INTERIM REPORT ON GROUP OPERATIONS
FOR THE FIRST HALF OF 2006

JOINT-STOCK COMPANY - SHARE CAPITAL EURO 58,784,123.84
MANTUA COMPANY REGISTER AND TAX CODE 00607460201
COMPANY SUBJECT TO POLICY GUIDANCE AND COORDINATION ON THE PART OF CIR S.p.A.
HEAD OFFICE: VIA ULISSE BARBIERI, 2 - 46100 MANTUA - TEL. 0376. 2031
OFFICES: VIA FLAVIO GIOIA, 8 - 20149 MILAN (ITALY) TEL. 02.467501
WEB: WWW.SOGEFI.IT

CONTENTS

BOARD OF DIRECTORS

Honorary Chairman	CARLO DE BENEDETTI
Chairman	RODOLFO DE BENEDETTI (1) (4)
Managing Director and General Manager	EMANUELE BOSIO (2)
Directors	CARLO DE BENEDETTI (4)
	OLIVIERO MARIA BREGA (3)
	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 to the Board	NIVES RODOLFI

STATUTORY AUDITORS

Chairman	ANGELO GIRELLI
Acting Auditors	FRANCO CARAMANTI
	RICCARDO ZINGALES
Substitute Auditors	MAURO GIRELLI
	LUIGI MACCHIORLATTI VIGNAT
	GIUSEPPE LEONI

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 by-laws.
(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 by-laws.
(4) Members of the Remuneration Committee.
(5) Members of the Internal Control Committee.
(6) Members of the Supervisory Body (Legislative Decree 231/2001).

REPORT OF THE BOARD OF DIRECTORS ON GROUP OPERATIONS IN THE FIRST HALF OF 2006

This half-yearly report has been prepared in accordance with Consob resolution 11971/1999 and subsequent amendments, in particular those introduced by resolution no. 14990 of April 14, 2005, and includes the accounting schedules and explanatory notes of the Group and of the Parent Company, prepared according to IFRS and, in particular, IAS 34 on Interim Financial Reporting.

INFORMATION ON OPERATIONS

In the first half of 2006, the SOGEFI Group made further progress in terms of improving profitability, despite having to operate in a market context that was not entirely favourable.

The European Original Equipment Market (OEM) featured limited growth (new car registrations +1.3% compared with first-half 2005), with French manufacturers still in a slump. The Group's two leading customers, PSA and Renault, suffered a decline in sales during the period of 2.4% and 9.1% respectively.

The growth trend in vehicle manufacturing in South America continued with progress of 6% compared with the first half of 2005. The trend in markets where the Group has less of a presence was not as satisfactory as this: business with Ford dropped considerably and the trend in China was weak.

The industrial vehicle and earth-moving equipment markets remained dynamic, whereas demand in the aftermarket slipped compared with first-half 2005 in Europe and in Brazil, both in the independent segment and in the manufacturers' original equipment segment.

In this context, competition within the market has grown fiercer and some of the Group's main competitors have started cutting prices again with a view to gaining market share; SOGEFI's policy, on the other hand, is still to give preference to profit margins rather than market share.

Consolidated revenues for first-half 2006 amount to € 532.9 million, a slight decrease (-0.5%) on the same period last year (€ 535.4 million) when prices were rising due to the continuous rise in the cost of steel.

The performance of the two Divisions was very similar, with a slight dip in sales of 0.4% in the Suspension Components Division and one of 0.5% in the Filtration Division, as shown in the following table.

(in millions of euro)	*1st half 2006*		*1st half 2005*		*% Change 1st half 06/1st half 05*	*Year 2005*
	Amount	*%*	*Amount*	*%*		*Amount*
Filters	268.5	50.4	269.9	50.4	(0.5)	518.5
Suspension components and precision springs	264.4	49.6	265.5	49.6	(0.4)	504.9
TOTAL	532.9	100.0	535.4	100.0	(0.5)	1,023.4

In the segmentation of sales in the three sectors of reference, there was a reduction in share in the *aftermarket*, as shown in the following chart.

(in millions of euro)	*1st half 2006*		*1st half 2005*		*% Change 1st half 06/1st half 05*	*Year 2005*
	Amount	*%*	*Amount*	*%*		*Amount*
Original Equipment (O.E.)	346.0	64.9	344.7	64.4	0.4	654.6
Independent Aftermarket (I.A.M.)	118.2	22.2	121.0	22.6	(2.3)	236.0
Original Equipment Spares (O.E.S.)	68.7	12.9	69.7	13.0	(1.4)	132.8
TOTAL	532.9	100.0	535.4	100.0	(0.5)	1,023.4

The trend in sales in the Group's main markets shows a decline in the French, Italian and North American market, whereas there was an improvement in South America (in total 11.3% of the Group turnover), Germany and Benelux.

(in millions of euro)	*1st half 2006*		*1st half 2005*		*% Change 1st half 06/1st half 05*	*Year 2005*
	Amount	*%*	*Amount*	*%*		*Amount*
France	144.8	27.2	158.2	29.6	(8.4)	289.6
Germany	68.9	12.9	67.5	12.6	2.1	126.6
Great Britain	65.3	12.2	64.8	12.1	0.7	125.2
Italy	54.3	10.2	60.5	11.3	(10.3)	111.9
Spain	35.7	6.7	35.0	6.5	2.0	66.7
Benelux	33.9	6.4	31.6	5.9	7.6	63.7
Other European countries	49.0	9.2	43.2	8.1	13.4	84.4
Mercosur	60.4	11.3	52.1	9.7	15.9	112.2
United States	13.3	2.5	16.2	3.0	(18.2)	29.9
China	2.0	0.4	2.2	0.4	(11.2)	4.4
Rest of the World	5.3	1.0	4.1	0.8	29.4	8.8
TOTAL	532.9	100.0	535.4	100.0	(0.5)	1,023.4

However, the slight contraction in sales during the period under review did not affect the economic results: indeed, good progress was made in operating profitability with a considerable increase also in net profitability, as can be seen from the next table.

RECLASSIFIED CONSOLIDATED INCOME STATEMENT FOR 1ST HALF 2006

(in millions of euro)	*1st half*		*1st half*		*Year 2005*	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
Sales revenues	532.9	100.0	535.4	100.0	1,023.4	100.0
Variable cost of sales	341.3	64.1	349.2	65.2	657.6	64.3
CONTRIBUTION MARGIN	191.6	35.9	186.2	34.8	365.8	35.7
Manufacturing and R&D overheads	60.5	11.4	59.9	11.2	115.7	11.3
Depreciation and amortization	24.5	4.6	24.7	4.6	45.9	4.5
Distribution and sales fixed expenses	19.7	3.7	20.1	3.8	39.4	3.8
Administrative and general expenses	32.3	6.0	31.4	5.8	59.2	5.8
OPERATING INCOME	54.6	10.2	50.1	9.4	105.6	10.3
Restructuring costs	3.1	0.6	5.1	1.0	12.6	1.2
Losses (gains) on disposal	(3.8)	(0.7)	-	-	(0.1)	-
Exchange (gains) losses	0.4	0.1	(0.7)	(0.1)	(0.1)	-
Other non-operating expenses (income)	9.1	1.6	6.2	1.1	12.2	1.2
EBIT	45.8	8.6	39.5	7.4	81.0	7.9
Financial expenses (income), net	5.1	1.0	5.6	1.1	11.6	1.1
Losses (gains) from equity investments	(1.7)	(0.4)	0.1	-	2.3	0.2
INCOME BEFORE TAXES AND MINORITY INTERESTS	42.4	8.0	33.8	6.3	67.1	6.6
Income taxes for the period	14.2	2.7	11.9	2.2	21.2	2.1
NET INCOME BEFORE MINORITY INTERESTS	28.2	5.3	21.9	4.1	45.9	4.5
Loss (income) attributable to minority interests	(0.7)	(0.1)	0.1	-	(1.2)	(0.1)
GROUP NET INCOME FOR THE PERIOD	27.5	5.2	22.0	4.1	44.7	4.4

One of the main features of the first half was the sharp increase in energy costs, which are particularly significant in the manufacture of suspension components, as well as in the cost of materials and components derived from oil.
As regards raw material prices, there were considerable fluctuations in aluminium (used in filter system bodies), nickel and silica (alloys for the special types of steel used in suspension components).
The steel market was characterised by differing trends, with rolled products going up in price, whereas the cost of round and flat products fell slightly.
Labour cost went up, rising as a percentage of sales from 23.1% in first-half 2005 to 24.1% in 2006.

The **consolidated contribution margin** improved by 2.9% to 191.6 million (compared with 186.2 million), which is 35.9% of sales (34.8% in 2005).

Consolidated operating income rose by 9%, to € 54.6 million (10.2% of sales) versus € 50.1 million in the first six months of last year (9.4% of sales), which felt the impact of product warranty provisions during the period under review of € 2.8 million.

Consolidated EBITDA (earnings before interest, taxes, depreciation and amortization) comes to € 70.3 million (13.2% of sales), an increase of 9.5% on € 64.2 million (12% of sales) in the same period of 2005.
In June, having transferred filter production in Spain to new and more efficient premises, still in the Barcelona area, the old plant was sold for € 4.5 million with a gain of € 3.6 million.

In the first six months of 2006, **consolidated EBIT** (income before interest and taxes) also improved by 15.8%, coming in at € 45.8 million (8.6% of sales), compared with € 39.5 million (7.4%) in the first half of 2005.

When comparing the results at this level, account has to be taken of the fact that provisions of € 5.1 million were made in first half 2005 for future reorganisation plans.
In the first six months of 2006, on the other hand, provisions of € 3.1 million were made for restructuring (of which € 1.9 million for the costs to be incurred over the coming months to reduce the workforce involved in the French torsion bar activities) and € 1.3 million of non-recurring expenses (of which € 0.5 million to write down the contribution of know-how for the creation of the Chinese joint venture Shanghai Allevard Springs in 1996), which are included in "Other non-operating expenses (income)".

Income before taxes and minority interests of 42.4 million euro, 25.3% up on 33.8 million in the first six months of 2005, benefited from the following effects:

- financial income due to a net recovery of withholding tax on foreign dividends distributed in prior years of € 1.1 million;
- a gain of € 0.7 million, due to the sale of the 50% interest in KS Automotive Suspensions Asia Private Ltd to ThyssenKrupp Federn for € 3.7 million;
- a considerable decrease in financial expenses, achieved despite the increase in interest rates.

Consolidated net income in the first half came to € 27.5 million, a rise of 24.6% compared with € 22 million in first half 2005.
As a percentage of sales, it has risen to 5.2% (from 4.1%), thanks to a lower tax rate after the company reorganizations carried out in 2005 and despite a higher proportion of minority interests.

The following table shows the Group consolidated balance sheet, which at June 30, 2006 shows **consolidated shareholders' equity,** including minority interests, of 270.6 million euro, an improvement of 14.9% on 235.5 million at June 30, 2005.

(in millions of euro)	*June 30, 2006*		*December 31, 2005*		*June 30, 2005*	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
Short term operating assets	387.5		361.1		406.2	
Short term operating liabilities	(258.3)		(234.5)		(246.8)	
Net working capital	129.2	30.2	126.6	29.5	159.4	35.4
Equity investments	0.7	0.2	3.8	0.9	5.6	1.2
Intangible and tangible assets and other non-current assets	397.6	93.2	404.1	94.3	385.4	85.7
CAPITAL INVESTED	527.5	123.6	534.5	124.7	550.4	122.3
Other non-current liabilities	(100.7)	(23.6)	(105.9)	(24.7)	(100.5)	(22.3)
NET CAPITAL INVESTED	426.8	100.0	428.6	100.0	449.9	100.0
Net indebtedness	156.2	36.6	167.3	39.0	214.4	47.7
Shareholders' equity pertaining to minority interests	15.1	3.5	14.4	3.4	14.3	3.2
Consolidated equity of the Group	255.5	59.9	246.9	57.6	221.2	49.1
TOTAL	426.8	100.0	428.6	100.0	449.9	100.0

The action taken to reduce **net indebtedness** was particularly effective during the period: at June 30, 2006, it had fallen from € 214.4 million at June 30, 2005 to € 156.2 million (-27.2%), which compared with € 167.3 million at December 31, 2005, after paying dividends of € 19.5 million and € 6.1 million of taxes.

The following table shows a **cash flow statement** for the period with comparative figures at June 30, 2005 and for the whole of 2005:

(in millions of euro)	*1st half 2006*	*1st half 2005*	*Year 2005*
SELF-FINANCING	51.5	49.4	91.9
Change in net working capital	(3.5)	(29.3)	8.0
Other medium/long term assets/liabilities	(0.6)	(1.6)	0.9
CASH FLOW GENERATED BY OPERATIONS	47.4	18.5	100.8
Sale of equity investments	3.0	-	-
Net decrease for disposal of fixed assets	1.3	0.1	0.4
TOTAL SOURCES OF FUNDS	51.7	18.6	101.2
Increase in intangible assets	5.4	3.8	8.9
Purchase of property, plant and equipment	19.3	11.2	36.0
TOTAL SOURCES	24.7	15.0	44.9
Net financial position of subsidiaries purchase/sold during the year	-	-	0.1
Exchange differences on assets/liabilities and equity	1.6	2.2	(3.2)
FREE CASH FLOW	28.6	5.8	53.2
Parent Company increases in capital	2.0	1.4	2.4
Consolidated companies' increases in capital	-	-	-
Dividends paid by the parent company	(19.5)	(17.6)	(17.6)
Dividends paid to minority interests by Group companies	-	-	(1.3)
CHANGES IN SHAREHOLDERS' EQUITY	(17.5)	(16.2)	(16.5)
Change in net financial position	11.1	(10.4)	36.7
Opening net financial position	(167.3)	(204.0)	(204.0)
CLOSING NET FINANCIAL POSITION	(156.2)	(214.4)	(167.3)

Financial indebtedness is made up 38.1% of short term loans, net of cash, as detailed below.

(in millions of euro)	*June 30, 2006*	*December 31, 2005*	*June 30, 2005*
Cash, banks, financial receivables & securities held for trading	49.6	57.5	54.1
Short term financial debt (*)	(109.1)	(120.4)	(105.4)
Medium/Long term financial debt	(96.7)	(104.4)	(163.1)
NET INDEBTEDNESS	(156.2)	(167.3)	(214.4)

(*) including current portions of medium/long term financial debt (€ 106 million at June 30, 2006)

At the end of the first half of 2006, the Group employed a total of 6,321 people, in line with 6,324 at June 30, 2005 and higher than the 6,171 at December 31, 2005 due to seasonal temporary employment.

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

The first half of 2006 closed with net income of € 22.9 million, lower than the € 25.3 million made in the same period last year.
The result of the Company's financial and investment management has improved slightly (€ 25.3 million compared with € 25 million in January-June 2005), as the lower dividends from subsidiaries (€ 24.7 million compared with € 26.3 million in 2005) were more than offset by the recovery of withholding tax on dividends distributed in previous years by the French subsidiaries, by the impact of lower debt and by the benefits achieved by the Group's centralised treasury function, which is now almost up fully operating.
This improvement was however more than compensated by higher figurative charges on *stock option* plans and, above all, by the presence of tax charges, whereas 2005 had benefited from being able to deduct prior year tax add-backs.

(in millions of euro)	*1st half*	*1st half*	*Year 2005*
Financial income/expenses and dividends	25.3	25.0	24.2
Adjustments to financial assets	-	-	(7.0)
Other operating revenues	5.4	5.1	10.5
Operating costs	(6.3)	(6.2)	(11.7)
Other non-operating income (expenses)	(1.0)	(0.4)	61.6
INCOME BEFORE TAXES	23.4	23.5	77.6
Income taxes	0.5	(1.8)	(1.9)
NET INCOME	22.9	25.3	79.5

Shareholders' equity at June 30, 2006 came to € 249.8 million, a significant increase compared with € 187 million at June 30, 2005. The fact that the net income made in the first half is higher than the dividends paid (€ 19.5 million) means that it is also higher than the net income at December 31, 2005, when it amounted to € 243.2 million.

(in millions of euro)	*June 30, 2006*	*December 31, 2005*	*June 30, 2005*
Current assets	2.8	3.0	3.8
Current liabilities	(4.6)	(6.1)	(4.9)
Net working capital	(1.8)	(3.1)	(1.1)
Equity investments	257.0	257.0	222.0
Other fixed assets	28.6	28.8	27.8
CAPITAL INVESTED	283.8	282.7	248.7
Other non-current liabilities	(6.2)	(6.3)	(8.0)
NET CAPITAL INVESTED	277.6	276.4	240.7
Net indebtedness	27.8	33.2	53.7
Shareholders' equity	249.8	243.2	187.0
TOTAL	277.6	276.4	240.7

The balance sheet at June 30, 2006 does not show any changes which need commenting on, compared with the balance sheet at the end of the previous year. The comparison with the situation twelve months earlier reflects, above all, the impact of the measures taken during the second half of last year to reorganize the Suspension Division's German investments, which led, among other things, to the sale within the Group of the investment in Luhn & Pulvermacher – Dittmann & Neuhaus.

The following of cash flow analysis shows positive free cash flow of € 22.9 million, which compares with a negative flow in the first six months of 2005 of € 13.7 million, largely due to the cost of the reorganizations carried out by both divisions' Italian subsidiaries.

(in millions of euro)	*1st half 2006*	*1st half 2005*	*Year 2005*
SELF-FINANCING	24.1	25.0	84.6
Change in net working capital	(1.3)	6.5	8.4
Other non-current assets/liabilities	0.1	(0.6)	(0.6)
CASH FLOW GENERATED BY OPERATIONS	22.9	30.9	92.4
Sale of equity investments	-	-	6.0
TOTAL SOURCES OF FUNDS	22.9	30.9	98.4
Purchase of property, plant and equipment	-	-	0.1
Purchase of equity investments	-	44.6	92.5
TOTAL SOURCES	-	44.6	92.6
FREE CASH FLOW	22.9	(13.7)	5.8
Parent Company increases in capital	2.0	1.4	2.4
Dividends paid by the parent company	(19.5)	(17.6)	(17.6)
CHANGES IN SHAREHOLDERS' EQUITY	(17.5)	(16.2)	(15.2)
Change in net financial position	5.4	(29.9)	(9.4)
Opening net financial position	(33.2)	(23.8)	(23.8)
CLOSING NET FINANCIAL POSITION	(27.8)	(53.7)	(33.2)

Net indebtedness has fallen from € 33.2 million at the end of 2005 to € 27.8 million at June 30, 2006. At June 30, 2005, indebtedness amounted to € 53.7 million.

(in millions of euro)	*June 30, 2006*	*December 31, 2005*	*June 30, 2005*
Cash and banks	4.9	19.6	13.8
Securities and short/medium-term financial receivables from subsidiaries and third parties	132.8	122.0	149.3
Short term financial debt	(120.0)	(128.9)	(89.4)
Long term financial debt	(45.5)	(45.9)	(127.4)
Net financial position	(27.8)	(33.2)	(53.7)

Short term financial debt includes a syndicated loan (€ 80 million) which will be repaid next December. On the other hand, medium and long term financial debt consists mainly of the € 40 million portion of the syndicated loan of € 100 million that has been paid, which is due to expire in December 2008.
At the end of the period, the parent company employed 24 people, more or less the same as at the end of the previous periods.

RESULTS OF THE FILTRATION DIVISION

The contraction in sales volumes in the spare part market continued during the first half (-1.5% on the previous period), whereas original equipment sales increased by 1.5%.
In the aftermarket, the biggest dip was in Europe's independent market, where car manufacturers are implementing extremely aggressive strategies with a view to raising their share of the spare parts market, while also granting increasingly long warranty periods.

The Division's **consolidated sales** totalled € 268.5 million, with a slight reduction compared with € 269.9 million in the first six months of the previous year.
In Europe, the Group had sales of € 232.3 million, 2.5% lower than the € 238.3 million made in the first half of 2005. The growth in the Latin-American market continued, with sales of € 37.7 million (+15.2%) compared with € 32.7 million in the same period of 2005: the increase is due for € 0.9 million to higher volumes and € 5.3 million to the exchange rate effect, offset by a decrease of € 1.2 million due to new billing rules in Brazil which reduced nominal sales.

In any case, the Division boosted its profitability, thanks to ongoing measures to reduce costs and increase production efficiency.
Consolidated operating income amounted to 28.7 million euro, 10.7% of sales, compared with 28.3 million euro, 10.5% of sales, the previous year.

Consolidated EBITDA, which benefited from the gain on the sale of a building in Spain (€ 2.8 million at divisional level, € 3.6 million at consolidated level), came to € 36.3 million, an 8.3% improvement on € 33.5 million in first half 2005.
As a percentage of sales it has gone from 12.4% to 13.5% in the current year.

Consolidated EBIT has also improved, rising to € 26.9 million (10% of sales) compared with € 24 million (8.9% of sales) in the first six months of 2005.

In addition to completing the transfer of the Barcelona (Spain) activities to new premises in the same area, the Division continued its redistribution of production facilities at a European level to allow plants to concentrate more on specific product lines.

From January 1, 2006, the Division's scope of consolidation includes the Argentan (Normandy, France) plant, which was taken over as part of a verticalisation strategy for the internal production of plastic components.
In May, an agreement was signed with Universal (China) for the creation of a joint venture in Shanghai to produce filters for the Chinese market.
The company will be controlled 70% by SOGEFI and will be active directly in the Original Equipment Market and indirectly in the Aftermarket, starting in early 2007.

At June 30, 2006 the Division employed 3,671 people (including 80 at the Argentan plant), slightly up on the 3,592 at June 30, 2005 and the 3,488 at December 31, 2005.

PERFORMANCE OF THE SUSPENSION COMPONENTS AND PRECISION SPRINGS DIVISION

The period saw a fall in demand from the Division's two main customers in the motor industry: PSA and Renault, partly offset in Europe by sales to other manufacturers, such as Ford, Toyota, Volkswagen and Fiat.
The companies operating in the North American market also saw a drop in revenues due to the crisis situation at Ford and a decline in sales of the model on which SOGEFI products are mounted.
On the other hand, compared with the same period last year, there was again progress in Mercosur business and in the industrial vehicles sector, with the exception of Iveco (supplies were more or less terminated in July 2005).
In the precision springs sector, there was a modest decline, mainly due to a policy of raising the selling prices of products with insufficient margins.

Consolidated sales amounted to € 264.4 million, compared with € 265.5 million in first half 2005.

The Division's profitability has also improved considerably, with **consolidated operating income** of € 27.5 million (10.4% of sales), versus € 23 million (8.6% of sales) in first half 2005, penalised by the provision set up to cover quality problems, as mentioned previously.

Consolidated EBITDA came to 35.8 million Euro (13.5% of sales), while in first half of 2005 it came to 32.5 million (12.3% of sales).
Provisions of € 1.9 million were also made during the period for the cost of reorganizing the torsion bar factories at Custines and Revigny (France), due to the planned cutbacks in the production of this product line.
Still in France, a plan has been activated to shut down production of suspension springs at the Douai plant, redistributing its volumes over other European facilities.

Consolidated EBIT amounts to € 21 million (8% of sales) and rises by 18.9% compared with € 17.7 million (6.7% of sales) in the same period of 2005.

As mentioned earlier, the 50% investment in the Singapore joint venture, which controls KS Automotive Suspensions Asia Private Ltd operating in Liaoyang (China), was sold in May as it was no longer possible to manage the Division's presence on the Chinese market in cooperation with a global competitor like ThyssenKrupp Automotive.

At June 30, 2006, the Division employed 2,619 people, fewer than at June 30, 2005 (2,707) and at December 31, 2005 (2,657)

PERFORMANCE IN THE SECOND QUARTER OF 2006

RECLASSIFIED CONSOLIDATED INCOME STATEMENT FOR THE SECOND QUARTER - SOGEFI GROUP

(in millions of euro)	*Period 1.4 - 30.6.2006*		*Period 1.4 – 30.6.2005*		*Change*	
	Amount	*%*	*Amount*	*%*	*Amount*	*%*
Sales revenues	268.6	100.0	282.3	100.0	(13.7)	(4.8)
Variable cost of sales	171.1	63.7	184.9	65.5	(13.8)	(7.5)
CONTRIBUTION MARGIN	97.5	36.3	97.4	34.5	0.1	0.2
Manufacturing and R&D overheads	30.1	11.2	30.4	10.8	(0.3)	(1.1)
Depreciation and amortization	12.2	4.5	12.7	4.5	(0.5)	(3.9)
Distribution and sales fixed expenses	9.9	3.7	10.4	3.7	(0.5)	(5.7)
Administrative and general expenses	15.4	5.8	15.8	5.6	(0.4)	(1.9)
OPERATING INCOME	29.9	11.1	28.1	9.9	1.8	6.4
Restructuring costs	2.7	1.0	4.9	1.7	(2.2)	(44.0)
Losses (gains) on disposal	(3.7)	(1.4)	-	-	(3.7)	-
Exchange (gains) losses	0.3	0.1	(0.3)	(0.1)	0.6	203.7
Other non-operating expenses (income)	5.9	2.2	3.1	1.1	2.8	88.6
EBIT	24.7	9.2	20.4	7.2	4.3	20.9
Financial expenses (income), net	2.8	1.0	2.8	1.0	-	-
Losses (gains) from equity investments	(1.7)	(0.6)	0.1	-	(1.8)	-
INCOME BEFORE TAXES AND MINORITY INTERESTS	23.6	8.8	17.5	6.2	6.1	35.2
Income taxes for the period	7.5	2.8	5.7	2.0	1.8	32.2
NET INCOME INCLUDING MINORITY INTERESTS	16.1	6.0	11.8	4.2	4.3	36.7
Loss (income) attributable to minority interests	(0.3)	(0.1)	0.4	0.1	(0.7)	(164.0)
GROUP NET INCOME FOR THE PERIOD	15.8	5.9	12.2	4.3	3.6	29.4

The second quarter closed with **consolidated sales** of € 268.6 million, 4.8% down on the same period last year, when they amounted to € 282.3 million. Sales fell in both sectors, more so in Suspension Components (-5.7%) than in the Filtration Division (-4%).
Comparison with the second quarter of 2005 discounts the presence of fewer working days (-6.2%) and an extraordinary performance last year, when revenues increased by 11% on the same period of 2004, though this also included price recoveries in line with the increased cost of steel.

Nevertheless, the decline in sales did not affect a further improvement in profitability; in fact, **consolidated operating income** grew in absolute terms by 6.4%, going from € 28.1 million (9.9% of sales) in second quarter 2005 to € 29.9 million (11.1% of sales) this year.

Consolidated EBITDA amounted to € 36.9 million (13.7% of sales) in the quarter, compared with € 33.1 million (11.7%) in the same period last year.

Consolidated EBIT turned in a significant increase to € 24.7 million (9.2% of sales), improving by 20.9% compared with € 20.4 million (7.2% of sales) in the second quarter of 2005.

The positive trend in earnings is also confirmed at the level of **consolidated net income** which in second quarter 2006 amounted to € 15.8 million (5.9% of sales), with growth of 29.4% compared with € 12.2 million in the same period last year (4.3% of sales).

INVESTMENTS AND RESEARCH AND DEVELOPMENT

New investments made by the Group during the half year amounted to € 19.3 million, focusing on the following areas:

- increasing production capacity with cold processing in the suspensions sector;
- rationalising the plants that make industrial vehicle suspension components for the Italian aftermarket;
- upgrading the plants making suspension components in Argentina;
- creating a stabilizer bar department in West Virginia using hot processing;
- setting up a new filtration plant in Spain;
- rationalising filter production at the Italian plants;
- expanding filter production capacity at the Slovene company.

Research and development expenditure during the period amounted to € 12.2 million (2.3% of sales), mainly on cooperation with customers in the development of new models and on product innovation, a key factor for the success and profitability of the Group.

TREASURY STOCK

In the first half of 2006, the Company did not carry out any transactions in treasury stock. At June 30, 2006, the Company held 1,695,000 of its own shares (1.5% 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 Nos. 97001574 of February 20, 1997 and 98015375 of February 27, 1998.
No atypical or unusual transactions of the types mentioned in the relevant Consob Communications arose during the period.
The relationships between Group companies are regulated by normal market conditions, taking into account the quality and type of services rendered.
The more important transactions that took place between Group companies in first-half of 2006 are analyzed in the explanatory notes

The parent company charges Group companies fees for administrative, financial and management support services, as well as commission on procurement contracts.

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.

Certain Group companies buy gas and electricity from companies of Gruppo Sorgenia S.p.A.

SUBSEQUENT EVENTS AFTER JUNE 30, 2006

No significant events took place after June 30 2006.

OUTLOOK FOR THE REST OF THE YEAR

We do not expect to see significant changes in the market trend, competitive scenario and prices of the principal cost factors during the second half of the year.
It is therefore reasonable to assume that the net result for the whole of the year will be an improvement on 2005.

Milan (Italy), July 25, 2006

THE BOARD OF DIRECTORS

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET
(in thousands of euro)

ASSETS	*Note*	*June 30, 2006*	*December 31, 2005*
CURRENT ASSETS			
Cash and cash equivalents	*4*	48,949	55,390
Securities and financial assets held for trading	*5*	636	2,116
Current portion of long term financial assets		-	-
Working capital			
Inventories	*6*	112,440	107,793
Trade receivables	*7*	254,899	232,803
Other receivables	*7*	4,709	4,250
Receivables from tax authorities	*7*	11,576	13,824
Other current assets	*7*	3,814	2,438
TOTAL WORKING CAPITAL		*387,438*	*361,108*
TOTAL CURRENT ASSETS		437,023	418,614
NON-CURRENT ASSETS			
FIXED ASSETS			
Land	*8*	15,736	15,972
Property, plant and equipment	*8*	230,952	239,249
Other tangible fixed assets	*8*	4,511	4,684
of which: leasing		*18,619*	*19,605*
Intangible assets	*9*	114,961	113,878
TOTAL FIXED ASSETS		366,160	373,783
OTHER NON-CURRENT ASSETS			
Equity investments in associated companies	*10*	290	3,372
Other financial assets available for sale	*11*	450	443
Long term trade receivables		-	-
Other receivables	*12*	3,776	3,540
Deferred tax assets	*13*	25,073	26,779
TOTAL OTHER NON-CURRENT ASSETS		29,589	34,134
TOTAL NON-CURRENT ASSETS		395,749	407,917
NON-CURRENT ASSETS HELD FOR SALE	*14*	2,601	-
TOTAL ASSETS		835,373	826,531

LIABILITIES AND EQUITY	*Note*	*June 30, 2006*	*December 31, 2005*
CURRENT LIABILITIES			
Bank overdrafts and other current loans	*15*	2,223	26,353
Current portion of long term financial debt and other loans	*15*	106,806	93,876
of which: leasing		*1,160*	*1,213*
TOTAL SHORT TERM FINANCIAL DEBT		109,029	120,229
Other short term liabilities for cash flow hedges	*15*	11	132
TOTAL SHORT TERM FINANCIAL DEBT AND CASH FLOW HEDGES		109,040	120,361
Trade and other payables	*16*	245,853	224,050
Tax payables	*16*	9,898	7,897
Other current liabilities	*17*	2,536	2,558
TOTAL CURRENT LIABILITIES		367,327	354,866
NON-CURRENT LIABILITIES			
MEDIUM/LONG TERM FINANCIAL DEBT AND CASH FLOW HEDGE S			
Financial debt to bank	*15*	76,837	83,549
Other medium/long term financial debt to banks	*15*	19,644	20,755
of which: leasing		*16,033*	*17,199*
TOTAL MEDIUM/LONG TERM FINANCIAL DEBT		96,481	104,304
Other medium/long term financial liabilities for cash flow hedges	*15*	231	139
TOTAL MEDIUM/LONG TERM FINANCIAL DEBT AND CASH FLOW HEDGES		96,712	104,443
OTHER LONG TERM LIABILITIES			
Long term provisions	*18*	77,784	83,969
Other long term payables		-	21
Deferred taxation	*19*	22,948	21,946
TOTAL OTHER LONG TERM LIABILITIES		100,732	105,936
TOTAL NON-CURRENT LIABILITIES		197,444	210,379
SHAREHOLDERS' EQUITY			
Share capital	*20*	58,770	58,338
Reserves and retained earnings (accumulated losses)	*20*	169,274	143,930
Net income (loss) for the period	*20*	27,476	44,660
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE PARENT COMPANY		255,520	246,928
Minority interests	*20*	15,082	14,358
TOTAL SHAREHOLDERS' EQUITY		270,602	261,286
TOTAL LIABILITIES AND EQUITY		835,373	826,531

CONSOLIDATED INCOME STATEMENT
(in thousands of euro)

	1st half 2006		1st half 2005	
	Amount	*%*	*Amount*	*%*
Sales revenues	532,922	100.0	535,430	100.0
Variable cost of sales	341,345	64.1	349,235	65.2
CONTRIBUTION MARGIN	191,577	35.9	186,195	34.8
Manufacturing and R&D overheads	60,499	11.4	59,859	11.2
Depreciation and amortization	24,533	4.6	24,666	4.6
Distribution, marketing and sales fixed expenses	19,709	3.7	20,139	3.8
Administrative and general expenses	32,231	6.0	31,454	5.8
OPERATING INCOME	54,605	10.2	50,077	9.4
Restructuring costs	3,060	0.6	5,111	1.0
Losses (gains) on disposal	(3,763)	(0.7)	(33)	-
Exchange (gains) losses	404	0.1	(755)	(0.1)
Other non-operating expenses (income)	9,138	1.6	6,224	1.1
EBIT	45,766	8.6	39,530	7.4
Financial expenses (income), net	5,129	1.0	5,641	1.1
Losses (gains) from equity investments	(1,786)	(0.4)	42	-
INCOME BEFORE TAXES AND MINORITY INTERESTS	42,423	8.0	33,847	6.3
Income taxes for the period	14,181	2.7	11,891	2.2
NET INCOME INCLUDING MINORITY INTERESTS	28,242	5.3	21,956	4.1
Loss (income) attributable to minority interests	(766)	(0.1)	87	-
GROUP NET INCOME FOR THE PERIOD	27,476	5.2	22,043	4.1
Earnings per share (EPS) (euro):				
Basic	0.248	-	0.201	-
Diluted	0.246	-	0.199	-

CONSOLIDATED CASH FLOW STATEMENT

(in thousands of euro)	*1st half 2006*	*1st half 2005*
Cash flows from operating activities		
Net income	27,476	22,043
Adjustments:		
- minority interests	766	(87)
- depreciation and amortization and writedowns	25,490	24,666
- accrued costs for stock options	959	395
- loss/(gain) on disposal of fixed assets	(3,763)	(33)
- dividend income	(108)	(264)
- share of associated companies' pre-tax income	82	306
- provisions for risks and restructuring and deferred taxes	(1,531)	3,787
- post-retirement and other benefits for employees	(1,754)	(1,347)
- change in net working capital	(3,546)	(29,316)
- other long term assets/liabilities	(79)	(1,168)
- exchange differences on assets/liabilities	3,119	(5,454)
CASH FLOWS FROM OPERATING ACTIVITIES	47,111	13,528
of which: taxes paid	6,115	12,570
Net interest paid	(4,796)	(5,516)
INVESTMENT ACTIVITIES		
Acquisition of equity investments	-	-
Purchase of property, plant and equipment	(19,299)	(11,193)
Purchase of intangible assets	(5,443)	(3,844)
Net change in other securities	1,621	(1,846)
Sale of subsidiaries (net of cash and cash equivalents) and associates	2,997	-
Sale of property, plant and equipment	5,033	81
Sale of intangible assets	11	-
Dividends collected	108	264
NET CASH FLOWS FROM INVESTMENT ACTIVITIES	(14,972)	(16,538)
FINANCING ACTIVITIES		
Net change in share capital	2,002	1,368
Dividends paid to shareholders and minority interests by parent company	(19,455)	(17,599)
Exchange difference on equity/minority interests	(2,109)	9,576
Issue/redemption of bonds	-	40
New (repayment of) long term borrowings	6,099	5,095
New (repayment of) finance leases	(619)	(582)
Other equity movements	(368)	(952)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(14,450)	(3,054)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	17,689	(6,064)
Balance at the beginning of the period	29,037	38,669
(Decrease) increase in cash and cash equivalents	17,689	(6,064)
BALANCE AT THE END OF THE PERIOD	46,726	32,605

NB: this table shows the elements that bring about the change in cash and cash equivalents, as expressly required by IAS 7. For a greater understanding of the various operating cash flows and hence the changes in the entire net financial position, reference should be made to the cash flow statements included in the Directors' Report .

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

(in thousands of euro)	Attributable to the shareholders of the parent company Share capital	Reserve and retained earnings (accumulated losses)	Net income for the period	Total	Minority interests	Total
Balance as of December 31, 2004	*57,656*	*122,658*	*30,029*	*210,343*	*14,196*	*224,539*
Adjustments for adoption of IAS 32 and 39:						
Valuation of cash flow hedging instruments at fair value	-	(940)	-	(940)	-	(940)
Valuation of securities at fair value	-	25	-	25	-	25
Reclassification of treasury shares	-	(3,762)	-	(3,762)	-	(3,762)
Tax on items booked directly to equity	-	302	-	302	-	302
Balances at January 1, 2005	*57,656*	*118,283*	*30,029*	*205,968*	*14,196*	*220,164*
Rights issues	447	921	-	1,368	-	1,368
Allocation of 2004 net income:						
Legal reserve	-	200	(200)	-	-	-
Dividends	-	-	(17,599)	(17,599)	-.	(17,599)
Retained earnings	-	12,230	(12,230)	-	-	-
Valuation of cash flow hedging instruments at fair value	-	(521)	-	(521)	-	(521)
Tax on items booked directly to equity	-	176	-	176	-	176
Figurative cost of stock options	-	395	-	395	-	395
Effect of translating foreign currency financial statements	-	9,398	-	9,398	184	9,582
Net income for the period	-	-	22,043	22,043	(87)	21,956
Balance as of June 30, 2005	*58,103*	*141,082*	*22,043*	*221,228*	*14,293*	*235,521*

(in thousands of euro)	Attributable to the shareholders of the parent company Share capital	Reserve and retained earnings (accumulated losses)	Net income for the period	Total	Minority interests	Total
Balance as of December 31, 2005	*58,338*	*143,930*	*44,660*	*246,928*	*14,358*	*261,286*
Rights issues	432	1,570	-	2,002	-	2,002
Allocation of 2005 net income:						
Legal reserve	-	150	(150)	-	-	-
Dividends	-	-	(19,455)	(19,455)	-	(19,455)
Retained earnings	-	25,055	(25,055)	-	-	-
Valuation of cash flow hedging instruments at fair value	-	41	-	41	-	41
Tax on items booked directly to equity	-	3	-	3	-	3
Other changes	-	(414)	-	(414)	47	(367)
Figurative cost of stock options	-	959	-	959	-	959
Effect of translating foreign currency financial statements	-	(2,020)	-	(2,020)	(89)	(2,109)
Net income for the period	-	-	27,476	27,476	766	28,242
Balance as of June 30, 2006	*58,770*	*169,274*	*27,476*	*255,520*	*15,082*	*270,602*

EXPLANATORY AND SUPPLEMENTARY NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS :CONTENTS

A) GENERAL ASPECTS

1. CONTENT AND FORMAT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The interim consolidated financial statements for the period January 1 to June 30, 2006 have been prepared in accordance with International Financial Reporting Standards (IFRS) and to this end the financial statement figures of the Group companies included in the consolidation have been suitably reclassified and adjusted.
These interim financial statements and explanatory notes have been prepared according to the recommendations contained in IAS 34 "Interim Financial Reporting". As a partial exception to IAS 34, these interim financial statements provide detailed as opposed to summary schedules in order to provide a more complete overview of the changes that have taken place in the Group's assets and liabilities, financial position and results during the half-year.
There are also the disclosures required by IAS 34 with the supplementary information considered useful for a clearer understanding of these half-yearly financial statements.
The interim financial statements as of June 30, 2006 should be read in conjunction with the financial statements as of December 31, 2005.
The interim financial statements as of June 30, 2006 were approved by the Board of Directors on July 25, 2006.

1.1 Format of the consolidated financial statements

The accounting schedules at June 30, 2006 are consistent with those used for the annual report at December 31, 2005.

1.2 Content of the consolidated financial statements

The consolidated financial statements for the six months ended June 30, 2006 include the financial statements of Sogefi S.p.A., the parent company, and of its subsidiaries.
Section G of these notes gives a list of the companies included in the scope of consolidation and the percentages held.

These financial statements are expressed in euro (€) and all figures are rounded up or down to the nearest thousand euro, unless specifically stated otherwise.

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

The following changes in the scope of consolidation have taken place since December 31, 2005:
- exclusion of the 86.25% interest in Seneca S.c.a.r.l. (held 85.75% by Sogefi S.p.A. and 0.5% by Rejna S.p.A.), as it has been sold to Sorgenia S.p.A.

This change is irrelevant for consolidation and comparison purposes.

2. *CONSOLIDATION AND ACCOUNTING POLICIES*

The consolidation and accounting policies applied in preparing the financial statements for the six-month period ended June 30, 2006 are consistent with those used for the annual financial statements as of December 31, 2005.
IFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” impacted the Group's consolidated financial statements for the first time in the first half of 2006. Under this principle, non-current assets whose book value will be recovered principally by selling them rather than by using them on a continuous basis have to be classified as being held for sale and valued at the lower of book and fair value, net of any selling costs; depreciation on them has to be suspended.
The new standards and documents that took effect from January 1, 2006 have also been applied, though they have not had any impact on the Group's valuations.

Note that the Group did not elect for early adoption of the following Standards, Interpretations and Updates to existing standards, which will become obligatory in future periods:
- IFRC7 – *Applying the Restatement Approach under IAS 29*. This interpretation will become effective for annual financial statements subsequent to March 1, 2006. This interpretation is not relevant to the Group;
- IFRC8 – *Scope of IFRS2*. This interpretation will become effective for annual financial statements subsequent to May 1, 2006. This interpretation is not relevant to the Group;
- IFRC9 – *Reassessment of Embedded Derivatives*. This interpretation will become effective for annual financial statements subsequent to June 1, 2006. This interpretation is not relevant to the Group;
- IFRS7 – *Financial instruments: Disclosures*. This standard introduces new information to be disclosed on financial instruments and will become effective from January 1, 2007.

The following exchange rates have been used for translation purposes:

	1st half 2006		*1st half 2005*	
	Average	*June 30*	*Average*	*June 30*
US dollar	1.2284	1.2713	1.2846	1.2092
Pound sterling	0.6871	0.6921	0.6860	0.6742
Swedish krona	9.3257	9.2387	9.1399	9.4260
Brazilian real	2.6891	2.7576	3.2979	2.8476
Argentine peso	3.7659	3.9217	3.7387	3.4994
Chinese renminbi	9.8668	10.1647	10.6338	10.0080
Slovenian taller	239.8082	239.8082	239.8082	239.2344

B) SEGMENT INFORMATION

3. INFORMATION SECTOR BY SECTOR

Information on the Group's business areas (primary sector) and geographical areas (secondary sector) is provided below in compliance with IAS 14.
Information by business area is also provided for the two divisions, filtration and suspension components, as well as for the parent company Sogefi S.p.A. .

Primary sector: business areas

The following table gives key figures for the Group's two divisions relating to the first half of 2005 and 2006:

(in thousands of euro)	June 30, 2005				
	Filtration Division	Suspension Components Division	Sogefi S.p.A.	Adjustments	Sogefi Group consolidation
REVENUES					
Sales to third parties	269,937	265,441	-	-	535,378
Intersector sales	-	77	4,363	(4,388)	52
TOTAL REVENUES	269,937	265,518	4,363	(4,388)	535,430
RESULTS					
EBIT	24,034	17,684	(2,055)	(133)	39,530
Financial expenses, net					5,641
Dividends from equity investments					(264)
Losses (gains) from equity investments					306
Income before taxes					33,847
Income taxes for the period					11,891
Loss (income) attributable to minority interests					87
NET INCOME					22,043
BALANCE SHEET					
ASSETS					
Sector assets	360,971	381,203	399,572	(387,961)	753,785
Equity investments in associated companies	-	5,149	-	-	5,149
Unallocated assets	-	-	-	92,322	92,322
TOTAL ASSETS	360,971	386,352	399,572	(295,639)	851,256
LIABILITIES					
Sector liabilities	251,538	307,023	223,117	(165,943)	615,735
TOTAL LIABILITIES	251,538	307,023	223,117	(165,943)	615,735
OTHER INFORMATION					
Additions to tangible and intangible fixed assets	6,662	8,369	6	-	15,037
Depreciation, amortization and writedowns	9,488	15,155	208	121	24,972

(in thousands of euro)	June 30, 2006				
	Filtration Division	Suspension Components Division	Sogefi S.p.A.	Adjustments	Sogefi Group consolidation
REVENUES					
Sales to third parties	268,515	264,332	-	-	532,847
Intersector sales	29	104	4,498	(4,556)	75
TOTAL REVENUES	268,544	264,436	4,498	(4,556)	532,922
RESULTS					
EBIT	26,915	21,024	(2,390)	217	45,766
Financial expenses, net					5,129
Dividends from equity investments					(1,868)
Losses (gains) from equity investments					82
Income before taxes					42,423
Income taxes for the period					14,181
Loss (income) attributable to minority interests					(766)
NET INCOME					27,476
BALANCE SHEET					
ASSETS					
Sector assets	354,766	442,383	410,668	(465,654)	742,163
Equity investments in associated companies	-	290	-	-	290
Unallocated assets	-	-	-	92,920	92,920
TOTAL ASSETS	354,766	442,673	410,668	(372,734)	835,373
LIABILITIES					
Sector liabilities	233,704	323,553	171,659	(164,145)	564,771
TOTAL LIABILITIES	233,704	323,553	171,659	(164,145)	564,771
OTHER INFORMATION					
Additions to tangible and intangible fixed assets	10,550	14,183	6	3	24,742
Depreciation, amortization and writedowns	9,394	15,794	252	132	25,572

The adjustments to “Total revenues” mainly refer to services provided by Sogefi S.p.A. to other Group companies.
The adjustments to “EBIT” largely consist of depreciation on the revaluations of fixed assets carried out at consolidated level at the time of the acquisition of 40% of Sogefi Filtration S.p.A. in 2000.

In the balance sheet, the adjustments to "Sector assets" refer to the reversal of equity investments and intercompany receivables.
The adjustments to “Unallocated assets” are mainly goodwill and the revaluations of fixed assets that took place at the time of the acquisitions of the Allevard Ressorts Automobile group, 40% of Sogefi Filtration S.p.A. and the Filtrauto group.

Secondary sector: geographical area:

The following tables give a breakdown of the Group's income statement and balance sheet figures of by geographical area "of origin" during first-half 2005 and 2006, based on the country of the company which made the sales or which owns the assets. The breakdown of revenues by geographical area "of destination", in other words with regard to the nationality of the customer, is analyzed in the directors' report and in the notes to the income statement.

(in thousands of euro)	June 30, 2005				
	Europe	South America	Other	Adjustments	Sogefi Group consolidation
REVENUES					
Sales to third parties	474,012	51,429	9,937	-	535,378
Intersector sales	5,989	1,877	13	(7,827)	52
TOTAL REVENUES	480,001	53,306	9,950	(7,827)	535,430
BALANCE SHEET					
ASSETS					
Sector assets	1,140,896	59,544	37,643	(484,298)	753,785
Equity investments in associated companies	5,149	-	-	-	5,149
Unallocated assets	-	-	-	92,322	92,322
TOTAL ASSETS	1,146,045	59,544	37,643	(391,976)	851,256
OTHER INFORMATION					
Additions to tangible and intangible fixed assets	12,617	1,685	735	-	15,037
Depreciation, amortization and writedowns	22,326	1,685	858	103	24,972

(in thousands of euro)	June 30, 2006				
	Europe	South America	Other	Adjustments	Sogefi Group consolidation
REVENUES					
Sales to third parties	462,713	61,171	8,963	-	532,847
Intersector sales	8,505	1,749	6	(10,185)	75
TOTAL REVENUES	471,218	62,920	8,969	(10,185)	532,922
BALANCE SHEET					
ASSETS					
Sector assets	1,233,523	68,525	39,061	(598,946)	742,163
Equity investments in associated companies	290	-	-	-	290
Unallocated assets	-	-	-	92,920	92,920
TOTAL ASSETS	1,233,813	68,525	39,061	(506,026)	835,373
OTHER INFORMATION					
Additions to tangible and intangible fixed assets	18,321	2,374	4,047	-	24,742
Depreciation, amortization and writedowns	21,732	1,975	1,752	113	25,572

C) NOTES ON THE MAIN ITEMS IN THE FINANCIAL STATEMENTS: BALANCE SHEET

C 1) ASSETS

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents amount to € 48,949 thousand versus € 55,390 thousand at December 31, 2005 and are made up as follows:

(in thousands of euro)	*June 30, 2006*	*December 31, 2005*
Bank and post office deposits	48,860	55,285
Cheques	-	37
Cash and cash equivalents on hand	89	68
TOTAL	48,949	55,390

Short term bank deposits are remunerated at variable rates of interest. Post office deposits are also remunerated at variable rates of interest with a maturity of less than one month.

At June 30, 2006 the Group had unutilized lines of credit of € 203,165 thousand; all of the conditions are respected, which means that these lines are available for use on request.

5. SECURITIES AND FINANCIAL ASSETS HELD FOR TRADING

These are held-for-trading assets that are shown at fair value based on official sources at the time the financial statements are drawn up. They represent readily marketable securities which are used by the company to optimize cash management.

Held-for-trading financial assets can be analyzed as follows:

(in thousands of euro)	*June 30, 2006*	*December 31, 2005*
Other securities	437	2,058
Due from financial institutions and others	199	58
TOTAL	636	2,116

They amount to € 636 thousand compared with € 2,116 thousand the previous year and are made up principally of units in the investment funds of the Brazilian company Sogefi Filtration do Brasil Ltda, used to optimize short term cash management.

6. INVENTORIES

The breakdown of inventories is as follows:

(in thousands of euro)	*June 30, 2006*			*December 31, 2005*		
	Gross amount	*Writedowns*	*Net amount*	*Gross amount*	*Writedowns*	*Net amount*
Raw, ancillary and consumable materials	46,764	4,685	42,079	44,501	4,915	39,586
Work in progress and semi-finished products	13,498	448	13,050	14,043	464	13,579
Contract work in progress and advances	2,156	-	2,156	967	-	967
Finished goods and goods for resale	65,043	9,888	55,155	63,615	9,954	53,661
TOTAL	127,461	15,021	112,440	123,126	15,333	107,793

The increase in net inventories is mainly due to the European companies building up stocks to satisfy demand in July/August; the total also includes a higher level of equipment ordered by customers which will subsequently be reinvoiced.

7. TRADE AND OTHER RECEIVABLES

Current receivables are analyzed as follows:

(in thousands of euro)	*June 30, 2006*	*December 31, 2005*
Trade receivables	260,754	237,298
Less: allowance for doubtful accounts	6,104	6,195
Trade receivables, net	254,650	231,103
Due from parent company	158	1,579
Due from associated companies	91	121
Receivables from tax authorities	11,576	13,824
Due from others	4,709	4,250
Other non-financial current assets	3,814	2,438
TOTAL	274,998	253,315

“Trade receivables” are non-interest bearing and have an average due date of 72 days, in line with the end of the previous period.

The net increase is mainly due to higher sales in the second quarter of 2006 compared with the last quarter of 2005.

The reduction in “Due from parent company” is the result of the Italian companies collecting amounts due by the parent company CIR as part of the Group's consolidated tax reporting system.

More in details, the item "Due from others" includes:

(in thousands of euro)	*June 30, 2006*	*December 31, 2005*
Amounts due from social security institutions	1,528	853
Amounts due from employees	264	296
Advances to suppliers	726	1,523
Due from others	2,191	1,578
TOTAL	4,709	4,250

The increase in "Amounts due from social security institutions" mainly refers to advances paid by the Italian subsidiary Rejna S.p.A. to social security institutions in favour of employees on redundancy benefits.

"Other non-financial current assets" mainly consist of accrued income and prepaid expenses on insurance premiums, indirect taxes on buildings and the prepaid portion of a one-off payment to Honeywell International in connection with an agreement stipulated in 2000 for the use of the FRAM trademark.
The increase is seasonal in nature and is mainly due to the prepaid portions of insurance premiums and indirect taxes on buildings paid in the first half of the year but pertaining to the whole of the year.

8. TANGIBLE FIXED ASSETS

At June 30, 2006, these amount to € 251,199 thousand versus € 259,905 thousand at the end of the previous year and are broken down as follows:

(in thousands of euro)	*Land*	*Buildings, plant and machinery, commercial and industrial equipment*	*Other tangible fixed assets*	*Tangible assets under construction and payments on account*	*TOTAL*
Balance as of December 31, 2005:					
Historical cost	15,972	693,410	26,500	18,673	754,555
of which: leasing - gross value	*827*	*22,302*	*-*	*-*	*23,129*
Accumulated depreciation	-	472,834	21,816	-	494,650
of which: leasing - acc. depreciation	*-*	*3,524*	*-*	*-*	*3,524*
Net value	15,972	220,576	4,684	18,673	259,905
Net value - Leasing	*827*	*18,778*	*-*	*-*	*19,605*
Balance as of December 31, 2005	15,972	220,576	4,684	18,673	259,905
Additions for the period	-	6,440	546	12,313	19,299
Disposals at net cost for the period	(199)	(1,054)	(16)	-	(1,269)
Effect of translating foreign currency financial statements of the period	(37)	(2,274)	(146)	(345)	(2,802)
Depreciation for the period	-	(20,526)	(841)	-	(21,367)
Reclassification of assets held for sale	-	(2,601)	-	-	(2,601)
Other changes	-	3,816	284	(4,066)	34
Balance as of June 30, 2006:	15,736	204,377	4,511	26,575	251,199
Historical cost	15,736	688,069	26,880	26,575	757,260
of which: leasing - gross value	*827*	*21,660*	*-*	*-*	*22,487*
Accumulated depreciation	-	483,692	22,369	-	506,061
of which: leasing - acc. depreciation	*-*	*3,868*	*-*	*-*	*3,868*
Net value	15,736	204,377	4,511	26,575	251,199
Net value - Leasing	*827*	*17,792*	*-*	*-*	*18,619*

Additions for the period amount to € 19,299 thousand and are mainly investments already illustrated in the Report on Group Operations.

Net disposals during the period amount to € 1,269 thousand and mainly refer to the sale by the Spanish subsidiary Sogefi Filtration S.A. of the plant that it owned near Barcelona; it was freed up as a result of the restructuring process carried out over the preceding months.
The line "Reclassification of assets held for sale" refers to a building owned by the Filtration Division's British subsidiary which has been reclassified to "Non-current assets held for sale".

Tangible fixed assets of the Italian companies included in the scope of consolidation are recorded at historical purchase cost, as adjusted in accordance with special monetary revaluation laws before the date of transition to IFRS. These revaluations have been maintained on transition as the Group adopted "deemed cost" for determining the initial value of fixed assets, as allowed by IFRS 1. Revaluation surpluses, net of applicable taxes, are recorded in a specific equity reserve.

The depreciation charge for the period has been recorded in the income statement.

Guarantees
Tangible assets as of June 30, 2006 are encumbered by mortgages and liens totalling € 6,060 thousand to guarantee loans from financial institutions.

Purchase commitments
At June 30, 2006 there are binding commitments to buy tangible fixed assets for € 4,576 thousand.

Leasing
At June 30, 2006 the carrying value of plant and machinery, being purchases under finance leases, amounts to € 22,487 thousand with accumulated depreciation of € 3,868 thousand.
The financial aspects of the lease instalments and their due dates are explained in note 15.

9. INTANGIBLE FIXED ASSETS

At June 30, 2006, these amount to € 114,961 thousand versus € 113,878 thousand at the end of the previous year and are broken down as follows:

(in thousands of euro)	*Development costs*	*Industrial patents and intellectual property rights, concessions, licences, trademarks*	*Other intangible assets under construction and payments on account*	*Consolidation differences*	*TOTAL*
Balance as of December 31, 2005:					
Historical cost	37,855	15,536	8,206	113,565	175,162
Accumulated amortization	21,973	12,769	3,643	22,899	61,284
Net value	15,882	2,767	4,563	90,666	113,878
Balance as of December 31, 200	15,882	2,767	4,563	90,666	113,878
Additions of the period	2,879	175	2,389	-	5,443
Disposals during the period, net	65	(6)	(70)	-	(11)
Effect of translating foreign currency financial statements	(62)	(29)	(100)	-	(191)
Increase for change in scope of consolidation	(1)	-	-	-	(1)
Amortization for the period	(2,867)	(1,148)	(108)	-	(4,123)
Other changes	(185)	160	(9)	-	(34)
Balance as of June 30, 2006:	15,711	1,919	6,665	90,666	114,961
Historical cost	40,252	15,733	9,795	113,565	179,345
Accumulated amortization	24,541	13,814	3,130	22,899	64,384
Net value	15,711	1,919	6,665	90,666	114,961

Investments of the period amount to € 5,443 thousand. The more significant increases refer to “Development costs” and are due to the capitalization of costs incurred by the company to develop new products in cooperation with the major car companies.

The increases in “Other intangible assets under construction and payments on account” are principally due to the cost incurred for the acquisition or internal production of intangible assets not yet in use.

There are no intangible assets with an indefinite useful life except for goodwill .

As mentioned in the explanation of the accounting policies as of December 21, 2005, since January 1, 2004 goodwill is no longer amortized, but subjected each year to impairment testing.

The Filtration Division and in the Auto Suspension Components Division have booked goodwill deriving from external acquisitions, amounting to € 73.6 million and € 17 million respectively.
The *impairment test* carried out as of December 31, 2005 confirmed that there is no need to make any adjustments to the figures shown in the balance sheet. In light of the divisions' results in first half 2006, which are showing better trends than the same period last year in terms of profitability and balance sheet growth, management is confident that the figures booked are fair.

10. EQUITY INVESTMENTS IN ASSOCIATED COMPANIES

At June 30, 2006 these amount to € 290 thousand compared with € 3,372 thousand at December 31, 2005 and are carried at equity, except where the recoverable value of an investment is lower than its book value.
This item is analyzed as follows:

(in thousands of euro)	KS Automotive Suspensions Asia Private Ltd	Allevard Ressorts Composites S.a.S.	Total
% of ownership	50.00	50.00	-
Balance as of December 31, 2005	3,000	372	3,372
Sale	(3,000)	-	(3,000)
Share of result	-	(82)	(82)
Balance as of June 30, 2006	-	290	290

The decrease in "Equity investments in associated companies" is due to the sale in May of 50% to the joint shareholder ThyssenKrupp Federn GmbH.

A list of equity investments in subsidiaries and associated companies is provided in section G of this document.

11. OTHER FINANCIAL ASSETS AVAILABLE FOR SALE

At June 30, 2006 this item amounts to € 450 thousand and is substantially in line with the figure at December 31, 2005 (€ 443 thousand).
It principally includes the interest in AFICO FILTERS S.A.E., valued at *fair value* which corresponds to cost.

12. OTHER RECEIVABLES

This item mainly includes grants receivables by various Group companies for their investment plans. These receivables will be collected over the coming years. It also includes non-interest bearing guarantee deposits and the advance tax paid by Italian companies on "employment termination indemnities".

13. *DEFERRED TAX ASSETS*

At June 30, 2006 this item amounts € 25,073 thousand with respect to 26,779 thousand at December 31, 2005.
This amount relates to the benefits due on deductible temporary differences, booked to the extent that they are likely to be recovered.

14. *NON-CURRENT ASSETS HELD FOR SALE*

This includes the net value of a building belonging to the Filtration Division's British subsidiary, which is available for sale.

C 2) LIABILITIES AND EQUITY

15. *FINANCIAL DEBTS TO BANK AND OTHER FINANCING*

These are analyzed as follows:

Current portion

(in thousands of euro)	*June 30, 2006*	*December 31, 2005*
Bank overdrafts	2,223	26,353
Short term loans	10,000	-
Current portion of medium/long term financial debts	96,806	93,876
of which: leasing	*1,160*	*1,213*
Total loans maturing within one year	106,806	93,876
BANK OVERDRAFTS AND OTHER CURRENT LOANS	109,029	120,229
Other short term liabilities for *cash flow hedges*	11	132
TOTAL BANK OVERDRAFTS, OTHER CURRENT LOANS AND *CASH FLOW HEDGES*	109,040	120,361

Non-current portion

(in thousands of euro)	*June 30, 2006*	*December 31, 2005*
Medium/long term financial debt to banks	76,837	83,549
Other medium/long term financial debt	19,644	20,755
of which: leasing	*16,033*	*17,199*
of which: purchase commitments	*1,824*	*1,824*
TOTAL MEDIUM/LONG TERM FINANCIAL DEBT	96,481	104,304
Other medium/ong term financial liabilities for *cash flow hedges*	231	139
TOTAL MEDIUM/LONG TERM FINANCIAL DEBT AND *CASH FLOW HEDGE*	96,712	104,443

Bank overdrafts

The decrease in this caption is mainly due to reimbursement of the "hot money" loans of € 15,000 thousand by the parent company Sogefi S.p.A. in January and March 2006.

Short term loans and current portion of long term financial debt

This item principally includes the following loans:

- a syndicated loan of € 80 million obtained by the parent company Sogefi S.p.A., repayable in a lump sum in December 2006. This loan bears floating-rate interest at Euribor plus a *spread* of 70 *basis points*. The loan is not secured on any of the company's assets;
- a syndicated loan of € 10 million obtained by the parent company Sogefi S.p.A., repayable in a lump sum in July 2006. This loan bears floating-rate interest at Euribor plus a market *spread*;
- the current portion (€ 6,667 thousand) of the loan obtained by Allevard Federn GmbH of € 30 million repayable in six-monthly instalments expiring in December 2010. This loan bears floating-rate interest at Euribor plus a spread of 80 basis points up until December 2008, after which it falls to 70 basis points for the subsequent periods;
- the current portion (€ 5,420 thousand) of the loan obtained by Filtrauto S.A. of € 9,454 thousand repayable by September 2007. This loan bears floating-rate interest at Euribor plus a *spread* of 57.5 *basis points.* The loan is not secured on any of the company's assets;

In addition, this item includes the current portion of other minor medium term loans, including financial lease instalments in accordance with IAS 17.

Other short term liabilities for cash flow hedges

This includes the current portion of financial instruments in compliance with IAS 32 and 39. The latter relate to the fair market value of certain interest rate swap contracts stipulated to transform part of the loans from floating to fixed rate.

Long term financial debt

To start with, this caption comprises a € 40 million drawdown of the syndicated loan of € 100 million stipulated by the parent company Sogefi S.p.A. at the end of 2003. The loan has a duration of five years and falls due in December 2008, paying floating-rate interest at Euribor plus a spread of 60 basis points. The spread for the first half of 2006 amounts to 47.5 basis points.

The loan is not secured on any of the company's assets.

In addition, the item includes non-current portions of the loan granted to Allevard Federn GmbH and of other minor loans, including financial lease instalments in accordance with IAS 17.

Finance leases

The Group has finance leases as well as rental and hire contracts for property, plant and machinery that, according to their type, cover almost the entire useful life of the asset concerned. These leasing, rental and hire contracts are booked in accordance with IAS 17 as though they were fixed assets owned by the company, disclosing their historical cost, depreciation, the financial interest element and the residual liability.

Future payments deriving from said contracts can be summarized as follows:

(in thousands of euro)	Leasing charges	Capital
Within 1 year	2,148	1,160
Beyond 1 but within 5 years	10,802	6,835
Beyond 5 years	11,993	9,198
Total leasing charges	24,943	17,193
Interest	(7,750)	-
TOTAL CURRENT VALUE OF LEASE INSTALMENTS	17,193	17,193

Purchase commitments

Sogefi S.p.A. has a commitment to repurchase an interest in the US affiliate Allevard Spring U.S.A. Inc. from SIMEST S.p.A., a company controlled by the Italian Government which develops and promotes Italian companies abroad.
Sogefi S.p.A. used the services of SIMEST S.p.A. during the early phases of its entry into the NAFTA market; at June 30, 2006 SIMEST's stake in the American company remained the same as at the end of the previous period (10.47%).
Sogefi S.p.A. has a commitment to repurchase this stake on June 30, 2008, with the chance to ask for it to be anticipated from June 30, 2007.
Given that this commitment is certain and irrevocable, these amounts have been booked as a medium-term liability, as required by IFRS.

16. TRADE AND OTHER CURRENT PAYABLES

The amounts shown in the financial statements can be split into the following categories:

(in thousands of euro)	*June 30, 2006*	*December 31, 2005*
Trade and other payables	245,853	224,050
Tax payables	9,898	7,897
TOTAL	255,751	231,947

Details of trade and other payables are as follows:

(in thousands of euro)	*June 30, 2006*	*December 31, 2005*
Due to suppliers	189,156	173,741
Due to parent company	1,038	-
Due to tax authorities for indirect and other taxes	8,034	6,207
Due to social security institutions	14,868	16,130
Due to employees	27,878	23,263
Other payables	4,879	4,709
TOTAL	245,853	224,050

Trade payables do not generate interest and on average are paid after 77 days.

The increase in the amounts due to suppliers is principally because of the rise in average payment terms and the growth in inventories to cope with customer demand over the coming months.

The item "Due to parent company" mainly refers to the payable to the ultimate parent company CIR S.p.A. for services received in the first half of 2006.

The increase in "Due to employees" is distinctly seasonal in nature as it is largely due to vacation entitlement, 13th-month salaries and variable bonuses that will be paid to employees over the coming months.

17. OTHER CURRENT LIABILITIES

"Other current liabilities" include adjustments to costs and revenues of the year as to ensure compliance with the accruals principle (accrued expenses and deferred income) and advances received from customers for supplies still to be delivered.

18. LONG TERM PROVISIONS

These are made up as follows:

(in thousands of euro)	*June 30, 2006*	*December 31, 2005*
Pension funds	35,338	36,422
Provision for employment termination indemnities	17,637	18,451
Provision for restructuring	12,307	15,344
Provisions for disputes with tax authorities.	5,844	6,850
Provision for product warranties	1,727	1,879
Other risks	3,033	2,730
Agents' termination indemnities	949	1,208
Lawsuits	949	1,085
TOTAL	77,784	83,969

Details of the main items are given below.

Pension funds
Changes for the period in this item are reported below:

(in thousands of euro)	*June 30, 2006*	*December 31, 2005*
Opening balance	36,422	37,978
Cost of benefits charged to income statement	1,539	2,668
Contributions paid	(2,479)	(4,751)
Exchange differences	(144)	527
TOTAL	35,338	36,422

The following are the pension funds operating in the geographical areas of the companies concerned:

(in thousands of euro)	*June 30, 2006*	*December 31, 2005*
Great Britain	13,957	16,012
France	17,745	16,853
Germany	3,168	3,104
Other	468	453
TOTAL	35,338	36,422

Provision for employment termination indemnities
Changes for the period in this item are reported below:

(in thousands of euro)	*June 30, 2006*	*December 31, 2005*
Opening balance	18,451	19,047
Cost of benefits charged to income statement	1,130	2,627
Contributions paid	(1,944)	(3,223)
TOTAL	17,637	18,451

Provision for restructuring
These are amounts set aside for restructuring operations that have been officially announced and communicated to those concerned, as required by IFRS.
The provision has changed as follows during the period:

(in thousands of euro)	*June 30, 2006*	*December 31, 2005*
Opening balance	15,344	19,241
Allowances for the period	2,011	9,833
Utilizations	(4,295)	(12,889)
Provisions not used during the period	(735)	(1,059)
Exchange differences	(18)	218
TOTAL	12,307	15,344

"Allowances for the period" relate principally to production reorganizations announced during the course of the year and due for completion over the next couple of years. They relate to the suspension components division and concern above all the French subsidiary Allevard Rejna Autosuspensions S.A.

Utilizations have been booked mainly as reductions of provisions previously set aside for restructurings planned and initiated in previous years and completed or being completed by the two divisions during the course of the current year.
The change in "Allowances for the period" charged to the income statement has been booked to “Restructuring costs”.
"Provisions not used during the period" charged to the income statement have been deducted mainly from personnel costs.

19. DEFERRED TAXATION

At June 30, 2006 this item amounts to € 22,948 thousand compared with € 21,946 thousand at December 31, 2005.
This amount relates to the benefits due on deductible temporary differences.

20. SHARE CAPITAL AND RESERVES

Share capital
The share capital of the parent company Sogefi S.p.A. is fully paid in and at June 30, 2006 amounts to € 58,770 thousand (€ 58,338 thousand at December 31, 2005), split into 113,020,192 ordinary shares of par value € 0.52 each.

Reserves and retained earnings (accumulated losses)
These are made up as follows:

(in thousands of euro)	*Share premium reserve*	*Reserve for treasury shares*	*Reserve for reclassification of treasury shares*	*Translation reserve*	*Other reserves*	*Retained earnings*	*Total*
Balance as of December 31, 2004	*27,824*	*3,762*	*-*	*(410)*	*56,428*	*35,054*	*122,658*
Adjustments for adoption of IAS 32 and 39:							
Valuation of cash flow hedging instruments at fair value	-	-	-	-	(940)	-	(940)
Valuation of securities at fair value	-	-	-	-	25	-	25
Tax on items booked directly to equity	-	-	-	-	302	-	302
Reclassification of treasury shares	-	-	(3,762)	-	-	-	(3,762)
Balances at January 1, 2005	*27,824*	*3,762*	(3,762)	*(410)*	*55,815*	*35,054*	*118,283*
Rights issues	1,517	-	-	-	(596)	-	921
Allocation of 2004 net income:							
Legal reserve	-	-	-	-	200	-	200
Retained earnings	-	-	-	-	-	12,230	12,230
Shareholders' resolution for purchase of treasury shares	(13,000)	-	-	-	13,000	-	-
Valuation of cash flow hedging instruments at fair value	-	-	-	-	(521)	-	(521)
Tax on items booked directly to equity	-	-	-	-	176	-	176
Figurative cost of stock options	-	-	-	-	395	-	395
Effect of translating foreign currency financial statements	-	-	-	9,398	-	-	9,398
Balance as of June 30, 2005	*16,341*	*3,762*	(3,762)	*8,988*	*68,469*	*47,284*	*141,082*

(in thousands of euro)	*Share premium reserve*	*Reserve for treasury shares*	*Reserve for reclassification of treasury shares*	*Translation reserve*	*Other reserves*	*Retained earnings*	*Total*
Balance as of December 31, 2005	*17,277*	*3,762*	(3,762)	*10,101*	*69,297*	*47,255*	*143,930*
Rights issues	1,729	-	-	-	(159)	-	1,570
Allocation of 2005 net income:							
Legal reserve	-	-	-	-	150	-	150
Retained earnings	-	-	-	-	-	25,055	25,055
Reclassification	51,238	-	-	-	(51,238)	-	-
Valuation of cash flow hedging instruments at fair value	-	-	-	-	29	12	41
Items booked directly to equity	-	-	-	-	-	(414)	(414)
Tax on items booked directly to equity	-	-	-	-	3	-	3
Figurative cost of stock options	-	-	-	-	959	-	959
Effect of translating foreign currency financial statements	-	-	-	(2,020)	-	-	(2,020)
Balance as of June 30, 2006	*70,244*	*3,762*	(3,762)	*8,081*	*19,041*	*71,908*	*169,274*

Share premium reserve

This amounts to € 70,244 thousand compared with € 17,277 thousand last year. The increase is due to the transfer from the “Reserve for the purchase of treasury shares” of € 51,238 thousand, as approved by the Shareholders' Meeting of April 6, 2006, relating to the mandate granted to the directors to buy treasury shares and the subscription of shares as part of the stock option plans.

Translation reserve

This reserve is used to record the exchange differences arising on the translation of foreign subsidiaries' financial statements.

Movements during the period show a decrease of € 2,020 thousand which is principally attributable to the weakening of the Argentine peso and the pound sterling.

Other reserves

"Other reserves" are analyzed below:

(in thousands of euro)	Legal reserve	Reserve for the purchase of treasury shares	Reserve for cash flow hedges	Reserve for stock options	Tax on items booked directly to equity	Other reserves	Total other reserves
Balance as of December 31, 2004	*11,530*	*38,238*	-	-	-	*6,660*	*56,428*
Valuation of cash flow hedging instruments at fair value	-	-	(940)	-	-	-	(940)
Valuation of securities at fair value	-	-	-	-	-	25	25
Tax on items booked directly to equity	-	-	-	-	302	-	302
Balance at January 1, 2005	*11,530*	*38,238*	*(940)*	-	*302*	*6,685*	*55,815*
Rights issues	-	-	-	-	-	(596)	(596)
Allocation of 2004 net income: - Legal reserve	200	-	-	-	-	-	200
Shareholders' resolution for purchase of treasury shares	-	13,000	-	-	-	-	13,000
Valuation of cash flow hedging instruments at fair value	-	-	(521)	-	-	-	(521)
Tax on items booked directly to equity	-	-	-	-	176	-	176
Figurative cost of stock options	-	-	-	395	-	-	395
Balance as of June 30, 2005	11,730	51,238	(1,461)	395	478	6,089	68,469

(in thousands of euro)	Legal reserve	Reserve for the purchase of treasury shares	Reserve for cash flow hedges	Reserve for stock options	Tax on items booked directly to equity	Other reserves	Total other reserves
Balance as of December 31, 2005	11,730	51,238	(271)	552	94	5,954	69,297
Rights issues	-	-	-	-	-	(159)	(159)
Allocation of 2005 net income: - Legal reserve	150	-	-	-	-	-	150
Reclassification	-	(51,238)	-	-	-	-	(51,238)
Valuation of cash flow hedging instruments at fair value	-	-	29	-	-	-	29
Tax on items booked directly to equity	-	-	-	-	3	-	3
Figurative cost of stock options	-	-	-	959	-	-	959
Balance as of June 30, 2006	11,880	-	(242)	1,511	97	5,795	19,041

- Reserve for fair value of cash flow hedges

The reserve has changed as a result of accounting for the financial flows deriving from instruments that for IAS 39 purposes are designated as "cash flow hedges". During the period it increased by € 29 thousand.

- Legal reserve

This totals 11,880 thousand euro and is 150 thousand euro higher as a result of allocating a portion of the 2005 net income to this reserve, as approved by the ordinary shareholders' meeting held on April 6, 2006.

- Reserve for the purchase of treasury shares

The Shareholders' Meeting of April 6, 2006 resolved to transfer the balance of the "Reserve for the purchase of treasury shares" to the "Share premium reserve".

- *Reserve for stock options*

The reserve refers to the value of the figurative cost during the year of stock option plans assigned to employees and project workers and resolved after November 7, 2002. including the portion relating to the latest stock option plan approved on April 6, 2006.

Retained earnings

These total € 71,908 thousand and include amounts of net income that have not been distributed.

MINORITY INTERESTS

The balance amounts to € 15,082 thousand and refers to the portion of shareholders' equity pertaining to minority interests.

D) NOTES ON THE MAIN INCOME STATEMENT ITEMS INCOME STATEMENT

21. REVENUES

Revenues from the sale of goods and services

During the period, the SOGEFI Group had sales of € 532,922 thousand compared with € 535,430 thousand the previous year (-0.5%); applying the same average exchange rates of the first half of 2005, sales would amount to € 524,288 thousand (-2.1%). Revenues were also affected by changes in the billing rules in France and Brazil, which reduced the nominal value of sales by € 2.7 million compared with the same period last year.

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

By business sector:

(in thousands of euro)	*1st half 2006*		*1st half 2005*	
	Amount	*%*	*Amount*	*%*
Filters	268,544	50.4	269,937	50.4
Suspension components and precision springs	264,378	49.6	265,493	49.6
TOTAL	532,922	100.0	535,430	100.0

By geographical area of "destination":

(in thousands of euro)	*1st half 2006*		*1st half 2005*	
	Amount	*%*	*Amount*	*%*
France	144,832	27.2	158,188	29.6
Germany	68,945	12.9	67,498	12.6
Great Britain	65,255	12.2	64,790	12.1
Italy	54,271	10.2	60,494	11.3
Spain	35,664	6.7	34,981	6.5
Benelux	33,944	6.4	31,561	5.9
Other European countries	48,929	9.2	43,204	8.1
Mercosur	60,393	11.3	52,115	9.7
United States	13,295	2.5	16,246	3.0
China	1,972	0.4	2,220	0.4
Rest of the World	5,422	1.0	4,133	0.8
TOTAL	532,922	100.0	535,430	100.0

The trend in sales in the main markets shows a slowdown in France, Italy and North America, whereas there has been growth in Latin America, Germany and Benelux.

22. THE CYCLICAL NATURE OF SALES

The type of products sold by the company and the sectors in which the Group operates means that sales tend to be fairly linear over the course of the year and, assuming that the business areas stay the same, they do not have a particularly cyclical nature.

For information purposes, sales per half-year for the last two years are as follows:

(in thousands of euro)	*1st half 2005*	*2nd half 2005*	*Total year*
Year 2004	495,275	470,873	966,148
Year 2005	535,430	487,991	1,023,421

23. VARIABLE COST OF SALES

This caption is analyzed as follows:

(in thousands of euro)	*1st half 2005*	*1st half 2005*
Materials	234,792	244,160
Direct labour cost	59,785	56,803
Energy costs	15,711	12,885
Sub-contracted work	4,275	5,346
Ancillary materials	8,720	8,546
Variable sales and distribution costs	15,844	19,332
Royalties paid to third parties on sales	2,218	2,163
TOTAL	341,345	349,235

The decrease in “Variable cost of sales” is principally due to “Materials”, following a slight decline in the price of steel, and because of the policy of internationalising production processes in the Filtration Division with the purchase of the Argentan plant. “Variable sales and distribution costs” are also down, having been penalised the previous year by a provision for charges to be incurred in connection with quality problems that had a net impact in the previous half year of € 2.8 million.
This reduction in costs was partially offset by a negative exchange rate effect and by increases in "Energy costs" and "Direct labour cost"; this last item was affected by pay rises and by an increase in the number of employees as a result of acquiring the business to integrate the plastics processing side of the Filtration Division.

“Energy costs” includes the purchase of electricity from the affiliate Sorgenia S.p.A. for € 3,132 thousand by the Italian companies.

24. MANUFACTURING AND R&D OVERHEADS

(in thousands of euro)	*1st half 2006*	*1st half 2005*
Labour cost	42,011	40,440
Materials, maintenance and repairs	10,183	10,349
Rental and hire charges	2,372	2,201
Personnel services	3,795	3,887
Technical consultancy	2,691	2,465
Sub-contracted work	713	950
Insurance	982	1,072
Utilities	945	809
Capitalization of internal construction costs	(4,376)	(3,823)
Other	1,183	1,509
TOTAL	60,499	59,859

“Manufacturing and R&D overheads” are substantially in line with the previous period.
"Labour cost" has increased because of the same reasons as direct labour.
The increase is offset by a decrease in “Sub-contracted work” and by a rise in “Capitalization of internal construction costs”.

25. DEPRECIATION AND AMORTIZATION

This caption is analyzed as follows:

(in thousands of euro)	*1st half 2006*	*1st half 2005*
Depreciation of tangible assets	20,915	21,228
of which: assets under finance leases	*409*	*348*
Amortization of intangible assets	3,618	3,438
TOTAL	24,533	24,666

At June 30, 2006, this item amounts to € 24,533 thousand compared with € 24,666 thousand in the same period last year, more or less the same in the two periods under comparison.

Industrial depreciation included in total depreciation amounts to € 20,073 thousand compared with € 20,322 thousand in the same period last year.

Amortization of intangible assets refers principally to development costs capitalized in previous years.

26. DISTRIBUTION, MARKETING AND SALES FIXED EXPENSES

The table shows the more significant components of this item:

(in thousands of euro)	*1st half 2006*	*1st half 2005*
Labour cost	10,603	10,657
Sub-contracted work	3,427	3,486
Advertising, publicity and promotion	2,536	2,831
Personnel services	1,353	1,257
Rental and hire charges	900	949
Consultancy	398	488
Other	492	471
TOTAL	19,709	20,139

The total at June 30, 2006 amounts to € 19,709 thousand, slightly down compared with € 20,139 thousand in the same period last year, above all because of lower advertising and promotion costs.

27. ADMINISTRATIVE AND GENERAL EXPENSES

This is analyzed as follows:

(in thousands of euro)	*1st half 2006*	*1st half 2005*
Labour cost	13,663	13,337
Personnel services	2,734	2,684
Maintenance and repairs	2,379	2,315
Cleaning and security	1,831	1,781
Consultancy	2,216	1,944
Utilities	1,553	1,615
Rental and hire charges	1,683	1,847
Insurance	1,413	1,412
Partécipation des salaries	1,323	1,370
Administrative, financial and tax-related services provided by Parent Company	961	887
Audit fees	767	772
Directors' and statutory auditors' remuneration	294	272
Sub-contracted work	301	282
Other	1,113	936
TOTAL	32,231	31,454

The increase of 2.5% is due to the French subsidiary's consultancy costs for the acquisition of the plant mentioned above and to lower miscellaneous income included in "Other revenues".

28. PERSONNEL COSTS

Personnel

Personnel costs are analyzed as follows:

(in thousands of euro)	*1st half 2006*	*1st half 2005*
Wages, salaries and contributions	115,658	111,914
Employment termination indemnities and pension costs	2,159	2,678
Partécipation des salaries	1,323	1,370
Figurative cost of stock options	959	395
Other	648	283
TOTAL	120,747	116,640

The increase in "Labour cost", which rose from 21.8% of net sales in the first half of 2005 to 22.6% of net sales in the current half-year, has already been commented on above.

Average employment is shown below by grade:

(Number of employees)	*1st half 2006*	*1st half 2005*
Managers	91	100
Clerical staff	1,424	1,450
Blue collar workers	4,788	4,779
TOTAL	6,303	6,329

Post-retirement benefits

Stock option plans

The Sogefi Group implements, and has implemented in previous years, stock option plans for managers of the company and of subsidiaries that hold important positions of responsibility within the Group. The purpose is to create greater loyalty to the company and to provide an incentive that will raise their commitment to improve the company's long term performance and value generation.

The plan provides participants with the chance to exercise an option to subscribe to newly-issued SOGEFI shares at a set price and within a particular period of time. Under the plan an essential condition for exercising the option is that the person is still employed by the Company or one of its subsidiaries at the exercise date, except in the case of retirement, permanent invalidity or death.

In compliance with Law 262/05, starting from 2006 stock option plans are first approved by the Shareholders' Meeting.

In 2006 the Board of Directors decided the following stock option plans:

- stock option plan restricted to the managers of the Company and its subsidiaries for a maximum of 1,770,000 shares (1.57% of the share capital at June 30, 2006) with a subscription price of € 5.87, to be exercised between September 30, 2006 and September 30, 2016.

-
- 2006 stock option plan reserved the Group's project workers for a maximum of 80,000 rights to purchase an equivalent number of SOGEFI ordinary shares at a price of € 5.87. The options can be exercised on September 30, 2007, January 31, 2008 and June 30, 2008.

Except for those mentioned above, the company has not carried out any other transaction that involves the purchase of goods or services with payments based on shares or any other kind of instrument representing portions of capital, so there is no need to show the fair value of such goods or services.

As laid down in IFRS 2, which took effect from January 1, 2005, for the purposes of first-time application of this standard, we have taken into consideration only those plans that were assigned after November 7, 2002; so in addition to those issued in 2006, also those issued in 2003, 2004 and 2005, the main characteristics of which are as follows:

- 2003 stock option plan for a maximum of 1,680,000 shares (1.49% of share capital at June 30, 2006) at a price of 2.04 euro per share, with a right to exercise them at the end of each quarter starting on September 30, 2003 and ending on September 30, 2013.
- 2004 stock option plan for a maximum of 1,880,000 shares (1.66% of share capital at June 30, 2006) at a price of 2.64 euro per share, with a right to exercise them at the end of each quarter starting on September 30, 2004 and ending on September 30, 2014.
- 2005 stock option plan restricted to the managers of the Company and its subsidiaries for a maximum of 1,930,000 shares (1.71% of the share capital at June 30, 2006) at a subscription price of euro 3.87 with a right to exercise them between September 30, 2005 and September 30, 2015.
- 2005 stock option plan reserved the Group's project workers for a maximum of 80,000 rights to purchase an equivalent number of SOGEFI ordinary shares at a price of € 3.87. The options can be exercised on September 30 2007, January 31 2008 and June 30 2008;
- 2005 extraordinary stock option plan reserved for Group employees with over 10 years of service at December 31, 2004 for a maximum of 1,445,000 shares (1.28% of share capital at June 30, 2006) at a subscription price of € 4.5 with a right to exercise them from October 1 to December 7, 2008 and from May 1 to July 7, 2009.

During the first half of 2006 options were exercised on 595,600 ordinary shares relating to the 2003, 2004 and 2005 ordinary plans at an average value of € 2.82 each, generating proceeds for the parent company of € 1,679 thousand.

The fair value of the options granted as of June 30, 2006, calculated with the help of a binomial tree model and amounting to € 959 thousand, has been booked to the income statement in the line “Other non-operating expenses (income)”, to reflect the figurative cost of this benefit.

The following table shows the total number of options existing with reference to the 2003-2006 plans and their average strike price:

	June 30, 2006		*December 31, 2005*	
	Number	*Average price of the year*	*Number*	*Average price of the year*
Not exercised/exercisable at the start of the year	5,552,200	3.48	2,912,200	2.42
Granted during the period	1,850,000	5.87	3,455,000	4.13
Cancelled during the period	(1,200,600)	4.25	(68,400)	2.54
Exercised during the period	(595,600)	2.82	(746,600)	2.43
Not exercised/exercisable at the end of the period	5,606,000	4.18	5,552,200	3.48
Exercisable at the end of the period	665,200	2.88	483,600	2.67

The line "Not exercised/exercisable at the end of the period" refers to the total number of options, net of those exercised or cancelled during the current and previous years.
The line "Exercisable at the end of the period" refers to the total number of options matured at the end of the period and not yet subscribed.

In order to comply with the transitional rules laid down in arts. 44-45 of IFRS 2, the following are the key figures for the plans in existence prior to November 7, 2002 (the standard does not have to be applied to them).

	2000 Plan	2001 plan	2002 plan
No. of options	1,170,000	1,380,000	1,560,000
% share capital at June 30, 2006	1.04	1.22	1.38
Strike price (Euro)	2.53	2.50	2.01
Date of maturity	2010	2011	2012
Not exercised at the start of the year	228,000	415,400	345,400
Exercised during the period	-	-	(160,600)
Cancelled during the period	-	-	(2,000)
Not exercised at the end of the period	228,000	415,400	182,800
Exercisable at the end of the period	228,000	407,700	166,700

During the first half of 2006, options were exercised on 160,600 ordinary shares under the 2002 plan at an average price of € 2.01 each, generating proceeds for the parent company of € 323 thousand.
The total amount collected by the Group in the first half of 2006 under all stock option plans comes to € 2,002 thousand.

Details of the number of options exercisable at June 30, 2006 are given below:

	2003 - 2006 plans	2000 - 2002 plans	Total
Number of exercisable options remaining at December 31, 2005	483,600	827,200	1,310,800
Options matured during the period	856,800	170,800	1,027,600
Options exercised during the period	(595,600)	(160,600)	(756,200)
Options cancelled	(79,600)	(35,000)	(114,600)
Number of exercisable options remaining at June 30, 2006	665,200	802,400	1,467,600

29. RESTRUCTURING COSTS

These amount to € 3,060 thousand (compared with € 5,111 thousand in the first half of the previous year) and refer to restructuring plans currently underway.
€ 2,011 thousand of this amount relates to provisions made to the "Restructuring reserve", while the rest is made up of costs that were not provided for as they were paid during the first half.

30. GAINS FROM DISPOSALS

These amount to € 3,763 and mainly refer to the gains from the sale of the plant located in Barcelona by the Spanish subsidiary Sogefi Filtration S.A..

31. EXCHANGE GAINS/LOSSES

Exchange losses at June 30, 2006 amount to € 404 thousand compared with net exchange gains of € 755 thousand in the same period last year and are due to the differing trends in the US dollar during the two half years, as well as to the "implied" cost of the hedges taken out against the pound sterling, the Brazilian real and the Argentine peso.

32. OTHER NON-OPERATING EXPENSES (INCOME)

These amount to € 9,138 thousand (compared with € 6,224 thousand in the first half of the previous year) and refer principally to indirect taxes and fiscal charges not directly related to income earned, as explained in the notes on "Content and format of the financial statements".
This caption is analyzed as follows:

(in thousands of euro)	*1st half 2006*	*1st half 2005*
Indirect taxes	2,639	2,451
Other fiscal charges	3,554	3,359
Figurative cost of stock options	959	395
Other non-operating expenses	1,986	19
TOTAL	9,138	6,224

Indirect taxes are indirect fiscal charges that do not depend directly on the income earned by the business.
Other fiscal charges are the *taxe professionelle* paid by the French companies

“Other non-operating expenses” mainly consist of: € 504 thousand for the writedown of intangible assets of the subsidiary Shanghai Allevard Springs Co. Ltd, € 768 for provisions relating to tax litigation and a lawsuit against a supplier, € 164 thousand for costs relating to the Nottingham plant, which is no longer operative, and € 210 thousand for the pension costs of employees no longer working for the Group.

33. FINANCIAL EXPENSES (INCOME), NET

Financial expenses are as follows:

(in thousands of euro)	*1st half 2006*	*1st half 2005*
Interest on non-convertible bonds	-	1,303
Interest on amounts due to banks	3,370	2,539
Financial charges under lease contracts	488	401
Financial component of pension funds and termination indemnities	335	209
Costs of interest-rate hedging contracts	164	453
Other interest and commissions	1,474	1,278
TOTAL FINANCIAL EXPENSES	5,831	6,183

financial income:

(in thousands of euro)	*1st half 2006*	*1st half 2005*
Financial income from financial assets	44	14
Interest on amounts due from banks	496	244
Other interest and commissions	162	284
TOTAL FINANCIAL INCOME	702	542
TOTAL FINANCIAL EXPENSES (INCOME), NET	5,129	5,641

Net financial expenses show a reduction of € 512 thousand even though there has been an increase in interest rates, thanks to the lower level of debt and the positive effect of the Group's centralised treasury function, which is now almost up to speed.

The “Financial component of pension funds and termination indemnities” refers to the financial component included in the actuarial valuation of pension funds and the provision for employment termination indemnities.

34. LOSSES (GAINS) FROM EQUITY INVESTMENTS

The item includes financial income due to a net recovery of withholding tax on foreign dividends of previous years (€ 1,060 thousand) and the gain of € 700 thousand realised on the sale of the non-consolidated 50% investment in KS Automotive Suspensions Asia Private Ltd to ThyssenKrupp Federn GmbH for € 3.7 million.

35. INCOME TAXES FOR THE PERIOD

(in thousands of euro)	1st half 2006	1st half 2005
Current taxes	11,318	9,978
Deferred tax liabilities (assets)	2,863	1,913
TOTAL	14,181	11,891

First-half 2006 again saw a positive tax rate (33.4%) compared with the previous period (35.1%), mainly thanks to the positive impact of the company reorganisations that took place in 2003-2005.

36. DIVIDENDS PAID

The dividends paid in the first half of 2006 (distributing 2005 earnings, as approved at the shareholders' meeting on April 6, 2006) amount to € 19,455 thousand, i.e. € 0.175 per ordinary share.
The company has not issued any shares other than the ordinary shares and the shares held by the company (treasury shares) do not receive dividends.
Last year, dividends paid in the first half of amounted to € 17,599 thousand, or € 0.160 per ordinary share.

37. EARNINGS PER SHARE (EPS)

EPS

Basic EPS
Basic earnings per share are calculated by dividing net income for the period attributable to the ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the period.
The calculation of outstanding shares excludes treasury shares and the weighted average number of shares has been calculated using the principle of retrospective application of changes in the number of shares outstanding.

	June 30, 2006	June 30, 2005
Net income attributable to the ordinary shareholders (in thousands of euro)	27,476	22,043
Weighted average number of shares outstanding during the period (thousands)	110,983	109,846
Basic EPS (euro)	*0.248*	*0.201*

Diluted EPS
Diluted EPS are calculated by dividing net income for the period attributable to the ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the period, adjusted for the dilutive effects of potential shares. Treasury shares are excluded from the calculation of outstanding shares.
The company only has one category of potential ordinary shares, namely those deriving from the potential conversion of the stock options granted to Group employees.

In determining the average number of potential shares in circulation we have used the average fair value of the shares only during the period of reference (first-half of the year). The average fair value of the SOGEFI S.p.A. ordinary shares in the first half of 2006 comes to € 5.4512 versus an average fair value in first-half 2005 of € 3.9548.

	June 30, 2006	*June 30, 2005*
Net income attributable to the ordinary shareholders (in thousands of euro)	27,476	22,043
Average number of shares outstanding during the year (thousands)	110,983	109,846
Weighted average number of shares potentially under option during the half-year (thousands)	1,268	1,038
Number of shares that would have been issued at fair value (thousands)	(598)	(634)
Adjusted weighted average number of shares outstanding during the year (thousands)	111,653	110,250
Diluted EPS (euro)	*0.246*	*0.199*

E) 38. RELATED PARTY TRANSACTIONS

The Group is controlled by CIR S.p.A., the ultimate parent company, which at April 6, 2006 held 57.76% of the outstanding shares; Sogefi S.p.A.'s shares are quoted on the Milan Stock Exchange.

The consolidated financial statements include the financial statements of the companies listed in chapter G along with the interests held by the Group.
The relationships between Group companies are regulated by normal market conditions, taking into account the quality and type of services rendered; Sogefi S.p.A., the parent company, charges Group companies fees for administrative, financial and management support services, as well as commissions on procurement contracts negotiated at head office. The parent company also debits and credits interest at a market spread to those subsidiaries that have signed up for the Group's centralised treasury function.

As part of its activity, Sogefi S.p.A. makes use of the services provided by CIR S.p.A., the ultimate parent company, in areas such as strategic development, disposals and acquisitions, and services of an administrative, financial, fiscal and corporate nature. This relationship is regulated by contracts at arm's-length conditions and the cost is commensurate to the effective value of such services to Sogefi in terms of the time devoted to them and the specific economic advantages obtained as a result.

At June 30, 2006, the services received by Sogefi S.p.A. from CIR S.p.A. amount to € 961 thousand (versus € 887 thousand in first-half 2005).
Again at June 30, 2006 Sogefi S.p.A. owes CIR S.p.A. € 1,038 thousand.
The Italian companies of the SOGEFI Group have receivables of € 158 thousand due from CIR S.p.A. in connection with the consolidated tax reporting system. At December 31, 2005 this figure amounted to € 1,579 thousand and its decrease is due to the normal settlement that took place in the first half of 2006.

As part of their normal operating activities, the Italian companies in the Group buy gas and electricity from the affiliate Sorgenia S.p.A., which is controlled by CIR S.p.A.
At June 30, 2006 the total of these purchases amounted to € 3,132 thousand (of which € 2,022 thousand for the Suspension Components Division and € 1,110 for the Filtration Division), while the related liability amounted to € 892 thousand (€ 198 thousand for the Filtration Division and € 694 thousand for the Suspension Components Division).

Apart from those mentioned above and shown in the interim financial statements, we are not aware of any other related party transactions.

F) COMMITMENTS AND RISKS

39. OPERATING LEASES – GROUP AS LESSEE

For accounting purposes, leases and rental contracts are classified as operating when:

- a significant part of the risks and benefits of ownership are retained by the lessor;
- there are no purchase options at prices that do not represent the presumable market value of the asset being leased at the end of the period;
- the duration of the contract does not reflect most of the useful life of the asset leased or rented.

Operating lease instalment payments are booked to the income statement in line with the underlying contracts.

The Group's main operating lease is a contract stipulated by the US subsidiary Allevard Spring U.S.A. Inc. for the rent of its plant at Prichard (West Virginia).
The contract expires on October 27, 2018 and the residual instalments amount to USD 5,178 thousand, of which USD 386 thousand within 12 months.
For this contract SOGEFI S.p.A. has provided a guarantee that covers around 50% of the residual instalments; this guarantee is renewed each year based on the residual amount due.
There are no restrictions of any kind on this type of lease and at the end of the contract the US company will be able to purchase the building at its market value.

40. INVESTMENT COMMITMENTS

There are no binding commitments for capital expenditure other than those relating to the purchase of tangible fixed assets (€ 4,576 thousand) already disclosed in the notes. At December 31, 2005 the equivalent figure amounted to € 4,574 thousand.

41. GUARANTEES GIVEN

Details of guarantees are as follows:

(in thousands of euro)	*June 30, 2006*	*December 31, 2005*
UNSECURED GUARANTEES GIVEN		
a) Sureties to third parties	1,938	2,601
d) Other unsecured guarantees on behalf of third parties	9,714	9,714
UNSECURED GUARANTEES GIVEN	11,652	12,315
SECURED GUARANTEES GIVEN		
b) Against liabilities shown in the balance sheet	6,060	5,905
TOTAL SECURED GUARANTEES GIVEN	6,060	5,905

The guarantees given in favour of third parties relate to loans received and are shown at a value equal to the outstanding commitment at the balance sheet date. These accounts indicate risks, commitments and guarantees provided by Group companies to third parties.

The “Other unsecured guarantees on behalf of third parties” relate to the commitment of LPDN GmbH to the pension fund of the staff belonging to the two business areas at the time it was acquired in 1996; this commitment is covered by the contractual obligations of the seller (a leading German business).

"Secured guarantees" refer to encumbrances or liens granted to banks to obtain loans for the purchase of fixed assets.

42. OTHER RISKS

At June 30, 2006 Group companies held goods and materials belonging to third parties for € 4,211 thousand (€ 4,211 thousand at December 31, 2005).

43. SUBSEQUENT EVENTS

There are no significant subsequent events that took place after June 30, 2006.

G) GROUP COMPANIES

44. LIST OF GROUP COMPANIES AT JUNE 30, 2006

SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS

Direct subsidiaries

	Currency	Share capital	Number of shares	% ownership	Par value per share	Par value of interest held
REJNA S.p.A. Settimo Torinese (Turin - Italy)	euro	5,200,000	7,986,992	99.84	0.65	5,191,544.80
SOGEFI FILTRATION B.V. Weesp (Netherlands)	euro	1,125,000	2,500	100.00	450	1,125,000
SOGEFI FILTRATION Ltd Llantrisant (Great Britain)	GBP	5,126,737	5,126,737	100.00	1	5,126,737
SOGEFI FILTRATION A.B. Stockholm (Sweden)	SEK	100,000	1,000	100.00	100	100,000
SOGEFI FILTRATION S.A. Oyarzun (Spain) Held by SOGEFI S.p.A.: 86.08% Held by Filtrauto S.A.: 13.92%	euro	12,953,713.60	2,155,360	100.00	6.01	12,953,713.60
FILTRAUTO S.A. Guyancourt (France)	euro	5,750,000	287,494	99.99	20	5,749,880
ALLEVARD REJNA AUTOSUSPENSIONS S.A. Saint Cloud (France)	euro	36,000,000	1,999,747	99.987	18	35,995,446
SOGEFI Inc. Dearborn (U.S.A.)	USD	1,000	1,000	100.00		1,000
SOGEFI FILTRATION S.p.A. Mantua	euro	21,951,000	21,951,000	100.00	1	21,951,000
ALLEVARD SPRINGS U.S.A. Inc. Prichard (U.S.A.) Held by Sogefi SpA: 31.41% Held by Allevard Rejna Autosuspensions S.A.: 58.12%	USD	20,055,000	171	89.53		17,955,000
SOGEFI FILTRATION d.o.o. Medvode (Slovenia)	SIT	2,466,326,560		100.00		2,466,326,560

Indirect subsidiaries

	Currency	Share capital	Number of shares	% ownership	Par value per share	Par value of interest held
FILTRATION DIVISION COOPERS FILTERS Ltd Abergavenny (Great Britain) Held by Sogefi Filtration Ltd	GBP	3,000,000	3,000,000	100.00	1	3,000,000
FILTRAUTO UK Ltd (*) Nottingham (Great Britain) Held by Sogefi Filtration Ltd	GBP	6,810,000	6,810,000	100.00	1	6,810,000
FILTRAUTO GmbH (*) Ludwigsburg (Germany) Held by Sogefi Filtration B.V.	euro	51,130		100.00		51,130
SOGEFI FILTRATION DO BRASIL Ltda São Bernardo Do Campo (Brazil) Held by Sogefi Filtration S.A.	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: 91.90% Held by Filtrauto S.A.: 7.28% Held by Sogefi Filtration S.p.A. 0.81%	ARP	10,691,607	10,691,605	99.99	1	10,691,605

(*) in liquidation

SUSPENSION COMPONENTS DIVISION						
ALLEVARD SPRINGS Ltd Mid Glamorgan (Great Britain) Held by Allevard Rejna Autosuspensions S.A.	GBP	4,000,002	4,000,002	100.00	1	4,000,002
ALLEVARD FEDERN GmbH Volklingen (Germany) Held by Allevard Rejna Autosuspensions S.A.	euro	1,529,030		100.00		1,529,030
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 (Spain) 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 (Brazil) Held by Allevard Rejna Autosuspensions S.A.: 99.997% Held by Allevard Springs Ltd : 0.003%	BRL	37,161,683	37,161,683	100.00	1	37,161,683
UNITED SPRINGS Ltd Rochdale (Great Britain) Held by Allevard Rejna Autosuspensions S.A.	GBP	6,500,000	6,500,000	100.00	1	6,500,000
UNITED SPRINGS B.V. Hengelo (Netherlands) Held by Allevard Rejna Autosuspensions S.A.	euro	254,979	254,979	100.00	1	254,979
SHANGHAI ALLEVARD SPRINGS Co. Ltd Shanghai (China) Held by Allevard Rejna Autosuspensions S.A.	CNY	52,746,597		60.58		31,953,888
UNITED SPRINGS S.A.S. Saint Cloud (France) Held by Allevard Rejna Autosuspensions S.A.	euro	10,218,000	2,043,599	99.99	5	10,217,995
LUHN & PULVERMACHER - DITTMANN & NEUHAUS GmbH Hagen (Germany) Held by Allevard Federn GmbH	euro	50,000		100.00		50,000

EQUITY INVESTMENTS IN NON-CONSOLIDATED SUBSIDIARIES

Investments	Currency	Share capital	Number of shares	% ownership	Par value per share	Par value of interest held
INTEGRAL S.A. San Luis (Argentina) Held by Filtrauto S.A.: 93.50% Held by Sogefi Filtration Argentina S.A. : 6.50%	ARP	2,515,600	2,515,600	100.00	1	2,515,600
FILTRAUTO DO BRASIL Ltda São Paulo (Brazil) Held by Sogefi Filtration do Brasil Ltda : 99% Held by Filtrato : 1%	BRL	354,600	354,600	100.00	1	354,600
LES NOUVEAUX ATELIERS MECANIQUES S.A. (*) Brussels (Belgium) Held by Sogefi SpA: 74.9% Held by Rejna S.p.A.: 25.1%	euro	2,880,000	120,000	100.00	24	2,880,000

(*) being closed down

EQUITY INVESTMENTS IN ASSOCIATED COMPANIES CARRIED AT EQUITY

	Currency	Share capital	Number of shares	% ownership	Par value per share	Par value of interest held
ALLEVARD RESSORTS COMPOSITES S.A.S. Serrieres (France) Held by Allevard Rejna Autosuspensions S.A.	euro	300,000	60,000	50.00	2.50	150,000

EQUITY INVESTMENTS IN ASSOCIATED COMPANIES CARRIED AT COST

	Currency	Share capital	Number of shares	% ownership	Par value per share	Par value of interest held
MAKKAWI CARS & LORRIES Co. Khartoum (Sudan) Held by Rejna S.p.A.	SDP	900,000	225	25.00	1,000	225,000

EQUITY INVESTMENTS IN OTHER COMPANIES VALUED AT COST

	Currency	Share capital	Number of shares	% ownership	Par value per share	Par value of interest held
AFICO FILTERS S.A.E. Cairo (Egypt) Held by Sogefi Filtration S.p.A.	EGP	10,000,000	19,000	19.00	100	1,900,000

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

BALANCE SHEET
INCOME STATEMENT

BALANCE SHEET
(in thousands of euro)

ASSETS	*Note*	*June 30, 2006*	*December 31, 2005*
CURRENT ASSETS			
Cash and cash equivalents	*3*	4,928	19,599
Centralised treasury current accounts with subsidiaries	*4*	6,974	10,028
Securities and financial assets held for trading		84	25
Loans and financial receivables similar to loans	*5*	33,926	20,163
WORKING CAPITAL			
Inventories		-	-
Trade receivables	*6*	2,273	2,275
Other receivables		170	180
Receivables from tax authorities		43	315
Other current assets		263	187
TOTAL WORKING CAPITAL		2,749	2,957
TOTAL CURRENT ASSETS		48,661	52,772
NON-CURRENT ASSETS			
FIXED ASSETS			
Investment properties: land	*7*	12,154	12,154
Investment properties: other	*7*	15,173	15,173
Other tangible fixed assets		106	118
of which: leasing		-	-
Intangible assets		41	41
TOTAL FIXED ASSETS		27,474	27,486
OTHER NON-CURRENT ASSETS			
Equity investments in subsidiaries	*8*	256,990	256,997
Equity investments in associated companies		-	-
Other financial assets available for sale		10	3
Loans and financial receivables similar to loans	*9*	91,800	91,800
Other receivables		1	1
Deferred tax assets	*10*	1,132	1,417
TOTAL OTHER NON-CURRENT ASSETS		349,933	350,218
TOTAL NON-CURRENT ASSETS		377,407	377,704
TOTAL ASSETS		426,068	430,476

LIABILITIES AND EQUITY	*Note*	*June 30, 2006*	*December 31, 2005*
CURRENT LIABILITIES			
Bank overdrafts and other current loans	*11*	220	149
Centralised treasury current accounts with subsidiaries	*11*	28,886	32,792
Current portion of medium/long term financial debt and other loans	*11*	90,887	95,848
of which: leasing		-	-
TOTAL SHORT TERM FINANCIAL DEBT		119,993	128,789
Other short term liabilities for cash flow hedges	*11*	11	132
TOTAL BANK OVERDRAFTS, OTHER CURRENT LOANS AND CASH FLOW HEDGES		120,004	128,921
Trade and other payables	*12*	3,899	3,189
Tax payables	*13*	298	2,557
Other current liabilities		377	376
TOTAL CURRENT LIABILITIES		124,578	135,043
NON-CURRENT LIABILITIES			
MEDIUM/LONG TERM FINANCIAL DEBT AND CASH FLOW HEDGES			
Financial debt to banks	*11*	43,470	43,929
Other medium/long term financial debt	*11*	1,824	1,824
of which: leasing		-	-
TOTAL MEDIUM/LONG TERM FINANCIAL DEBT		45,294	45,753
Other medium/long term financial liabilities for cash flow hedges	*11*	231	139
TOTAL MEDIUM/LONG TERM FINANCIAL DEBT AND CASH FLOW HEDGES		45,525	45,892
OTHER LONG TERM LIABILITIES			
Long term provisions		1,211	1,249
Other long term payables		-	-
Deferred taxation		5,009	5,056
TOTAL OTHER LONG TERM LIABILITIES		6,220	6,305
TOTAL NON-CURRENT LIABILITIES		51,745	52,197
SHAREHOLDERS' EQUITY			
Share capital	*14*	58,770	58,338
Reserves and retained earnings (accumulated losses)	*14*	168,065	105,336
Net income (loss) for the period		22,910	79,562
TOTAL SHAREHOLDERS' EQUITY		249,745	243,236
TOTAL LIABILITIES AND EQUITY		426,068	430,476

INCOME STATEMENT
(in thousands of euro)

	1st half 2006	1st half 2005
FINANCIAL INCOME AND EXPENSES		
1) Income from equity investments	25,775	26,333
2) Other financial income	2,986	3,472
3) Interest and other financial charges	3,429	4,773
TOTAL FINANCIAL INCOME AND EXPENSES	25,332	25,032
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS		
4) Revaluations	-	-
5) Writedowns	-	-
TOTAL ADJUSTMENTS TO FINANCIAL ASSETS	-	-
6) OTHER OPERATING REVENUES	5,374	5,119
OTHER OPERATING COSTS		
7) Non-financial services	3,167	3,070
8) Leases and rentals	195	188
9) Personnel	2,297	2,253
10) Depreciation, amortization and writedowns	17	17
11) Provisions for risks and charges	-	-
12) Other provisions	-	-
13) Other operating expenses	693	683
TOTAL OTHER OPERATING COSTS	6,369	6,211
NON-OPERATING INCOME AND EXPENSES		
14) Income	-	-
15) Expenses	959	395
NON-OPERATING INCOME (LOSS)	(959)	(395)
INCOME BEFORE TAXES	23,378	23,545
16) Income taxes for the period	468	(1,752)
NET INCOME	22,910	25,297

STATEMENT OF CHANGES IN FINANCIAL POSITION

(in thousands of euro)	*1st half 2006*	*1st half 2005*
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	22,910	25,297
Adjustments:		
- depreciation and amortization	17	17
- accrued costs for *stock options*	959	395
- a) net adjustment to allowance for employment termination indemnities	(38)	79
- change in net working capital	(1,274)	6,386
- other assets/liabilities	176	189
CASH FLOWS FROM OPERATING ACTIVITIES	22,750	32,363
INVESTMENT ACTIVITIES		
Acquisition of equity investments	(1)	(44,601)
Net change in tangible and intangible fixed assets	(6)	(6)
Net change in other securities and other financial assets	(7)	85
Sale of equity investments	8	-
NET CASH FLOWS FROM INVESTMENT ACTIVITIES	(6)	(44,522)
FINANCING ACTIVITIES		
Rights issues	2,002	1,368
Dividends paid to shareholders	(19,455)	(17,599)
New (repayment of) loans	(5,419)	60
Net centralised treasury position	(852)	2,896
Loans to subsidiaries	(13,762)	26,793
NET CASH FLOWS FROM FINANCING ACTIVITIES	(37,486)	13,518
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(14,742)	1,359
Balance at the beginning of the period	19,450	12,294
(Decrease) increase in cash and cash equivalents	(14,742)	1,359
BALANCE AT THE END OF THE PERIOD	4,708	13,653

NB: this table shows the elements that bring about the change in cash and cash equivalents, as expressly required by IAS 7. For a greater understanding of the various operating cash flows and hence the changes in the entire net financial position, reference should be made to the cash flow statements included in the Directors' Report.

STATEMENT OF CHANGES IN EQUITY

(in thousands of euro)	Share capital	Reserves and retained earnings (accumulated losses)	Net income for the period	Total shareholders' equity
Balance as of December 31, 2004	57,656	102,083	22,495	182,234
Adjustments for adoption of IAS 32 and 39:				
- reclassification of treasury shares	-	(3,762)	-	(3,762)
- valuation of cash flow hedging instruments at fair value	-	(940)	-	(940)
- valuation of securities at fair value	-	25	-	25
- tax on items booked directly to equity	-	310	-	310
Balances at January 1, 2005	57,656	97,716	22,495	177,867
Rights issues	447	921	-	1,368
Allocation of 2004 net income:				
- to dividends	-	-	(17,599)	(17,599)
- to legal reserve	-	200	(200)	-
- to retained earnings	-	4,696	(4,696)	-
Valuation of cash flow hedging instruments at fair value	-	(465)	-	(465)
Tax on items booked directly to equity	-	176	-	176
Figurative cost of stock options	-	395	-	395
Net income for the period	-	-	25,297	25,297
Balance as of June 30, 2005	58,103	103,639	25,297	187,039

(in thousands of euro)	Share capital	Reserves and retained earnings (accumulated losses)	Net income for the period	Total shareholders' equity
Balance as of December 31, 2005	58,338	105,336	79,562	243,236
Increases in share capital and stock option reserves	432	1,570	-	2,002
Allocation of 2005 net income:				
- to dividends			(19,455)	(19,455)
- to legal reserve		150	(150)	-
- to retained earnings		59,957	(59,957)	-
Valuation of cash flow hedging instruments at fair value		29		29
Tax on items booked directly to equity		3		3
Figurative cost of stock options		959		959
Prior year adjustment reserve		61		61
Net income for the period			22,910	22,910
Balance as of June 30, 2006	58,770	168,065	22,910	249,745

EXPLANATORY NOTES ON THE ACCOUNTING SCHEDULES OF THE PARENT COMPANY SOGEFI S.p.A.

1. CONTENT AND FORMAT OF THE FINANCIAL STATEMENTS

The interim financial statements for the period January 1 – June 30, 2006 have been prepared in accordance with International Financial Reporting Standards (IFRS).
These interim financial statements and explanatory notes have been prepared according to the recommendations contained in IAS 34 "Interim Financial Reporting".
These interim financial statements provide detailed as opposed to summary schedules in order to provide a more complete overview of the changes that have taken place in the Group's assets and liabilities, financial position and results during the half-year.
There are also the disclosures required by IAS 34 with the supplementary information considered useful for a clearer understanding of these half-yearly financial statements.

The parent company's income statement has been drawn up, as in previous years, taking account of the instructions contained in Consob Circular no. SOC/RM 94001437 of February 23, 1994.

Comparative figures have been provided in the attached financial statements: at December 31, 2005 for the balance sheet and for the first half of 2005 for the income statement.
The first-half 2005 figures have been suitably reclassified and adjusted to ensure comparability with those of first-half 2006. In detail, considering that the Company identified investment properties on first-time adoption of IFRS (January 1, 2004), valuing them at fair value, the depreciation on buildings of € 191 thousand and related taxes of € 73 thousand in the comparative income statement for first-half 2005 were reversed, with a consequent increase in net income for the period of € 118 thousand (which went from € 25,179 thousand to € 25,297 thousand). Investment properties shown in the comparative balance sheet at June 30, 2005 were adjusted to fair value, increasing their value at June 30, 2005 by € 17,144 thousand and crediting € 6,558 thousand to deferred tax liabilities and € 10,586 thousand to equity.

The interim financial statements as of June 30, 2006 should be read in conjunction with the financial statements as of December 31, 2005.
The interim financial statements as of June 30, 2006 were approved by the Board of Directors on July 25, 2006.

2. ACCOUNTING POLICIES

The accounting policies used in preparing the Parent Company's balance sheet and income statement as of June 30, 2006 are the same as those used to prepare the financial statements at December 31, 2005.

The new standards and documents that took effect from January 1, 2006 have also been applied, though they have not had any impact on the Company's valuations.

Note that the Company did not elect for early adoption of the following Standards, Interpretations and Updates to existing standards, which will become obligatory in future periods:
- IFRC7 – *Applying the Restatement Approach under IAS 29*. This interpretation will become effective for annual financial statements subsequent to March 1, 2006. This interpretation is not relevant to the Company;
- IFRC8 – *Scope of IFRS2*. This interpretation will become effective for annual financial statements subsequent to May 1, 2006. This interpretation is not relevant to the Company;
- IFRC9 – *Reassessment of Embedded Derivatives*. This interpretation will become effective for annual financial statements subsequent to June 1, 2006. This interpretation is not relevant to the Company;
- IFRS7 – *Financial instruments: Disclosures*. This standard introduces new information to be disclosed on financial instruments and will become effective from January 1, 2007.

NOTES ON THE MAIN BALANCE SHEET ITEMS

ASSETS

3. CASH AND CASH EQUIVALENTS

This caption is analyzed as follows:

(in thousands of euro)	*June 30, 2006*	*December 31, 2005*
Bank deposits	4,920	19,593
Cash and cash equivalents on hand	8	6
TOTAL	4,928	19,599

4. CENTRALISED TREASURY CURRENT ACCOUNTS WITH SUBSIDIARIES

This caption is analyzed as follows:

(in thousands of euro)	*June 30, 2006*	*December 31, 2005*
Allevard Rejna Autosuspensions S.A.	5,024	7,649
Sogefi Filtration S.A.	-	1,866
Rejna S.p.A.	-	513
Sogefi Filtration Ltd	882	-
Allevard Springs Ltd	1,068	-
TOTAL	6,974	10,028

5. LOANS AND FINANCIAL RECEIVABLES SIMILAR TO LOANS

These are short term receivables for loans granted to subsidiaries at market conditions, as well as the amount due from the subsidiary Sogefi Filtration d.o.o. for dividends approved but not yet received.

This caption is analyzed as follows:

(in thousands of euro)	*June 30, 2006*	*December 31, 2005*
Allevard Rejna Autosuspensions S.A.	15,245	5,245
Sogefi Filtration S.A.	10,500	12,000
Sogefi Filtration Ltd	5,779	2,918
Sogefi Inc.	315	-
Sogefi Filtration d.o.o.	2,087	-
TOTAL	33,926	20,163

The increase in loans to the subsidiary Allevard Rejna Autosuspensions S.A. is the consequence of optimising the intraGroup lending system, which was used to repay a loan of an equivalent amount to the subsidiary Filtrauto S.A. (a co-affiliate for Allevard Rejna Autosuspensions S.A.).

6. TRADE RECEIVABLES

This caption is analyzed as follows:

(in thousands of euro)	*June 30, 2006*	*December 31, 2005*
Due from subsidiaries	2,273	2,009
Due from parent company	-	266
TOTAL	2,273	2,275

7. INVESTMENT PROPERTIES

These are land and buildings held for the purpose of earning rent and for their capital appreciation.
At June 30, 2006 they amount to € 27,327 thousand, the same as at the end of the previous year.

Applying IFRS meant classifying land and buildings as investment properties and valuing them at fair value.

Tangible fixed assets at June 30, 2006 are not encumbered by any restrictions or commitments.

8. EQUITY INVESTMENTS IN SUBSIDIARIES

Changes in equity investments in subsidiaries during the first half of 2006 are shown in the following table:

STATEMENT OF CHANGES IN EQUITY INVESTMENTS IN SUBSIDIARIES DURING THE FIRST HALF OF 2006

(in thousands of euro)

	Opening balance			
	12.31.2005			
	Number of shares	Historical cost	Revaluations (Writedowns)	Balance
Subsidiaries				
REJNA S.p.A.	7,986,134	34,769	(2,363)	32,406
SOGEFI FILTRATION S.p.A.	21,951,000	44,602	-	44,602
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 S.A.	1,855,360	25,168	7,755	32,923
SOGEFI FILTRATION D.O.O.	1	10,704	-	10,704
FILTRAUTO S.A.	287,494	38,258	-	38,258
SOGEFI INC.	1,000	30	-	30
ALLEVARD REJNA AUTOSUSPENSIONS S.A.	1,999,747	53,906	-	53,906
ALLEVARD SPRINGS USA Inc.	60	7,515	(6,976)	539
SENECA S.c.a.r.l.	-	8	-	8
LES NOUVEAUX ATELIERS MECANIQUES S.A. (*)	89,880	8,131	(8,131)	-
Total subsidiaries				256,997

(*) being closed down

1st half 2006						Closing balance 06.30.2006		
	Additions		Disposals		Writedowns			
	Number of shares	Amount	Number of shares	Amount	Amount	Number of shares	Amount	% ownership
Subsidiaries								
REJNA S.p.A.	858	1	-	-	-	7,986,992	32,407	99.84
SOGEFI FILTRATION S.p.A.	-	-	-	-	-	21,951,000	44,602	100.00
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 S.A.	-	-	-	-	-	1,855,360	32,923	86.08
SOGEFI FILTRATION D.O.O.	-	-	-	-	-	1	10,704	100.00
FILTRAUTO S.A.	-	-	-	-	-	287,494	38,258	99.99
SOGEFI INC.	-	-	-	-	-	1,000	30	100.00
ALLEVARD REJNA AUTOSUSPENSIONS S.A.	-	-	-	-	-	1,999,747	53,906	99.987
ALLEVARD SPRINGS USA Inc.	-	-	-	-	-	60	539	(**) 31.41
SENECA S.c.a.r.l.	-	-	-	8	-	-	-	-
LES NOUVEAUX ATELIERS MECANIQUES S.A. (*)	-	-	-	-	-	89,880	-	(***) 74.90
Total subsidiaries		1		8	-	-	256,990	

(*) being closed down

(**) the holding rises to 89.53% through the subsidiary Allevard Rejna Autosuspensions S.A. In accordance with IFRS, the other 10.47% held by SIMEST S.p.A. has been taken into consideration in the carrying value shown in the balance sheet, offset by a purchase commitment versus SIMEST S.p.A.

(***) the holding rises to 100% through the subsidiary Rejna S.p.A. (which absorbed Sidergarda Mollificio Bresciano S.r.l.)

Changes in equity investments during the first half were minimal:

Rejna S.p.A.
858 Rejna shares were bought for €-1.5 thousand.

Seneca S.c.a. r.l.
The investment in Seneca S.c.a.r.l. was sold to Sorgenia S.p.A. in March for € 8 thousand, which reflected the subsidiary's net equity value.

9. LOANS AND FINANCIAL RECEIVABLES SIMILAR TO LOANS

These are financial receivables due from subsidiaries for interest-bearing loans granted to them.

This caption is analyzed as follows:

(in thousands of euro)	*June 30, 2006*	*December 31, 2005*
Allevard Rejna Autosuspensions S.A.	82,200	82,200
Rejna S.p.A.	8,500	8,500
Sogefi Filtration B.V.	1,100	1,100
TOTAL	91,800	91,800

10. DEFERRED TAX ASSETS

At June 30, 2006 these amount to € 1,132 thousand, compared with € 1,417 thousand at the end of the previous year, and relate to benefits expected at the end of the period on deductible temporary differences, to the extent that it is reasonable certain that they will be recovered.
The caption "Other liabilities for deferred taxation" reflects the impact of deferred tax liabilities at the end of the period.

LIABILITIES AND EQUITY

11. FINANCIAL DEBT TO BANKS AND OTHER FINANCING

This caption is analyzed as follows:

Current portion

(in thousands of euro)	*June 30, 2006*	*December 31, 2005*
Financial debt to banks	220	149
Centralised treasury current accounts with subsidiaries	28,886	32,792
Short term bank loans	10,000	15,000
Current portion of medium/long term debt to banks	80,887	80,848
Total loans due within 12 months	119,773	128,640
TOTAL SHORT TERM FINANCIAL DEBT	119,993	128,789
Other short term liabilities for cash flow hedges	11	132
TOTAL BANK OVERDRAFTS, OTHER CURRENT LOANS AND CASH FLOW HEDGES	120,004	128,921

The current portion of medium/long term debt consists of the syndicated loan of € 80 million repayable at the end of 2006 and the part of the loan from Banca Carige S.p.A. that falls due within 12 months.

Non-current portion

(in thousands of euro)	*June 30, 2006*	*December 31, 2005*
Medium/long term financial debt to banks	43,470	43,929
Other medium/long term financial debt	1,824	1,824
of which: purchase commitments	*1,824*	*1,824*
TOTAL MEDIUM/LONG TERM FINANCIAL DEBT	45,294	45,753
Other medium/long term liabilities for cash flow hedges	231	139
TOTAL MEDIUM/LONG TERM FINANCIAL DEBT AND CASH FLOW HEDGES	45,525	45,892

Medium/long term debt to banks consists of the syndicated loan of € 100 million, drawn down for € 40 million, repayable in 2008, and part of the loan from Banca Carige S.p.A.

Centralised treasury current accounts with subsidiaries
This caption is analyzed as follows:

(in thousands of euro)	*June 30, 2006*	*December 31, 2005*
Filtrauto S.A.	8,885	20,908
Rejna S.p.A.	431	-
Sogefi Filtration S.p.A.	1,354	2,687
Sogefi Filtration B.V.	437	138
Luhn & Pulvermacher-Dittmann & Neuhaus GmbH	14,431	4,592
Allevard Federn GmbH	2,155	2,066
United Springs S.A.S.	506	1,456
United Springs B.V.	386	828
Allevard Rejna Autosuspensions S.A.	68	117
Sogefi Filtration S.A.	139	-
United Springs Ltd.	94	-
TOTAL	28,886	32,792

12. TRADE AND OTHER CURRENT PAYABLES

This caption is analyzed as follows:

(in thousands of euro)	*June 30, 2006*	*December 31, 2005*
Due to subsidiaries	370	222
Due to parent company	1,038	-
Due to suppliers	1,421	1,278
Due to social security institutions	328	523
Other payables	742	1,166
TOTAL	3,899	3,189

"Due to parent company" relate to payables amounting to € 961 thousand due to CIR S.p.A. for the services provided in the first half of 2006.

13. TAX PAYABLES

This amount to € 298 thousand, versus € 2,557 thousand at the end of the previous year.
The decrease is mainly due to payment of the flat-rate substitute tax which the Company paid during the period in accordance with paragraphs 469 et seq. of Law 266 of December 23, 2005, in exchange for recognition for tax purposes (IRES and IRAP) of the higher values shown in the balance sheet (compared with their fiscal values) following the transition to IFRS of certain properties specifically identified in the financial statements (as filed in the so-called "Inventory Book") and in the fixed asset register.

DERIVATIVE FINANCIAL INSTRUMENTS

As part of its risk management policy, the Company has various IRS contracts taken out in previous years to hedge interest rate risk, with a notional value of € 60 million, and exchange risk (forward currency sales). The IRS contracts are financial hedging transactions that make it possible to convert part of the outstanding debt from floating to fixed rate. These contracts have been booking according to the standards laid down for cash-flow hedges.

14. SHAREHOLDERS' EQUITY

Share capital

The share capital at June 30, 2006 amounts to € 58,770,499.84.

Changes during the half-year were as follows:

- an increase of € 53 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, 2005 (102,400 shares). In the 2005 financial statements, this increase was booked to the "Reserve for increases in share capital" as it was officially registered in 2006;
- an increase of € 379 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 at the end of January, March and May 2006 (730,000 shares).

The increase in capital deriving from the exercise of stock options, subscribed and paid in on June 30, 2006 (26,200 shares), was booked to the "Reserve for increases in share capital" as it was officially registered in July 2006.

Reserves and retained earnings (accumulated losses)

At June 30, 2006 these amount to € 168,065 thousand, versus € 105,336 thousand at the end of the previous year.

The following schedule shows the changes in shareholders' equity that took place in the first half of 2005 and 2006:

(in thousands of euro)	Share capital	Reserves and retained earnings (accumulated losses)	Net income for the period	Total shareholders' equity
Balance as of December 31, 2004	57,656	102,083	22,495	182,234
Adjustments for adoption of IAS 32 and 39:				
- reclassification of treasury shares	-	(3,762)	-	(3,762)
- valuation of cash flow hedging instruments at fair value	-	(940)	-	(940)
- valuation of securities at fair value	-	25	-	25
- tax on items booked directly to equity	-	310	-	310
Balances at January 1, 2005	57,656	97,716	22,495	177,867
Rights issues	447	921	-	1,368
Allocation of 2004 net income:				
- to dividends	-	-	(17,599)	(17,599)
- to legal reserve	-	200	(200)	-
- to retained earnings	-	4,696	(4,696)	-
Valuation of cash flow hedging instruments at fair value	-	(465)	-	(465)
Tax on items booked directly to equity	-	176	-	176
Figurative cost of stock options	-	395	-	395
Net income for the period	-	-	25,297	25,297
Balance as of June 30, 2005	58,103	103,639	25,297	187,039

(in thousands of euro)	Share capital	Reserves and retained earnings (accumulated losses)	Net income for the period	Total shareholders' equity
Balance as of December 31, 2005	58,338	105,336	79,562	243,236
Increases in share capital and stock option reserves	432	1,570	-	2,002
Allocation of 2005 net income:				
- to dividends			(19,455)	(19,455)
- to legal reserve		150	(150)	-
- to retained earnings		59,957	(59,957)	-
Valuation of cash flow hedging instruments at fair value		29		29
Tax on items booked directly to equity		3		3
Figurative cost of stock options		959		959
Prior year adjustment reserve		61		61
Net income for the period			22,910	22,910
Balance as of June 30, 2006	58,770	168,065	22,910	249,745

NOTES ON THE MAIN INCOME STATEMENT ITEMS

15. FINANCIAL INCOME AND EXPENSES

Income from equity investments

This caption is analyzed as follows:

(in thousands of euro)	*1st half 2006*	*1st half 2005*
Dividends from subsidiary companies:		
- Sogefi Filtration S.p.A.	2,020	1,712
- Sogefi Filtration A.B.	106	198
- Sogefi Filtration Sociedad Anonima	-	5,165
- Sogefi Filtration B.V.	500	900
- Sogefi Filtration d.o.o.	2,088	1,356
- Luhn & Pulvermacher-Dittmann & Neuhaus GmbH	-	6,000
- Filtrauto S.A.	20,001	11,002
- Tax credit on French dividends of prior years	1,060	-
TOTAL	25,775	26,333

The dividends approved in the first half have all been reflected in the income statement.
The amount of € 1,060 thousand is a rebate of the tax withheld on dividends distributed by the French subsidiaries in previous years; the rebate was received during the first half.

Other financial income

This caption is analyzed as follows:

(in thousands of euro)	*1st half 2006*	*1st half 2005*
Interest from subsidiaries	2,660	2,797
Interest on amounts due from banks	97	118
Income on SICAV	37	61
Other income	-	1
Exchange gains and income from exchange-rate hedging contracts	138	448
Interest grants	47	47
Financial assets available for sale (at fair value).	7	-
TOTAL	2,986	3,472

Interest and other financial charges

As follows:

(in thousands of euro)	*1st half 2006*	*1st half 2005*
Interest on bond loan	-	1,303
Interest expense on syndicated loans	1,973	1,721
Interest expense on Banca Carige S.p.A. loan	87	77
Interest on amounts due to banks	250	17
Interest on amounts due to subsidiaries	352	54
Interest on other payables (SIMEST)	79	79
Costs of interest-rate hedging contracts	164	453
Interest due to tax authorities	1	8
Exchange losses and cost of hedging exchange risks	340	825
Bank commissions and fees	87	124
Commission on financial transactions	81	81
Other	15	31
TOTAL	3,429	4,773

16. OTHER OPERATING REVENUES

These are analyzed as follows:

(in thousands of euro)	*1st half 2006*	*1st half 2005*
REVENUES FROM THE SALE OF GOODS AND SERVICES		
Business consulting and assistance, commissions on negotiation of procurement contracts, royalties:		
- Filtration Division companies	1,933	1,852
- Suspension Components Division companies	1,549	1,510
Leased and sub-leased premises:		
- Sogefi Filtration S.p.A.	294	290
- Rejna S.p.A.	722	711
OTHER REVENUES AND INCOME		
Other income and cost recoveries from subsidiaries	782	497
Income from Honeywell agreement	-	236
Other income	94	23
TOTAL	5,374	5,119

17. OTHER OPERATING COSTS

During the first half of 2006, services received included € 961 thousand for administrative, financial, tax-related and corporate services provided by the parent company.

18. NON-OPERATING INCOME AND EXPENSES

This amount is the figurative cost of applying IFRS 2. For the stock option plans, the fair value of the option, determined at the time it was granted, is booked as a cost to the income statement over the vesting period of the benefit, with the contra-entry going to an equity reserve in the balance sheet.

19. INCOME TAXES FOR THE PERIOD

At June 30, 2006 income taxes amount to € 468 thousand on first-half 05 sales of € 1,752 thousand. This latter amount includes € 1,415 thousand of tax benefits on the deduction of expenses added back in prior years.

20. OTHER INFORMATION

Sogefi S.p.A. had an average of 26 employees during the first half of 2006.

21. COMMITMENTS AND RISKS

The more important are as follows:
- guarantees in favour of subsidiaries for a nominal amount of € 43,089 thousand and in favour of minority interests for € 1,860 thousand;
- commitments for interest rate hedging contracts stipulated by the Company for a notional value of € 60,000;
- commitments for forward currency sales of € 6,151 thousand.

SOGEFI S.p.A.

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

MANTUA COMPANY REGISTER 00607460201

*** ***** ***

OBSERVATIONS OF THE BOARD OF STATUTORY AUDITORS ON THE REPORT OF THE BOARD OF DIRECTORS ON GROUP OPERATIONS FOR THE FIRST HALF OF 2006

We acknowledge that we received the Report on operations during the first half of 2006, approved by the Board of Directors, on July 25, 2006.

The Report has been prepared pursuant to the applicable CONSOB regulations and in accordance with the rules governing company accounts.

The associated company points out that it has been subject to a limited audit by PriceWaterhouseCooper S.p.A., who had no comments to make.

We do not have any observations on the Report approved by the Board of Directors.

Mantua, July 27, 2006.

The Board of Statutory Auditors

Angelo Girelli (Chairman)
Franco Caramanti (Auditor)
Riccardo Zingales (Auditor)

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers SpA

Auditors' report on the limited review of interim financial reporting prepared in accordance with Article 81 of CONSOB regulation approved by Resolution No. 11971 of 14 May 1999 and subsequent amendments and integrations

To the shareholders of
SOGEFI SpA

1 We have performed a limited review of the separate condensed interim financial statements and of the consolidated condensed interim financial statements consisting of balance sheets, income statements, statements of changes in shareholders' equity and cash flow (hereinafter the "accounting statements") and related explanatory and supplementary notes of Sogefi SpA (holding company) and Sogefi Group included in the interim financial reporting of Sogefi SpA for the period ended 30 June 2006. The interim financial reporting is the responsibility of Sogefi's directors. Our responsibility is to issue this report based on our limited review. We have also checked the part of the notes related to the information on operations for the sole purpose of verifying their consistency with the remaining part of the interim financial reporting.

2 Our work was conducted in accordance with the criteria for a limited review recommended by the National Commission for Companies and the Stock Exchange (CONSOB) with Resolution No. 10867 of 31 July 1997. The limited review consisted principally of inquiries of company personnel about the information reported in the interim financial statements and about the consistency of the accounting principles utilised therein, as well as the application of analytical review procedures on the data contained in the interim financial statements. The limited review excluded certain auditing procedures such as compliance testing and verification and 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 of the annual separate and consolidated financial statements, we do not express a professional audit opinion on the interim financial reporting.

Sede legale e amministrativa: Milano 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Cap. Soc. 3.754.400,00 Euro i.v., C.F. e P. IVA e Reg. Imp. Milano 12979880155 Iscritta al n. 43 dell'Albo Consob – Altri Uffici: **Bari** 70125 Viale della Repubblica 110 Tel. 0805429863 – **Bologna** 40122 Via delle Lame 111 Tel. 051526611 – **Brescia** 25124 Via Cefalonia 70 Tel. 0302219811 – **Firenze** 50129 Viale Milton 65 Tel. 0554627100 – **Genova** 16121 Piazza Dante 7 Tel. 01029041 – **Napoli** 80121 Piazza dei Martiri 30 Tel. 0817644441 – **Padova** 35137 Largo Europa 16 Tel. 0498762677 – **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349737 – **Parma** 43100 Viale Tanara 20/A Tel. 0521242848 – **Roma** 00154 Largo Fochetti 29 Tel. 06570251 – **Torino** 10129 Corso Montevecchio 37 Tel. 011556771 – **Trento** 38100 Via Manzoni 16 Tel. 0461237004 – **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 – **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 – **Udine** 33100 Via Poscolle 43 Tel. 043225789 – **Verona** 37122 Corso Porta Nuova 125 Tel. 0458002561

3 Regarding the comparative data of the separate and consolidated financial statements of the prior year and of the prior year consolidated interim financial reporting presented in the "accounting statements", reference should be made to our reports dated 17 March 2006 and 22 August 2005, respectively. The comparative amounts of the separate interim financial reporting of the holding company, as illustrated in the notes to the "accounting statements" as of 30 June 2006, have been reclassified and restated to conform to the disclosures on the transition to IFRS accompanying the separate financial statements as of 31 December 2005. We have examined those comparatives for the purposes of the conclusions expressed in this report and, as concerns the data from which they have been derived, reference should be made to our report dated 22 August 2005.

4 Based on our review, no significant changes or adjustments came to our attention that should be made to the "accounting statements" and related explanatory and supplementary notes of Sogefi SpA (holding company) and Sogefi Group identified in paragraph 1. of this report, in order to make them consistent with the criteria for the preparation of interim financial reporting established by Article 81 of CONSOB regulation approved by Resolution No. 11971 of 14 May 1999 and subsequent amendments and integrations.

Milan, 27 July 2006

PricewaterhouseCoopers SpA

Signed by
Sergio Pizzarelli
(Partner)

The interim financial statements have been translated from those issued in Italy from the Italian into English language solely for the convenience on international readers. This report has been translated from the original which was issued in accordance with Italian practice.