejna Autosuspensions S.A.	Euro	12.782.300		100,00		12.782.300
LIGGETT ARGENTINA S.A. Buenos Aires (Argentina) Held by Allevard Rejna Autosuspensions S.A.	ARP	600.000	599.827	99,97	1	599.827
IBERICA DE SUSPENSIONES S.L. (ISSA) Alsasua (Spagna) Held by Allevard Rejna Autosuspensions S.A.	Euro	10.529.668	5.264.834	50,00	1	5.264.834
ALLEVARD MOLAS DO BRASIL Ltda São Paulo (Brasile) Held by Allevard Rejna Autosuspensions S.A.: 99,997% Held by Allevard Springs Co. Ltd : 0,003%	BRL	41.237.934	41.237.934	100,00	1	41.237.934
ALLEVARD REJNA TECHNOLOGIE FROID S.A. Choisy Le Roi (Francia) Held by Allevard Rejna Autosuspensions S.A.	Euro	3.340.050	222.664	99,99	15	3.339.960
UNITED SPRINGS B.V. Hengelo (Olanda) Held by Allevard Rejna Autosuspensions S.A.	Euro	254.979	254.979	100,00	1	254.979

Indirect subsidiaries						
	Currency	Share capital	No. of shares	% ownership	Par value per share	Par value of interest held
UNITED SPRINGS LTD Rochdale (Gran Bretagna) Held by Allevard Rejna Autosuspension S.A.	GBP	6.500.000	6.500.000	100,00	1	6.500.000
SHANGHAI ALLEVARD SPRINGS Co. Ltd Shanghai (Cina) Held by Allevard Rejna Autosuspensions S.A.	CYN	52.746.597		60,58		31.953.888
UNITED SPRINGS S.A.S. Saint Cloud (Francia) Held by Allevard Rejna Autosuspensions S.A.	Euro	10.218.000	2.043.599	99,99	5	10.217.995
SOGEFI INTERNATIONAL B.V. GROUP						
SOGEFI INTERNATIONAL B.V. (*) Amsterdam (Olanda) Held by Sogefi Filtration S.A.	Euro	28.606.950	63.571	100,00	450	28.606.950
SOGEFI FILTRATION DO BRASIL Ltda São Bernardo do Campo (Brasile) Held by Sogefi International B.V.	BRL	29.857.374	29.857.373	99,99	1	29.857.373
SOGEFI FILTRATION ARGENTINA S.A. Buenos Aires (Argentina) Held by Sogefi Filtration do Brasil Ltda	ARP	9.610.000	9.609.998	99,99	1	9.609.998

(*) In liquidation

EQUITY INVESTMENTS IN SUBSIDIARIES CARRIED AT EQUITY

Indirect subsidiaries						
	Currency	Share capital	No. of shares	% ownership	Par value per share	Par value of interest held
FILTRAUTO Inc. Wilmington (U.S.A.) Held by Filtrauto S.A.	USD	1.000	1.000	100,00		1.000
DONIT ZAGREB d.o.o. Zagreb (Croazia) Held by Sogefi Filtration d.o.o.	HRK	116.500		100,00		116.500
FILTRAUTO ARGENTINA S.A.C.I.F. Buenos Aires (Argentina) Held by Filtrauto S.A. :90% Held by Filtrauto Italia S.r.l. :10%	ARP	1.081.607	1.081.607	100,00	1	1.081.607
INTEGRAL S.A. San Luis (Argentina) Held by Filtrauto S.A. :93,50% Held by Filtrauto Argentina S.A.C.I.F. : 6,50%	ARP	2.515.600	2.515.600	100,00	1	2.515.600
FILTRAUTO DO BRASIL Ltda São Paulo (Brasile) Held by Filtrauto S.A. :100%	BRL	354.600	354.600	100,00	1	354.600

EQUITY INVESTMENTS IN ASSOCIATED COMPANIES CARRIED AT EQUITY

	Currency	Share capital	No. of shares	% ownership	Par value per share	Par value of interest held
ALLEVARD RESSORTS COMPOSITES S.A.S. Serrieres (Francia) Held by Allevard Rejna Autosuspensions S.A.	Euro	300.000	60.000	50,00	2,50	150.000
KS AUTOMOTIVE SUSPENSIONS ASIA PRIVATE Ltd Singapore Held by Allevard Rejna Autosuspensions S.A.	DEM	16.200.000	8.100.000	50,00	1	8.100.000

EQUITY INVESTMENTS IN ASSOCIATED COMPANIES CARRIED AT COST

	Currency	Share capital	No. of shares	% ownership	Par value per share	Par value of interest held
INTERZAPCHAST A/O (*) (International Auto Parts Ltd) Mosca (Russia) Held by Sogefi S.p.A. :16% Held by Sogefi International B.V. : 17,33%	RUR	514.800.000	1.200	33,33	143.000	171.600.000
MAKKAWI CARS & LORRIES Co. Khartoum (Sudan) Held by Sidergarda Mollificio Bresciano S.r.l.	SDP	900.000	225	25,00	1.000	225.000

(*) In liquidation

EQUITY INVESTMENTS IN OTHER COMPANIES CARRIED AT COST (**)

	Currency	Share capital	No. of shares	% ownership	Par value per share	Par value of interest held
AFICO FILTERS S.A.E. Il Cairo (Egitto) Held by Sogefi Filtration S.p.A.	EGP	10.000.000	19.000	19,00	100	1.900.000

(**) as per Consob notification no. 11971 Art. 126

FINANCIAL STATEMENTS OF THE PARENT COMPANY SOGEFI S.p.A.

BALANCE SHEET
STATEMENT OF INCOME
RECLASSIFIED STATEMENT OF INCOME

BALANCE SHEET
(in thousands of euro)

ASSETS	<i>June 30, 2004</i>		<i>December 31, 2003</i>		<i>June 30, 2003</i>	
A) DUE FROM SHAREHOLDERS FOR CAPITAL NOT PAID IN	-		-		-	
B) FIXED ASSETS						
I. Intangible fixed assets	399		445		571	
II. Tangible fixed assets	9.053		9.193		9.355	
III. Financial fixed assets	(**) 197.160		226.914		222.616	
TOTAL FIXED ASSETS	206.612		236.552		232.542	
C) CURRENT ASSETS	(*)		(*)		(*)	
I. Inventories	-		-		-	
II. Receivables	8.490		9.328		306 9.473	
III. Financial assets not held as fixed assets	94.945	170.599	66.102	81.302	67.602	83.114
IV. Cash at bank and on hand	2.446		2.503		2.726	
TOTAL CURRENT ASSETS	181.535		93.133		95.313	
D) ACCRUED INCOME AND PREPAID EXPENSES	491		291		301	
TOTAL ASSETS	388.638		329.976		328.156	

(*) amounts due beyond one year

(**) including no. 1,695,000 treasury stock with a total par value of 881 thousand euro

LIABILITIES AND SHAREHOLDERS' EQUITY	<i>June 30, 2004</i>		<i>December 31, 2003</i>		<i>June 30, 2003</i>	
A) SHAREHOLDERS' EQUITY						
I. Share capital	57.513		56.773		56.656	
II. Share premium reserve	27.341		24.772		24.449	
III. Revaluation reserve	1.547		1.547		1.547	
IV. Legal reserve	11.530		11.480		11.480	
V. Reserve for treasury stock	3.762		3.762		3.762	
VI. Statutory reserves	-		-		-	
VII. Other reserves	42.728		44.731		42.551	
VIII. Retained earnings	2.444		1.171		1.171	
IX. Income for the period	30.141		17.100		17.642	
TOTAL SHAREHOLDERS' EQUITY	177.006		161.336		159.258	
B) ALLOWANCES FOR RISKS AND CHARGES						
1) Pension and similar commitments	-		-		-	
2) Taxation	51		64		-	
3) Other	519		479		458	
TOTAL ALLOWANCE FOR RISKS AND CHARGES	570		543		458	
C) ALLOWANCE FOR EMPLOYMENT TERMINATION INDEMNITIES	711		645		669	
D) PAYABLES	(*)		(*)		(*)	
1) Bonds	80.000	80.000	80.000	80.000	80.000	80.000
2) Convertible bonds	-		-		-	
3) Banks	124.820	124.924	82.600	82.600	82.600	82.631
4) Other providers of finance	-		-		-	
5) Advances	-		-		-	
6) Suppliers	1.426		601		620	
7) Notes payable	-		-		-	
8) Subsidiaries	52		18		54	
9) Associated companies	-		450		450	
10) Parent companies	909		-		808	
11) Tax authorities	348	923	581	1.305	813	1.384
12) Social security institutions		267		333		73
13) Other		676		974		397
TOTAL PAYABLES	209.177		166.281		166.417	
E) ACCRUED EXPENSES AND DEFERRED INCOME	1.174		1.171		1.354	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	388.638		329.976		328.156	
MEMORANDUM ACCOUNTS						
- Personal guarantees given	94.120		124.735		177.251	
- Secured guarantees given	-		-		-	
- Commitments	93.429		81.399		95.892	
TOTAL MEMORANDUM ACCOUNTS	187.549		206.134		273.143	

(*) amounts due beyond one year

STATEMENT OF INCOME
(in thousands of euro)

	<i>1st half 2004</i>	<i>1st half 2003</i>	<i>Year 2003</i>
A) VALUE OF PRODUCTION			
1) Revenues from the sale of goods and services	2.605	2.519	4.932
2) Change in inventories of work in progress, semi-finished goods and finished products	-	-	-
3) Change in contract work in progress	-	-	-
4) Additions to fixed assets by internal production	-	-	-
5) Other revenues and income	798	297	751
TOTAL VALUE OF PRODUCTION	3.403	2.816	5.683
B) PRODUCTION COSTS			
6) Raw, ancillary and consumable materials and goods for resale	-	-	-
7) Services received	2.709	1.789	3.612
8) Leases and rentals	179	62	193
9) Personnel	2.383	2.487	4.668
10) Depreciation, amortization and writedowns	393	396	792
11) Change in inventories of raw, ancillary and consumable materials and goods for resale	-	-	-
12) Provisions for risks and charges	-	-	-
13) Other provisions	-	-	-
14) Other operating expenses	485	323	710
TOTAL PRODUCTION COSTS	6.149	5.057	9.975
DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A-B)	(2.746)	(2.241)	(4.292)
C) FINANCIAL INCOME AND EXPENSES			
15) Income from equity investments	31.898	29.655	39.567
16) Other financial income	2.560	1.693	3.740
17) Interest and other financial charges	3.811	3.295	7.191
TOTAL FINANCIAL INCOME AND EXPENSES	30.647	28.053	36.116
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS			
18) Revaluations	-	-	-
19) Writedowns	40	-	7.253
TOTAL ADJUSTMENTS	(40)	-	(7.253)
E) EXTRAORDINARY INCOME AND EXPENSES			
20) Income	3.279	-	-
21) Expenses	5	1.395	1.395
TOTAL EXTRAORDINARY ITEMS	3.274	(1.395)	(1.395)
INCOME BEFORE TAXES	31.135	24.417	23.176
22) Income taxes	994	6.775	6.076
NET INCOME FOR THE PERIOD	30.141	17.642	17.100

RECLASSIFIED STATEMENT OF INCOME
(in thousands of euro)

	<i>1st half 2004</i>	<i>1st half 2003</i>	<i>Year 2003</i>
FINANCIAL INCOME AND EXPENSES			
1) Income from equity investments	31.898	29.655	39.567
2) Other financial income	2.560	1.693	3.740
3) Interest and other financial charges	3.811	3.295	7.191
TOTAL FINANCIAL INCOME AND EXPENSES	30.647	28.053	36.116
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS			
4) Revaluations	-	-	-
5) Writedowns	40	-	7.253
TOTAL ADJUSTMENTS TO FINANCIAL ASSETS	(40)	-	(7.253)
6) OTHER OPERATING INCOME	3.403	2.816	5.683
OTHER OPERATING COSTS			
7) Non financial services	2.709	1.789	3.612
8) Leases and rentals	179	62	193
9) Personnel	2.383	2.487	4.668
10) Depreciation, amortization and writedowns	393	396	792
11) Provisions for risks and charges	-	-	-
12) Other provisions	-	-	-
13) Other operating expenses	485	323	710
TOTAL OTHER OPERATING COSTS	6.149	5.057	9.975
INCOME FROM ORDINARY OPERATIONS	27.861	25.812	24.571
EXTRAORDINARY INCOME AND EXPENSES			
14) Income	3.279	-	-
15) Expenses	5	1.395	1.395
TOTAL EXTRAORDINARY ITEMS	3.274	(1.395)	(1.395)
INCOME BEFORE TAXATION	31.135	24.417	23.176
16) Income taxes	994	6.775	6.076
NET INCOME FOR THE PERIOD	30.141	17.642	17.100

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY SOGEFI S.p.A.

The financial statements have been prepared using the balance sheet and statement of income formats laid down by Decree 127 of April 9, 1991. They are presented in summarized form, as permitted by Art. 81.4 of Consob Resolution no. 11971 dated May 14, 1999 and subsequent amendments.

Pursuant to Art. 81.5 of Consob Resolution no. 11971, the company has also prepared a reclassified statement of income in accordance with the instructions contained in Consob Communication no. SOC/RM 94001437 of February 23, 1994.

The financial statements are presented together with comparative figures as of June 30 and December 31, 2003.

ACCOUNTING POLICIES

The accounting policies used to prepare the balance sheet and statement of income as of June 30, 2004 are the same as those adopted as of December 31, 2003.

Please note that starting from the first half of 2004 the tax credit on dividends received has no longer been booked, in compliance with new tax regulations which came into effect from January 1, 2004.

The Company has chosen to present its results for the period net of income taxes.

INFORMATION ON THE BALANCE SHEET

COMMENTS ON THE MAIN ASSET CAPTIONS

B) FIXED ASSETS

Intangible fixed assets

At June 30, 2004 these amount to € 399 thousand versus € 445 thousand at the end of the previous year. The caption increased by € 81 thousand during the half-year and has decreased because of the amortization charge for the period.

Tangible fixed assets

Changes in tangible assets during the first half of the year 2004 are shown in the following table:

(in thousands of Euro)	Gross values				
	<i>Balance as of 12.31.03</i>	<i>Purchases</i>	<i>Disposals</i>	<i>Other changes</i>	<i>Balance as of 06.30.04</i>
	<i>(a)</i>	<i>(b)</i>	<i>(c)</i>	<i>(d)</i>	<i>(e=a+b+c+d)</i>
Land and buildings	18,778	32	-	-	18,810
Other	546	120	41	-	625
TOTAL	19,324	152	41	-	19,435

(in thousands of Euro)	Accumulated depreciation				Net values	
	<i>Balance as of 12.31.03</i>	<i>Depreciation for the period</i>	<i>Utilizations in the period</i>	<i>Other changes</i>	<i>Balance as of 06.30.04</i>	<i>Balance as of 06.30.04</i>
	<i>(f)</i>	<i>(g)</i>	<i>(h)</i>	<i>(l)</i>	<i>(j=f+g+h+l)</i>	<i>(i=e-j)</i>
Land and buildings	9,640	256	-	-	9,896	8,914
Other	491	10	15	-	486	139
TOTAL	10,131	266	15	-	10,382	9,053

Gross values of "Land and buildings" include revaluations made in previous years under Laws 576/75 and 413/91 for Euro 2,151 thousand, as well as revaluations deriving from the allocation of merger surpluses for Euro 8,330 thousand.

Financial fixed assets

(in thousands of Euro)	<i>June 30, 2004</i>	<i>December 31, 2003</i>	<i>June 30, 2003</i>
Equity investments in:			
- subsidiaries	193,394	221,707	217,409
- associated companies	-	1,441	1,441
- other companies	3	3	3
Receivables:			
- due from third parties	1	1	1
Treasury stock	3,762	3,762	3,762
TOTAL	197,160	226,914	222,616

Changes in equity investments classified as financial assets during the first half of 2004 are shown in the following table:

STATEMENT OF CHANGES IN EQUITY INVESTMENTS
FOR THE PERIOD ENDED JUNE 30, 2004

(in thousands of Euro)

	Opening balance			
	12.31.2003			
	Number of shares	Historical cost	Revaluations (Writedowns)	Balance
Subsidiaries				
REJNA S.p.A.	7,981,862	23,661	(2,363)	21,298
SOGEFI FILTRATION S.p.A.	500,000	19,605	-	19,605
SOGEFI FILTRATION B.V.	2,500	805	3,871	4,676
SOGEFI FILTRATION Ltd	5,126,737	9,910	28,366	38,276
SOGEFI FILTRATION A.B.	1,000	55	614	669
SOGEFI FILTRATION Société Anonyme	3,994	4,303	2,399	6,702
SOGEFI FILTRATION Sociedad Anonima	2,345,825	10,168	7,755	17,923
SOGEFI INTERNATIONAL B.V. (*)	63,571	36,630	-	36,630
FILTRAUTO S.A.	274,994	31,554	-	31,554
SIDERGARDA MOLLIFICIO BRESCIANO S.r.l.	-	21,268	(3,477)	17,791
ALLEVARD REJNA AUTOSUSPENSIONS S.A.	1,028,582	17,098	-	17,098
SOGEFI FILTRATION d.o.o.	-	-	-	-
LUHN & PULVERMACHER-DITTMANN & NEUHAUS GmbH	-	418	5,580	5,998
ALLEVARD SPRINGS USA Inc.	60	3,479	-	3,479
SENECA S.c.a.r.l.	-	8	-	8
LES NOUVEAUX ATELIERS MECANIKES S.A.	89,880	8,113	(8,113)	-
KINGDRAGON.IT S.p.A. (*)	413,600	1,226	(1,226)	-
Total subsidiaries		188,301	33,406	221,707
Associated companies				
INTERZAPCHAST A/O (*)	-	160	(160)	-
IMMOBILIARE REGIS S.r.l.	-	1,441	-	1,441
Total associated companies		1,601	(160)	1,441
Other companies				
BANCA MONTE PASCHI SIENA	2,075	3	-	3
Total other companies		3	-	3
Total equity investments		189,905	33,246	223,151

(*) in liquidation

	1st half 2004					Closing balance		
	Additions		Disposals		Writedowns	06.30.2004		
	Number of shares	Amount	Number of shares	Amount		Amount	Number of shares	Amount
Subsidiaries								
REJNA S.p.A.	4,272	8	-	-	-	7,986,134	21,306	99.83
SOGEFI FILTRATION S.p.A.	-	-	500,000	19,605	-	-	-	-
SOGEFI FILTRATION B.V.	-	-	-	-	-	2,500	4,676	100.00
SOGEFI FILTRATION Ltd	-	-	-	-	-	5,126,737	38,276	100.00
SOGEFI FILTRATION A.B.	-	-	-	-	-	1,000	669	100.00
SOGEFI FILTRATION Société Anonyme	2	2	3,996	6,704	-	-	-	-
SOGEFI FILTRATION Sociedad Anonima	2,495,841	15,000	-	-	-	4,841,666	32,923	100.00
SOGEFI INTERNATIONAL B.V. (*)	-	-	63,571	36,630	-	-	-	-
FILTRAUTO S.A.	12,500	6,704	-	-	-	287,494	38,258	99.99
SIDERGARDA MOLLIFICIO BRESCIANO S.r.l.	-	-	-	-	-	-	17,791	100.00
ALLEVARD REJNA AUTOSUSPENSIONS S.A.	-	-	-	-	-	1,028,582	17,098	99.98
SOGEFI FILTRATION d.o.o.	-	10,700	-	-	-	-	10,700	100.00
LUHN & PULVERMACHER-DITTMANN & NEUHAUS GmbH	-	-	-	-	-	-	5,998	100.00
ALLEVARD SPRINGS USA Inc.	-	2,212	-	-	-	60	5,691	60.00
SENECA S.c.a.r.l.	-	-	-	-	-	-	8	85.75
LES NOUVEAUX ATELIERS MECANQUES S.A.	-	-	-	-	-	89,880	-	(**) 74.90
KINGDRAGON.IT S.p.A. (*)	-	-	-	-	-	413,600	-	80.00
Total subsidiaries		34,626		62,939	-		193,394	
Associated companies								
INTERZAPCHAST A/O (*)	-	-	-	-	-	-	-	(***) 16
IMMOBILIARE REGIS S.r.l.	-	-	-	1,441	-	-	-	-
Total associated companies		-		1,441	-		-	
Other companies								
BANCA MONTE PASCHI SIENA	-	-	-	-	-	2,075	3	-
Total other companies		-		-	-		3	
Total equity investments		34,626		64,380	-		193,397	

(*) in liquidation

(**) the total ownership interest comes to 100%, through the subsidiary Sidergarda Mollificio Bresciano S.r.l.

(***) the total ownership interest comes 33.33%, through the subsidiary Sogefi International B.V.

The main changes in equity investments during the first half of the year are:

Sogefi Filtration S.p.A.

As part of the plan to rationalize the filtration division, designed among other things to concentrate the manufacturing locations, thereby reducing the number of Group companies and shortening the Group's chain of control, the investment in this company, namely 100% of its share capital, was sold in June to the subsidiary Filtrauto Italia S.r.l. This transaction was preparatory for the merger of Sogefi Filtration S.p.A. with Filtrauto Italia S.r.l., already approved by the two companies and which will take effect for statutory purposes in the second half of 2004.

Sogefi Filtration Société Anonyme

The company was absorbed by the French affiliate Filtrauto S.A. in May 2004. The carrying value of Sogefi Filtration Société Anonyme has therefore been added to the book value of the merging company, Filtrauto S.A.

Sogefi Filtration Sociedad Anonima

The increase of € 15,000 thousand during the half-year corresponds to the increase in share capital subscribed and paid in by Sogefi S.p.A. in March 2004.

Sogefi International B.V.

The investment in this company, equal to 100% of its share capital, has been sold to Sogefi Filtration Sociedad Anonima for € 38,500 thousand, giving rise to a capital gain of € 1,870 thousand. The Dutch subholding company, which is the parent of certain South American companies operating in the filtration division, commenced the liquidation procedure in June.

Filtrauto S.A.

In May 2004, at the time of the merger of the French companies Sogefi Filtration Société Anonyme and Efficiencie S.A., carried out as part of the concentration plan, the subsidiary increased its share capital. Sogefi S.p.A.'s interest is still 99.99%.

Sogefi Filtration d.o.o.

Sogefi S.p.A. acquired 100% of this company from Filtrauto S.A. for € 10,700 thousand; the transaction is designed to shorten the Group's chain of control.

Allevard Springs USA Inc.

The increase reflects the subscribed and paid-in increases in share capital in the first half of 2004, in proportion to Sogefi's shareholding.

Sogefi S.p.A. set up this company in 2002 with 60% held directly and 20% held indirectly through the subsidiary Allevard Rejna Autosuspensions S.A.

The company, which began operating in July 2004, manufactures suspension components such as shock absorber springs and stabilizer bars for the North American market.

Immobiliare Regis S.r.l.

In January 2004, the investment was sold to third parties at a price of € 2,400 thousand. The capital gain of € 1,409 thousand generated by the sale of this investment was booked to the statement of income for the first half of 2004, while the carrying value of the investment, € 1,441 thousand, was cancelled and the residual amount of € 450 thousand due to the company sold for increases in capital subscribed but not yet paid in was transferred to the buyer.

"Treasury stock" reflects the carrying value of the 1,695,000 Sogefi ordinary shares (total par value € 881 thousand) that the company acquired on the open market in prior years. The purchases were authorized at the ordinary shareholders' meeting in accordance with Art. 2357 of the Italian Civil Code.

Treasury stock held as of June 30, 2004 represent 1.53% of the total share capital.

The following table compares carrying values and market prices as of June 30, 2004, in relation to treasury stock and investments in companies with listed shares:

	No. of shares	Carrying value		Market value	
		Unit value	Total value	Unit value	Total value
		(in Euro)	(in thousands of Euro)	(in Euro)	(in thousands of Euro)
Equity investments					
Banca Monte Paschi Siena					
- ordinary shares	2,075	1.42	3	2.633	5
Treasury stock					
- ordinary shares	1,695,000	2.219	3,762	3.376	5,722

C) CURRENT ASSETS

Receivables

This caption is analyzed as follows:

(in thousands of Euro)	June 30, 2004	December 31, 2003	June 30, 2003
Due from subsidiaries	1,884	395	1,194
Due from others	6,606	8,933	8,279
TOTAL	8,490	9,328	9,473

"Due from others" relate mainly to amounts due from the tax authorities.

Financial assets not held as fixed assets

These are analyzed as follows:

(in thousands of Euro)	June 30, 2004	December 31, 2003	June 30, 2003
Due from subsidiaries	170,599	81,302	71,110
Due from financial institutions	-	-	12,004
TOTAL	170,599	81,302	83,114

The caption “Due from subsidiaries” is analyzed below :

(in thousands of Euro)	June 30, 2004	December 31, 2003	June 30, 2003
Filtrauto S.A.	-	11,357	26,357
Allevard Rejna Autosuspensions S.A.	97,445	55,245	15,245
Sogefi Filtration S.p.A.	13,000	4,500	15,500
Rejna S.p.A.	8,500	8,500	8,500
Sidergarda Mollificio Bresciano S.r.l.	1,000	-	-
Les Nouveaux Ateliers Mecaniques S.A.	200	200	200
Filtrauto Italia S.r.l.	19,600	1,500	2,000
Prichard Industrial Development LLC	-	-	3,220
Allevard Springs USA Inc.	-	-	88
Sogefi International B.V.	1,700	-	-
Sogefi Filtration B.V.	2,200	-	-
Sogefi Filtration Ltd	7,454	-	-
Sogefi Filtration Sociedad Anonima	19,500	-	-
TOTAL	170,599	81,302	71,110

The significant increase in receivables for loans to subsidiaries is related to financing requirements in connection with the reorganization and a greater level of involvement by the Holding Company Sogefi S.p.A. in money market transactions to raise the funds needed to finance the Group and their subsequent distribution to the subsidiaries, so as to obtain better economic conditions and optimize cash management.

D) ACCRUED INCOME AND PREPAID EXPENSES

This caption is analyzed as follows:

(in thousands of Euro)	June 30, 2004	December 31, 2003	June 30, 2003
Discount on bond issue	103	137	172
Other accrued income and prepaid expenses :			
Interest income from subsidiaries	284	93	67
Interest income on forward transactions	-	-	5
Other prepaid expenses	104	61	57
TOTAL	491	291	301

COMMENTS ON THE MAIN LIABILITY CAPTIONS

A) SHAREHOLDERS' EQUITY

Share capital

As of June 30, 2004, the share capital amounts to Euro 57,513,035.84.

The share capital increased from € 56,773,283.84 as of December 31, 2003, to € 57,513,035.84 as of June 30, 2004, as a result of the following changes:

- increase of € 489 thousand deriving from the increase in share capital reserved to the employees of the Company and its subsidiaries, in execution of the Stock Option Plans, subscribed and paid in on December 31, 2003 (no. 940,800 shares). This increase in the 2003 financial statements has been booked to the "Reserve for increase in share capital", prior to it being recorded in the Companies' Register, which took place in January 2004.
- increase of € 250 thousand deriving from the increase in share capital reserved to the employees of the Company and its subsidiaries, in execution of the Stock Option Plans, subscribed and paid-in on March 31, 2004 (no. 481.800 shares).

Share premium reserve

The increase in the first half of 2004 relates to the premium on the shares subscribed by Group employees on December 31, 2003 and March 31, 2004, as explained previously.

Legal reserve

This caption has increased by 50 thousand euro, corresponding to the portion of 2003 income, as authorized at the ordinary shareholders' meeting held on April 20, 2004.

Other reserves

The change relates to "Reserve for increase in share capital".

The balance on this account at December 31, 2003 of € 2,286 thousand in connection with the increase in share capital subscribed and paid-in in execution of Stock Option Plans, was reversed and booked to "Share capital" and the "Share premium account", following its registration in the Companies' Register in January 2004.

The amount of € 283 thousand at June 30, 2004 corresponds to the share capital increase reserved to the employees of Sogefi S.p.A. and its subsidiaries, subscribed and paid-in at the end of the period in execution of Stock Option Plans for 128,000 shares.

Retained earnings

This caption increased during the first half of 2004 by Euro 1,273 thousand being the unallocated portion of 2003 net income, as authorized at the ordinary shareholders' meeting held on April 20, 2004.

B) ALLOWANCES FOR RISKS AND CHARGES

"Other reserves" increased during the period because of the provision of € 40 thousand for losses realized by Les Nouveaux Ateliers Mecaniques S.A.

D) PAYABLES

Bonds

This caption represents a non convertible bond issued by the Company in December 2000 (repayable in December 2005) for 80,000 thousand euro which bears interest at a rate linked to quarterly Euribor-indexed rate uplifted by about 90 basis points. Considering the issue and re-offer price of 99.566, the yield to investors is of Euribor + 100 basis points. The bond loan is quoted at the Luxembourg Stock Exchange.

Banks

These represent:

- financing of 80,000 thousand euro in the form of a syndicated loan obtained from a pool of leading Italian banks in December 2001, repayable a lump sum in December 2006. The loan will bear interest at a floating rate 70 basis points above Euribor.
- the amount of € 40,000 thousand represents partial drawdowns during the period of a line of credit of € 100,000 thousand granted in December 2003 in the form of a syndicated loan.

The loan has a duration of 5 years and bears floating-rate interest equal to Euribor plus an initial spread of 60 basis points.

- the amount of Euro 4,820 thousand represents partial drawdowns of a loan contract for a total of Euro 7,500 thousand stipulated in 2003 with Banca CARIGE S.p.A. at an interest rate index-linked to 6-month Euribor plus 100 basis points. This loan will be repaid between June 30, 2006 and December 31, 2010.

This loan was requested to take advantage of the benefits provided by Law 100 of April 24, 1990 and subsequent modifications (interest subsidies), to help finance the investment in Alleward Springs USA Inc.

- the amount of € 104 thousand represents a short-term loan on exchange rate hedging contracts.

Considering the likelihood of a rise in interest rates over the coming years, the Company decided in 2003 to stipulate two contracts to hedge interest rate risk (IRS) of Euro 40,000 thousand each, thus transforming half of the bond issue (due in December 2005) and half of the syndicated loan (due in December 2006) from floating rate to fixed rate. The fixed rates agreed are respectively 2.89% for the 2005 maturity and 3.13% for the 2006 maturity.

Tax authorities

This caption includes a residual amount of Euro 813 thousand due to tax authorities as of June 30, 2004, relating to the presentation of an application for settlement of outstanding fiscal disputes (tax amnesty) in accordance with Law 289 art. 16 of December 27, 2002 concerning the tax assessments for 1990, 1991 and 1992 received in connection with a beneficial interest transaction carried out by the Company in 1990.

Payables with a residual duration of more than five years amount to Euro 1,545 thousand and refer to the caption "Banks", as discussed previously; Amounts due beyond one year are specified in the balance sheet.

E) ACCRUED EXPENSES AND DEFERRED INCOME

This item includes Euro 708 thousand of the residual amount as of June 30, 2004 received from Honeywell International in relation to the agreement signed in 2000, after deferring income of 236 thousand euro, booked to "Other revenues and income". The agreement concerns the development and expansion activities in those markets where the Sogefi Filtration Group has the sole agency for FRAM products.

Medium-term payables (beyond 12 months) amount to € 236 thousand.

COMMENTS ON THE MEMORANDUM ACCOUNTS

This caption is analyzed as follows:

(in thousands of Euro)	June 30, 2004	December 31, 2003	June 30, 2003
Unsecured guarantees given			
Sureties in favor of:			
- subsidiaries	92,260	123,560	176,121
- other	1,860	1,175	1,130
TOTAL	94,120	124,735	177,251
Commitments			
- for interest rate risk hedging contracts	80,348	80,284	81,238
- for the sale of securities under repurchase agreements	-	-	12,015
- for the forward sale of currency	10,768	-	1,549
- for the purchase of equity investments	1,824	1,064	1,064
- other	489	51	26
TOTAL	93,429	81,399	95,892
TOTAL MEMORANDUM ACCOUNTS	187,549	206,134	273,143

The caption "Interest rate risk hedging contracts" refers to the notional value of Euro 80,000 thousand of the two contracts stipulated and to the charge of Euro 348 thousand to be borne in future periods, calculated on the basis of the interest rate curve foreseen at the end of the half-year.

As of June 30, 2004, sureties given in favor of subsidiaries amounted to € 92,260 thousand and covered liabilities with a residual value of € 25,683 thousand.

The caption "Commitments for the purchase of equity investments" represents the commitment to purchase by June 30, 2008 the residual 20% of the investment in Allevard Springs USA Inc. held by SIMEST S.p.A., as already described in the explanatory notes to the 2003 financial statements.

INFORMATION ON THE STATEMENT OF INCOME

A) VALUE OF PRODUCTION

Revenues from the sale of goods and services

These are analyzed as follows:

(in thousands of Euro)	<i>1st half 2004</i>	<i>1st half 2003</i>	<i>Year 2003</i>
Royalties, business consulting and assistance to filtration division companies	797	793	1,537
Business consulting and assistance:			
- suspension components division companies	476	504	950
- Filtrauto S.A.	343	250	500
Leased premises :			
- Sogefi Filtration S.p.A.	287	282	564
- Sidergarda Mollificio Bresciano S.r.l.	702	690	1,381
TOTAL	2,605	2,519	4,932

Other revenues and income

These include the recovery of expenses incurred for subsidiaries for € 529 thousand.

B) PRODUCTION COSTS

During the first half of 2004, services received included Euro 855 thousand for administrative, financial, tax-related and corporate services provided by the parent company.

The largest increase during the period was due, for € 504 thousand, to the costs incurred by the Company for services rendered to Group companies in connection with the plan to reduce working capital and recharged to them. The related recovery is booked under "Other revenues and income".

C) FINANCIAL INCOME AND EXPENSES

Income from equity investments

This caption is analyzed as follows:

(in thousands of Euro)	<i>1st half 2004</i>	<i>1st half 2003</i>	<i>Year 2003</i>
Dividends from subsidiary companies:			
- Sogefi Filtration S.p.A.	5,400	12,429	12,429
- Sogefi Filtration Ltd	-	-	9,912
- Sogefi Filtration A.B.	200	-	-
- Sogefi Filtration Société Anonyme	1,597	-	-
- Sogefi Filtration B.V.	1,100	-	-
- Rejna S.p.A.	-	479	479
- Luhn & Pulvermacher-Dittmann & Neuhaus GmbH	4,000	1,500	1,500
- Filtrauto S.A.	9,603	2,398	2,398
- Allevard Rejna Autosuspensions S.A.	9,998	3,991	3,991
Tax credit ("avoir fiscal") on foreign dividends	-	1,597	1,597
Tax credits on dividends	-	7,261	7,261
TOTAL	31,898	29,655	39,567

The statement of income reflects all dividends declared and collected during the first half-year. From 2004, under the reform of the tax system that introduced IRES, Italy's new corporate income tax, there is no longer a tax credit on domestic dividends.

Similarly, the tax credit ("avoir fiscale") on French dividends earned during the first half of 2004 were not booked, taking account of the changes made to France's tax legislation which cancelled tax credits from 2005. Given that the dividends are likely to be paid during the first half of 2005, it is not yet clear which rules should apply in 2004: the accruals basis or the cash basis.

Other financial income

This caption is analyzed as follows:

(in thousands of Euro)	<i>1st half 2004</i>	<i>1st half 2003</i>	<i>Year 2003</i>
Financial income from repurchase agreements	-	152	259
Interest from banks	20	28	58
Interest from subsidiaries	2,430	1,467	2,795
Other income	1	1	2
Exchange gains and income from exchange-rate hedging contracts	72	45	596
Interest grants	37	-	30
TOTAL	2,560	1,693	3,740

Interest and other financial charges

As follows:

(in thousands of Euro)	<i>1st half 2004</i>	<i>1st half 2003</i>	<i>Year 2003</i>
Interest expense on the Sogefi bond loan of € 80,000,000	1,209	1,452	2,697
Interest expense on syndicated loans	1,603	1,430	2,594
Interest expense on Banca Carige S.p.A. loan	61	4	45
Issue discount on Sogefi bond loan of € 80,000,000	35	34	70
Interest on bank loans	33	-	10
Costs of interest-rate hedging contracts	372	126	479
Interest due to tax authorities	14	5	22
Exchange losses and cost of hedging exchange risks	283	183	588
Bank commissions and fees	142	55	100
Expenses for financial services	-	6	13
Commission on financial transactions	59	-	573
TOTAL	3,811	3,295	7,191

D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS

Writedowns

This figure is the provision made during the period to the risk reserve set up in previous years for the losses incurred by the affiliate Les Nouveaux Ateliers Mecaniques S.A.

E) EXTRAORDINARY INCOME AND EXPENSES

Extraordinary income

These represent the capital gains realized on the sale of the investments in Sogefi International B.V. (€ 1,870 thousand) and Immobiliare Regis S.r.l. (€ 1,409 thousand).

INCOME TAXES

This caption includes current taxes (€ 1,007 thousand) and the recovery of deferred tax assets (€ 13 thousand) booked in previous years.

OTHER INFORMATION

Sogefi S.p.A. had an average of 26 employees during the first half of 2004.

SOGEFI S.P.A.

HEAD OFFICE: VIA U. BARBIERI 2, MANTUA, ITALY

MANTUA FIRMS REGISTER No. 00607460201

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OBSERVATIONS OF THE BOARD OF STATUTORY AUDITORS ON THE REPORT OF THE BOARD OF DIRECTORS ON GROUP OPERATIONS FOR THE FIRST HALF OF 2004

We acknowledge that we received the report on operations during the first half of 2004, prepared and approved by the Board of Directors on July 27, 2004, in compliance with the deadline provided for in Art. 2428,3 of the Civil Code, and that we have carried out appropriate audit checks.

With regard to this report, which has been prepared in accordance with Art. 81 of Consob resolution 11971 of May 14, 1999, as modified by resolution 12475 of April 6, 2000, the following matters need to be mentioned:

- the half-yearly report has been prepared in compliance with the rules governing company financial statements, in accordance with art. 81 of the Consob resolution;
- the accounting policies are consistent with those used in the annual financial statements;
- the balance sheet and statement of income formats used for the accounting schedules included in the half-yearly report comply with the instructions issued by Consob;
- the information provided is complete and coherent with the requirements of Consob regulation 8195 of June 30, 1994 and subsequent amendments;

- in our opinion, management controls are adequate;
- related party transactions have been carried out at normal market conditions;
- We are not aware of any atypical or unusual transactions nor have any situations of conflict of interest involving the Board of Directors arisen;
- the half-yearly report has been subjected to a limited audit by PricewaterhouseCoopers S.p.A.

We do not have any observations or comments to make in addition to the matters already discussed in the report approved by the Board of Directors.

Mantua, July 30, 2004.

The Board of Statutory Auditors

Angelo Girelli

Franco Caramanti

Riccardo Zingales

AUDITORS' REPORT ON THE LIMITED REVIEW OF SOGEFI SpA's INTERIM FINANCIAL REPORTING FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2004

To the shareholders of
SOGEFI SpA
Mantua

1. We have performed a limited review of the interim financial reporting of *SOGEFI SpA* for the six-month period ended 30 June 2004, consisting of balance sheet, income statement and related notes, both for the holding company and consolidated. Furthermore, we have reviewed those of the notes containing management discussion and analysis only for the purpose of verifying their consistency with other information in the interim financial reporting.

2. Our work was conducted in accordance with the procedures for a limited review recommended by the National Commission for Companies and the Stock Exchange (CONSOB) with Deliberation No. 10867 of 31 July 1997. The limited review consisted principally of inquiries of company personnel about the information reported in the interim financial reporting and about the consistency of the accounting principles utilised therein with those applied at year end, as well as applying analytical review procedures on the data contained in the interim financial reporting. The limited review excluded certain auditing procedures such as compliance testing and verification or validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike an audit on the annual statutory and consolidated financial statements, we do not express a professional audit opinion on the interim financial reporting.

3. As for the comparative amounts relating to the Company's financial statements and consolidated financial statements of the prior year and to the interim financial reporting for the corresponding period of the previous year, reference is made to our reports dated 17 March 2004 and 28 July 2003, respectively.

4. Based on our review, no significant changes or adjustments came to our attention that should be made to the interim financial reporting identified in paragraph 1. of this report in order to make it consistent with the criteria for the preparation of interim financial reporting established by CONSOB Regulations approved by Resolution No. 11971 of 14 May 1999 and subsequent amendments.

Milan, 29 July 2004

PricewaterhouseCoopers SpA

Ezio Bassi
(Partner)

This report has been translated from the original which was issued in accordance with Italian practice.