

REPORT ON GROUP OPERATIONS  
IN THE FIRST HALF OF 2003



SOCIETA' PER AZIONI - CAPITAL STOCK EURO 56,687,483.84  
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## BOARD OF DIRECTORS

Chairman CARLO DE BENEDETTI (1) (4)

Managing Director  
and General Manager EMANUELE BOSIO (2)

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

Secretary of the Board NIVES RODOLFI

## BOARD OF STATUTORY AUDITORS

Chairman ANGELO GIRELLI

In office FRANCO CARAMANTI  
RICCARDO ZINGALES

Substitute PIERO GENNARI  
MAURO GIRELLI  
LUIGI MACCHIORLATTI VIGNAT

## INDEPENDENT AUDITORS

PRICEWATERHOUSECOOPERS S.p.A.

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

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

## REPORT OF THE BOARD OF DIRECTORS ON GROUP OPERATIONS IN THE FIRST HALF OF 2003

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

### REPORT ON OPERATIONS

2003 is turning out to be another critical year for the world economy, reflecting inevitably on the performance of the automotive sector.

The SOGEFI Group's results for the first half of 2003 are reasonably good overall, even if conditioned by lower demand and, at a consolidated level, by the unexpected devaluation of the Group's other operating currencies against the euro. The results of the UK companies were particularly hard hit by the new sterling/euro exchange rate (an average of 1.46 for first half 2003 versus 1.61 for first half 2002).

Markets generally reflected consumers' low spending urge: in Europe because of a prevalent sense of wait-and-see, and in Latin America because of a genuine fall in purchasing power after the devaluations of 2002.

The European market, where SOGEFI has around 90% of its business, saw a further 2.6% contraction in car registrations compared with the same period of 2002. The same trend has affected all of the main markets (France -7.7%, Germany -1.3%, Spain -0.8%, Italy -0.1% thanks to the incentives in first quarter), the only exception being the UK which held up quite well.

Outside Europe, the Brazilian market also fell after a good start to the year, Argentina is sticking to the lows of 2002, while China has continued its high level of growth in motorisation.

Sales volumes are also down in the industrial vehicles sector and the independent aftermarket is confirming its tendency towards high volatility in monthly volumes.

Group sales amounted to 457.4 million euro. Based on the same scope of consolidation and constant exchange rates, sales increased by 2.5%. The reduction in the scope of consolidation as a result of selling ANSA AUTOMOTIVE PARTS DISTRIBUTORS and putting KINGDRAGON.IT into liquidation, together with the devaluation of various of the Group's operating currencies against the euro, had a negative impact on sales, which are 3.9% down on the figure of 476 million euro in first half 2002.

The dip in sales has affected above all the filtration business, though it still remains the Group's predominant business as can be seen from the following table:

(in millions of euro)	<i>First half of 2003</i>		<i>First half of 2002</i>		<i>% change 1st half 03/1st half 02</i>	<i>Year 2002</i>
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>		<i>Amount</i>
Filters	249.0	54.4	260.9	54.8	(4.6)	502.5
Suspension components	207.4	45.4	208.4	43.8	(0.5)	392.2
Other	1.0	0.2	6.7	1.4	(83.9)	10.9
<b>TOTAL</b>	<b>457.4</b>	<b>100.0</b>	<b>476.0</b>	<b>100.0</b>	<b>(3.9)</b>	<b>905.6</b>

A breakdown by segment shows that there has been an increase in original equipment sales:

(in millions of euro)	<i>First half of 2003</i>		<i>First half of 2002</i>		<i>% change 1st half 03/ 1st half 02</i>	<i>Year 2002</i>
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>		<i>Amount</i>
Original equipment (O.E.)	267.7	58.5	267.4	56.2	0.1	499.5
Independent aftermarket (I.A.M.)	124.0	27.1	141.4	29.7	(12.4)	270.9
Original equipment spares (O.E.S.)	65.7	14.4	67.2	14.1	(2.1)	135.2
<b>TOTAL</b>	<b>457.4</b>	<b>100.0</b>	<b>476.0</b>	<b>100.0</b>	<b>(3.9)</b>	<b>905.6</b>

The following table shows an increase in the proportion of sales made in France and in Other European countries:

(in millions of euro)	<i>First half of 2003</i>		<i>First half of 2002</i>		<i>% change 1st half 03/ 1st half 02</i>	<i>Year 2002</i>
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>		<i>Amount</i>
Italy	71.9	15.7	77.6	16.3	(7.3)	147.4
France	143.6	31.4	140.1	29.4	2.4	263.0
Great Britain	60.7	13.3	65.1	13.7	(6.8)	128.4
Other European countries	141.0	30.8	136.8	28.7	3.1	267.8
Rest of world	40.2	8.8	56.4	11.9	(28.7)	99.0
<b>TOTAL</b>	<b>457.4</b>	<b>100.0</b>	<b>476.0</b>	<b>100.0</b>	<b>(3.9)</b>	<b>905.6</b>

The economic result for the period is satisfactory in that consolidated net income is in line with the first six months of 2002, despite all of the negative factors mentioned earlier. The next table compared the results of first half 2003 and 2002 with the whole of last year:

#### RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME

(in millions of euro)	<i>1st half 2003</i>		<i>1st half 2002</i>		<i>Year 2002</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
Sales revenues	457.4	100.0	476.0	100.0	905.6	100.0
Cost of production	333.8	73.0	345.5	72.6	660.9	73.0
<b>GROSS MARGIN</b>	123.6	27.0	130.5	27.4	244.7	27.0
Sales, general and administrative expenses	85.3	18.6	88.6	18.6	167.1	18.4
<b>OPERATING INCOME</b>	38.3	8.4	41.9	8.8	77.6	8.6
Financial expenses, net	(5.1)	(1.1)	(7.8)	(1.6)	(14.9)	(1.7)
Miscellaneous income (expenses), net	1.9	0.4	(0.8)	(0.2)	(4.9)	(0.5)
Extraordinary income (expenses), net	(4.5)	(1.0)	0.1	--	(6.4)	(0.7)
<b>INCOME BEFORE TAXATION AND MINORITY INTERESTS</b>	30.6	6.7	33.4	7.0	51.4	5.7
Income taxes for the period	13.7	3.0	16.8	3.5	25.9	2.9
<b>NET INCOME BEFORE MINORITY INTERESTS</b>	16.9	3.7	16.6	3.5	25.5	2.8
Loss (income) attributable to minority interests	(1.1)	(0.2)	(1.0)	(0.2)	(2.0)	(0.2)
<b>NET INCOME FOR THE GROUP</b>	15.8	3.5	15.6	3.3	23.5	2.6

Gross industrial income is down mainly because of the currency devaluations, coming in at 123.6 million euro (129.4 million at constant exchange rates) compared with 130.5 million in the first six months of 2002. As a proportion of sales it comes to 27%, compared with 27.4% last year.

Compared with the first half of 2002, there have not been any major changes in the cost of the principal raw materials and components, while labour cost as a percentage of sales is lower than the previous half-year thanks to last year's reduction in the workforce, despite the fact that labour cost per head has risen by more than inflation.

Even though the reduction in sales was largely offset by cutting overheads, this did not avoid a decline in operating profitability.

The gross operating margin (EBITDA) fell from 68.9 million euro (14.5% of sales) in first half 2002 to 65.4 million (14.3% of sales) in the first half of this year (68.7 million at constant exchange rates).

Net operating income (EBIT) slipped to 38.3 million euro from 41.9 million in the first half of last year (40.2 million at constant exchange rates). As a proportion of sales, it fell to 8.4% from 8.8% in the first half of 2002.

Income before taxation and minority interests amounted to 30.6 million euro (6.7% of sales) compared with 33.4 million (7% of sales) in the first six months of 2002, which benefited from a capital gain on disposal of a building of 2.3 million euro. Financial expenses during the first half were lower than the same period last year because of the reduction in debt, lower interest rates and fewer exchange risk hedging costs. Restructuring expenses booked during the period came to 3 million euro compared with 0.9 million in the first half of 2002. The Italian companies also took advantage of the tax amnesty for a cost of 1.6 million euro.

Consolidated net income for the period under review amounted to 15.8 million euro, much the same as the 15.6 million in the first half of the previous year, despite the drop in sales. This represents 3.5% of sales, compared with 3.3% in 2002.

Consolidated shareholders' equity (including minority interests) as of June 30, 2003 came to 202.2 million euro compared with 197.9 million at June 30, 2002.

The following table gives a breakdown of the Group's capital structure:

(in millions of euro)	<i>June 30, 2003</i>		<i>December 31, 2002</i>		<i>June 30, 2002</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
Short-term operating assets	397.3		361.6		398.2	
Short-term operating liabilities	(239.9)		(226.8)		(235.1)	
Net working capital	157.4	33.9	134.8	30.5	163.1	34.0
Equity investments (including treasury stock)	11.7	2.5	13.1	3.0	13.8	2.9
Intangible and tangible fixed assets	366.5	79.0	372.9	84.4	388.4	81.0
CAPITAL INVESTED	535.6	115.4	520.8	117.9	565.3	117.9
Other medium and long-term liabilities	(71.6)	(15.4)	(78.9)	(17.9)	(85.9)	(17.9)
CAPITAL INVESTED, NET	464.0	100.0	441.9	100.0	479.4	100.0
Financial indebtedness, net	261.8	56.4	241.5	54.7	281.5	58.8
Shareholders' equity - minority interests	13.7	3.0	12.5	2.8	11.7	2.4
Consolidated shareholders' equity - Group	188.5	40.6	187.9	42.5	186.2	38.8
TOTAL	464.0	100.0	441.9	100.0	479.4	100.0

At the end of the first half, the Group's net financial indebtedness amounted to 261.8 million euro, which is lower than the 281.5 million at June 30, 2002 and higher than the 241.5 million at December 31, 2002.

The statement of changes in consolidated financial position is shown in the following table:

(in millions of euro)	<i>First half of 2003</i>	<i>Year 2002</i>	<i>First half of 2002</i>
Self financing	36.2	77.2	41.2
Changes in net working capital	(22.6)	19.1	(7.4)
<b>Cash flow from operations</b>	<b>13.6</b>	<b>96.3</b>	<b>33.8</b>
Parent Company share capital increases	0.4	-	-
Dividends paid	(14.8)	(14.0)	(14.0)
Additions to intangible fixed assets	(4.8)	(9.0)	(3.7)
Additions to tangible fixed assets	(18.5)	(40.1)	(15.8)
Disposal/(Acquisition) of equity investments, net	1.0	1.2	(0.1)
Net financial position of companies acquired/sold	-	(4.4)	(4.6)
Other changes, net	2.8	3.0	(2.6)
<b>Change in net financial position</b>	<b>(20.3)</b>	<b>33.0</b>	<b>(7.0)</b>
<b>Net financial position, beginning of period</b>	<b>(241.5)</b>	<b>(274.5)</b>	<b>(274.5)</b>
<b>Net financial position, end of period</b>	<b>(261.8)</b>	<b>(241.5)</b>	<b>(281.5)</b>

Net short-term financial indebtedness at June 30, 2003 rose because of the imminent maturity of the 70 million euro bond loan issued in 1998:

(in millions of euro)	<i>June 30, 2003</i>	<i>December 31, 2002</i>	<i>June 30, 2002</i>
Cash, banks, financial receivables and marketable securities	74.2	76.8	51.0
Short-term borrowings (*)	(140.6)	(122.4)	(76.0)
Medium/long-term debt	(195.4)	(195.9)	(256.5)
<b>FINANCIAL INDEBTEDNESS - NET</b>	<b>(261.8)</b>	<b>(241.5)</b>	<b>(281.5)</b>

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

During the period, two hedging contracts were signed to hedge the interest rate risk on the bond loan falling due in December 2005 for 40 million euro and on the syndicated loan falling due in December 2006, also for 40 million euro. This transaction made it possible to transform 50% of these two loans from floating rate to fixed rate, given the likelihood that interest rates will be raised in the future.

The Group's workforce at the end of the first half consisted of 6,788 people, a considerable reduction compared with the 7,250 at June 30, 2002 thanks to the various reorganizations and a slight increase on the total of 6,703 at December 31, 2002.



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

In the first half of 2003 SOGEFI S.p.A. made net income of 17.6 million euro, an improvement of 18.6% compared with 14.9 million in first half 2002, thanks to the higher dividends received from subsidiaries. Expenses of 1.4 million euro were incurred during the period for the tax amnesty.

As can be seen from the summary reclassified statement of income below, comparison between first half 2003 and first half 2002 shows the following:

(in millions of euro)	<i>1st half 2003</i>	<i>1st half 2002</i>	<i>Year 2002</i>
Financial income and expenses	28.1	23.4	23.9
Adjustments to the value of financial assets	-	(0.3)	(1.7)
Other operating revenues	2.8	4.8	7.9
Operating costs	(5.1)	(4.5)	(8.8)
<b>INCOME FROM ORDINARY OPERATIONS</b>	<b>25.8</b>	<b>23.4</b>	<b>21.3</b>
Extraordinary charges	(1.4)	(0.6)	(0.6)
<b>INCOME BEFORE TAXES</b>	<b>24.4</b>	<b>22.8</b>	<b>20.7</b>
Income taxes	6.8	7.9	6.4
<b>NET INCOME FOR THE PERIOD</b>	<b>17.6</b>	<b>14.9</b>	<b>14.3</b>

At June 30, 2003 the Company's shareholders' equity amounted to 159.3 million euro, an increase on the 155.7 million of twelve months earlier and on the 155.1 million at December 31, 2002 as shown in the following table:

(in millions of euro)	<i>June 30, 2003</i>	<i>December 31, 2002</i>	<i>June 30, 2002</i>
Short-term assets	9.4	6.6	6.4
Short-term liabilities	(3.6)	(2.7)	(3.4)
Net working capital	5.8	3.9	3.0
Equity investments (including treasury stock)	222.6	219.2	221.0
Other fixed assets	10.3	10.8	10.6
<b>CAPITAL INVESTED</b>	<b>238.7</b>	<b>233.9</b>	<b>234.6</b>
Other medium and long-term liabilities	(2.6)	(2.5)	(2.8)
<b>CAPITAL INVESTED, NET</b>	<b>236.1</b>	<b>231.4</b>	<b>231.8</b>
Financial indebtedness - net	(76.8)	(76.3)	(76.1)
<b>SHAREHOLDERS' EQUITY</b>	<b>159.3</b>	<b>155.1</b>	<b>155.7</b>

There has been practically no change in net financial indebtedness, as it was 76.8 million at the end of first half 2003 compared with 76.1 million at the end of June 2002 and 76.3 million at December 31, 2002. The following table provides a more detailed analysis and comparison of the Company's financial position:

(in millions of euro)	June 30, 2003	December 31, 2002	June 30, 2002
Cash, banks and short-term financial receivables from others	14.7	18.5	-
Short/medium-term financial receivables from subsidiaries	71.1	65.2	84.3
Short term borrowings	-	-	(0.4)
Medium/long-term debt	(162.6)	(160.0)	(160.0)
Net financial position	(76.8)	(76.3)	(76.1)

At the end of the period the Parent Company had 22 employees.

## PERFORMANCE OF BUSINESS DIVISION

### FILTRATION DIVISION

The Filtration Division includes the activities of the following business units: SOGEFI FILTRATION EUROPA, SOGEFI FILTRATION SUDAMERICA and FILTRAUTO.

The division had total sales of 249 million euro, 4.6% down on the 260.9 million in first half 2002. At constant exchange rates, sales would have been 267.8 million, with an increase of 2.6%.

SOGEFI FILTRATION EUROPA was heavily penalized by the revaluation of the euro against sterling with 94.9 million euro of sales (97.8 million in first half 2002), while SOGEFI FILTRATION SUDAMERICA, improved its sales in local currency, but in euro showed a considerable decline because of the devaluation of the Brazilian real during the period between the two half-years, with total sales of 21.4 million (30.4 million in the previous period).

FILTRAUTO, on the other hand, improved its turnover with sales of 135.2 million euro compared with 133.4 million in first half 2002.

The results of the filtration business was inevitably affected by the trend in sales, leading to consolidated operating income (EBITDA) of 35.4 million euro (14.2% of sales) compared with 37.2 million (14.3% of sales) in the first half of the previous year. At constant exchange rates it would have been 37.8 million.

Consolidated net operating income (EBIT) slipped to 24 million euro (9.6% of sales) from 25.5 million (9.8% of sales). It would have come in at 25.5 million again if exchange rates had remained constant.

SOGEFI FILTRATION EUROPA, which makes more than a third of its sales in Great Britain, saw its net operating income fall to 9.9 million euro (10.5% of sales) from 10.9 million (11.2% of sales). SOGEFI FILTRATION SUDAMERICA turned

in a considerable decrease in net operating income, partly because of the difficulty in passing on higher costs for certain raw materials to selling prices, and partly because of the exchange effect, going from 3.7 million (12.2% of sales) in the first half of 2002 to 1.6 million (7.4% of sales). FILTRAUTO improved its operating profitability, rising to 12.4 million euro (9.2% of sales) from 10.8 million (8.1% in the same period last year).

The decision was taken during the period to close down production at SOGEFI FILTRATION S.p.A.'s plant in Castelfranco Veneto, transferring part of the production to the Mantua plant, and part to FILTRAUTO SLOVENIA. The closure procedure is already underway. This forms part of the reorganization of the filtration business started in 2002 and which for the current year envisages the transfer of SOGEFI FILTRATION UK activities from Abergavenny to the new site in Tredegar.

At June 30, 2003 the filtration division employed 4,046 people compared with 4,454 twelve months earlier and 3,968 at December 31, 2002.

#### SUSPENSION COMPONENTS AND PRECISION SPRINGS DIVISION

An increase in the Group's market share made it possible to limit the reduction in the division's sales following the decline in demand in the original equipment sector. Consolidated sales for the period therefore came to 207.4 million euro compared with 208.4 million in first half 2002.

The automobile sector (ALLEVARD REJNA AUTOSUSPENSIONS) was the worst hit by the market depression with a 2% drop in sales, coming in at 158.4 million euro, compared with 161.7 million in the first six months of 2002.

The industrial vehicles segment, on the other hand, improved its turnover, especially on the German market, with sales of 49.6 million euro compared with 47.4 million in the same period last year.

The lower level of sales in the auto sector, the exchange effect and the rising trend in the cost of steel led to a slight drop in the operating margin.

At the level of EBITDA (gross operating margin) the division generated income of 31.7 million euro, equal to 15.3% of sales, compared with 32.5 million (15.6% of sales) in the same period last year. This figure would have been 32.6 million if exchange rates had stayed constant.

Net operating income (EBIT) also fell, coming in at 18.6 million euro (9% of sales) at the end of the period, compared with 19.9 million in 2002 (9.5% of sales). This would have been 19 million euro at constant exchange rates.

The activities of ALLEVARD REJNA AUTOSUSPENSIONS (ARA) in the automobile sector encountered the greatest problems in those markets that were suffering the most, such as Italy and Argentina, not helped by a decline in profitability in the precision springs sector. Net operating income came to 14.9 million euro (9.4% of sales) compared with 17.4 million (10.8% of sales) in the first six months of 2002.

On the other hand, there was an increase in the net operating income of the industrial vehicles side of the business, which improved by 76% to 3.5 million euro (7.1% of sales) versus 2 million in the first half of 2002 (4.2% of sales).

In the first few months of the year we completed the formalities and negotiations with the trade unions for the closure of the ALLEVARD REJNA AUTOSUSPENSIONS (ARA) plant in Chatenois-Les-Forges (France). During the period, the 24% interest held by ARA in JAMNA-NHK-ALLEVARD SUSPENSION COMPONENTS Ltd, an Indian company, was sold to NHK (Japan) for 1.1 million euro, which was more or less the book value of the investment at December 31, 2002.

The division had 2,691 employees at the end of the first half which compares with 2,717 at June 30, 2002 and 2,682 at the end of the year.

#### THE ACOUSTIC WARNING DEVICES BUSINESS

FIAMM - SOGEFI BUZINAS LTDA, the Brazilian company in which the Group has a 50% interest, had sales of 1.9 million euro during the period (down on 2.2 million in 2002) because of the change in the euro/real exchange rate. If exchange rates had stayed the same, there would have been a 35.7% improvement in sales compared with first half 2002.

The company's operating profitability improved, going from close to break-even in 2002 to net income of 156,000 euro in the first half of 2003.

#### INVESTMENTS AND RESEARCH AND DEVELOPMENT

The need for constant upgrading of products and processes led to 23.3 million euro of new investments, whereas capital expenditure in the first half of 2002 amounted to 19.5 million. The increase is mainly due to the construction of a new suspension components plant in West Virginia (USA).

Research and development expenses during the period amounted to 9.8 million euro, 2.1% of sales compared with 9.3 million (2% of sales) in the first half of 2002.

The increases involve above all the suspension components division, which has a growing number of projects under development with worldwide manufacturers.

## TREASURY STOCK

In the first half of 2003, the Company did not carry out any transactions in treasury stock. Therefore, at June 30, 2003, the Company held 1,695,000 of its own shares (1.55% 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 year.

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

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

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

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

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

## SUBSEQUENT EVENTS AFTER JUNE 30, 2003

No significant events took place after June 30, 2003.

## OUTLOOK FOR THE REST OF THE YEAR

Forecasts of continued stagnation in the European economy make it hard to assume that there will be any real change in the difficult economic situation during the second half of the year.

Nor are any real improvements in international markets foreseen. So providing the euro does not appreciate even more, the SOGEFI Group should be able to confirm for the whole of 2003 an operating profitability in line with that of the first half.

Milan, July 25, 2003

THE BOARD OF DIRECTORS

## CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED BALANCE SHEET

(in thousands of euro)

ASSETS	<i>June 30, 2003</i>		<i>December 31, 2002</i>		<i>June 30, 2002</i>	
A) DUE FROM SHAREHOLDERS FOR CAPITAL NOT PAID IN	-		-		-	
B) FIXED ASSETS	(*)		(*)		(*)	
I. Intangible fixed assets	113,890		115,694		122,694	
II. Tangible fixed assets	248,160		252,460		257,729	
III. Financial fixed assets	(***)187 13,920		185 15,367		785 16,889	
<b>TOTAL FIXED ASSETS</b>	<b>375,970</b>		<b>383,521</b>		<b>397,312</b>	
C) CURRENT ASSETS	(**)		(**)		(**)	
I. Inventories	115,677		113,469		119,167	
II. Receivables	2,496 278,779		2,677 247,581		5,613 279,501	
III. Financial assets not held as fixed assets	24,129		30,460		10,178	
IV. Cash at bank and on hand	49,872		46,202		40,079	
<b>TOTAL CURRENT ASSETS</b>	<b>468,457</b>		<b>437,712</b>		<b>448,925</b>	
D) ACCRUED INCOME AND PREPAID EXPENSES	5,353		3,226		5,147	
<b>TOTAL ASSETS</b>	<b>849,780</b>		<b>824,459</b>		<b>851,384</b>	

(\*) amounts due within one year

(\*\*) amounts due beyond one year

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

LIABILITIES AND SHAREHOLDERS' EQUITY	<i>June 30, 2003</i>		<i>December 31, 2002</i>		<i>June 30, 2002</i>	
A) SHAREHOLDERS' EQUITY						
I. Share capital		56,656		56,574		56,574
II. Share premium reserve		24,449		24,213		24,213
III. Revaluation reserves		1,547		1,547		1,547
IV. Legal reserve		11,480		11,315		11,315
V. Reserve for treasury stock		3,762		3,762		3,635
VI. Statutory reserves		-		-		-
VII. Other reserves		74,796		66,945		73,321
VIII. Retained earnings		-		-		-
IX. Income for the period		15,819		23,510		15,615
CONSOLIDATED SHAREHOLDERS' EQUITY - GROUP		188,509		187,866		186,220
MINORITY INTERESTS		13,721		12,537		11,696
TOTAL GROUP AND MINORITY SHAREHOLDERS' EQUITY		202,230		200,403		197,916
B) ALLOWANCES FOR RISKS AND CHARGES						
1) Pension and similar commitments		15,095		14,417		13,263
2) Taxation		5,448		4,914		2,741
3) Other		28,466		37,521		47,378
TOTAL ALLOWANCES FOR RISKS AND CHARGES		49,009		56,852		63,382
C) ALLOWANCE FOR EMPLOYMENT TERMINATION INDEMNITIES		20,870		20,999		21,656
D) PAYABLES		(*)		(*)		(*)
1) Bonds	80,000	150,000	80,000	150,000	150,000	150,000
2) Convertible bonds		-		-		-
3) Banks	103,215	173,098	103,881	155,226	97,715	172,893
4) Other providers of finance	12,197	12,833	12,114	12,910	8,751	9,327
5) Advances		2,061		1,021		728
6) Suppliers	34	165,784	65	160,758	46	159,569
7) Notes payable		3,509		4,703		8,262
8) Subsidiaries		90		275		230
9) Associated companies		450		450		490
10) Parent companies		808		-		780
11) Tax authorities	1,319	18,164	781	14,481	722	15,736
12) Social security institutions		14,091		14,653		13,311
13) Other	388	31,600	138	27,305	95	31,765
TOTAL PAYABLES		572,488		541,782		563,091
E) ACCRUED EXPENSES AND DEFERRED INCOME		5,183		4,423		5,339
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		849,780		824,459		851,384
MEMORANDUM ACCOUNTS		<i>June 30, 2003</i>		<i>December 31, 2002</i>		<i>June 30, 2002</i>
- Personal guarantees given		12,360		14,211		14,490
- Secured guarantees given		15,374		15,730		15,508
- Commitments		108,296		39,519		44,760
- Contingencies		5,490		6,082		5,712
TOTAL MEMORANDUM ACCOUNTS		141,520		75,542		80,470

(\*) amounts due beyond one year



## CONSOLIDATED STATEMENT OF INCOME

(in thousands of euro)

	<i>1st half 2003</i>	<i>1st half 2002</i>	<i>Year 2002</i>
A) VALUE OF PRODUCTION			
1) Revenues from the sale of goods and services	457,405	476,010	905,611
2) Change in inventories of work in progress, semi-finished goods and finished products	179	766	1,436
3) Change in contract work in progress	(665)	538	648
4) Additions to fixed assets by internal production	4,510	3,421	8,011
5) Other revenues and income	6,145	4,833	14,665
<b>TOTAL VALUE OF PRODUCTION</b>	<b>467,574</b>	<b>485,568</b>	<b>930,371</b>
B) PRODUCTION COSTS			
6) Raw, ancillary and consumable materials and goods for resale	201,829	209,848	393,552
7) Services received	75,532	75,752	147,160
8) Leases and rentals	4,464	4,990	9,480
9) Personnel	116,882	123,199	232,122
10) Depreciation, amortization and writedowns	27,971	30,323	64,149
11) Change in inventories of raw, ancillary and consumable materials and goods for resale	(4,493)	(4,751)	290
12) Provisions for risks and charges	379	678	1,864
13) Other provisions	518	884	1,401
14) Other operating expenses	4,262	3,552	7,695
<b>TOTAL PRODUCTION COSTS</b>	<b>427,344</b>	<b>444,475</b>	<b>857,713</b>
<b>DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A-B)</b>	<b>40,230</b>	<b>41,093</b>	<b>72,658</b>
C) FINANCIAL INCOME AND EXPENSES			
15) Income from equity investments	78	389	1,092
16) Other financial income	3,587	2,103	5,588
17) Interest and other financial charges	8,998	10,272	21,847
<b>TOTAL FINANCIAL INCOME AND EXPENSES</b>	<b>(5,333)</b>	<b>(7,780)</b>	<b>(15,167)</b>
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS			
18) Revaluations	298	23	476
19) Writedowns	65	-	162
<b>TOTAL ADJUSTMENTS</b>	<b>233</b>	<b>23</b>	<b>314</b>
E) EXTRAORDINARY INCOME AND EXPENSES			
20) Income	-	1,371	785
21) Expenses	4,494	1,274	7,182
<b>TOTAL EXTRAORDINARY ITEMS</b>	<b>(4,494)</b>	<b>97</b>	<b>(6,397)</b>
<b>INCOME BEFORE TAXES</b>	<b>30,636</b>	<b>33,433</b>	<b>51,408</b>
22) Income taxes	13,670	16,865	25,912
<b>INCOME INCLUDING MINORITY INTERESTS</b>	<b>16,966</b>	<b>16,568</b>	<b>25,496</b>
Loss (income) attributable to minority interests	(1,147)	(953)	(1,986)
<b>NET INCOME FOR THE PERIOD</b>	<b>15,819</b>	<b>15,615</b>	<b>23,510</b>

## EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FORM AND CONTENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Fiamm-Sogefi Buzinas Ltda., a jointly-owned subsidiary, has been consolidated using the proportional method.

The companies included in the consolidation as of June 30, 2003 are listed in an attachment.

### CONSOLIDATION PRINCIPLES AND ACCOUNTING POLICIES

The consolidation principles and accounting policies used to prepare the interim financial statements as of June 30, 2003 comply with Legislative Decree 127/91 and with Art. 2426 of the Civil Code. They are consistent with those adopted as of December 31, 2002.

Please note that:

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

The following exchange rates were applied:

	<i>1st half 2003</i>		<i>1st half 2002</i>	
	<i>Average</i>	<i>30.6</i>	<i>Average</i>	<i>30.6</i>
US dollar	0.9063	0.8751	1.1148	1.0025
Pound sterling	1.4596	1.4426	1.6090	1.5389
Swedish krona	0.1091	0.1081	0.1092	0.1099
Brazilian real	0.2809	0.3034	0.4585	0.3511
Argentine peso	0.3020	0.3124	0.4706	0.2645
Chinese Renminbi	0.1095	0.1057	0.1345	0.1211
Slovenian taller	0.0043	0.0043	0.0045	0.0044

## COMMENTS ON THE MAIN ASSET CAPTIONS

### B) FIXED ASSETS

#### *Intangible fixed assets*

As of June 30, 2003 intangible assets totaled Euro 113,890 thousand, compared with 115,694 thousand at the end of the previous period. They are analyzed as follows:

(in thousands of euro)	Gross values				
	Balance as of 12.31.02 (a)	Purchases (b)	Other changes (Note 1) (c)	Balance as of 06.30.03 (d=a+b+c)	
Incorporation and expansion costs	7,448	133	(288)	7,293	
Research, development and advertising expenses	15,888	3,315	(82)	19,121	
Industrial patents and intellectual property rights	8,284	503	2,001	10,788	
Concessions, licenses, trademarks and similar righ	4,404	34	(174)	4,264	
Goodwill	10,576	--	(423)	10,153	
Intangibles under construction and payments on account	2,898	733	(2,132)	1,499	
Other	4,820	94	(1,134)	3,780	
Differences arising on consolidation	103,532	105	--	103,637	
<b>TOTAL</b>	<b>157,850</b>	<b>4,917</b>	<b>(2,232)</b>	<b>160,535</b>	

  

(in thousands of euro)	Accumulated amortization				Net values
	Balance as of 12.31.02 (e)	Amortization for the period (f)	Other changes (Note 1) (g)	Balance as of 06.30.03 (h=e+f+g)	Balance as of 06.30.03 (I=d-h)
Incorporation and expansion costs	6,456	369	(334)	6,491	802
Research, development and advertising expenses	6,828	1,914	(204)	8,538	10,583
Industrial patents and intellectual property rights	5,208	982	(43)	6,147	4,641
Concessions, licenses, trademarks and similar righ	3,134	181	(131)	3,184	1,080
Goodwill	6,031	252	(342)	5,941	4,212
Intangibles under construction and payments on account	--	--	--	--	1,499
Other	2,849	292	(1,067)	2,074	1,706
Differences arising on consolidation	11,650	2,620	--	14,270	89,367
<b>TOTAL</b>	<b>42,156</b>	<b>6,610</b>	<b>(2,121)</b>	<b>46,645</b>	<b>113,890</b>

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

The main additions are due to the capitalization of costs incurred by the companies operating in the Original Equipment (O.E.) sector to develop new products; these costs are included in "Research, development and advertising expenses".

## Tangible fixed assets

As of June 30, 2003 intangible assets totaled Euro 248,160 thousand, compared with 252,460 thousand at the end of the previous period. They are analyzed as follows:

(in thousands of euro)	Gross values				
	Balance as of 12.31.02 (a)	Purchases (b)	Disposals (c)	Other changes (Note 1) (d)	Balance as of 06.30.03 (e=a+b+c+d)
Land and buildings	131,377	955	(1,016)	682	131,998
Plant and machinery	388,156	2,859	(8,139)	28,321	411,197
Industrial and commercial equipment	101,730	1,635	(630)	(26,243)	76,492
Other assets	26,563	273	(285)	164	26,715
Tangibles under construction and payments on account	19,121	12,815	--	(6,489)	25,447
<b>TOTAL</b>	<b>666,947</b>	<b>18,537</b>	<b>(10,070)</b>	<b>(3,565)</b>	<b>671,849</b>

(in thousands of euro)	Accumulated depreciation					Net values
	Balance as of 12.31.02 (f)	Depreciation for the period (g)	Utilizations in the period (h)	Other changes (Note 1) (i)	Balance as of 06.30.02 (j=f+g+h+i)	Balance as of 06.30.03 (l=e-j)
Land and buildings	52,146	2,461	(99)	1,018	55,526	76,472
Plant and machinery	258,308	14,899	(8,231)	18,168	283,144	128,053
Industrial and commercial equipment	82,365	2,107	(615)	(21,269)	62,588	13,904
Other assets	21,668	996	(266)	33	22,431	4,284
Tangibles under construction and payments on account	--	--	--	--	--	25,447
<b>TOTAL</b>	<b>414,487</b>	<b>20,463</b>	<b>(9,211)</b>	<b>(2,050)</b>	<b>423,689</b>	<b>248,160</b>

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

Purchases of the period total Euro 18,537 thousand. Apart from the new plant in West Virginia mentioned above, the more important investments include an extension to the plant at Eguzkia S.A. (Spain) for the imminent installation of a new production line for springs and the purchase of a panel air filter line at Sogefi Filtration Ltd (Great Britain).

During the first half of 2002 capital investment totaled Euro 15,778 thousand.

The gross value of tangible fixed assets as of June 30, 2003 includes revaluations carried out in accordance with specific laws, as detailed below:

(in thousands of euro)	
Land and buildings	3,040
Plant and machinery	68
Industrial and commercial equipment	--
Other assets	--
<b>TOTAL</b>	<b>3,108</b>

Tangible fixed assets as of June 30, 2003 were encumbered by mortgages or liens totaling Euro 14,883 thousand to guarantee loans from financial institutions. During the period writedowns of Euro 197 thousand were made for permanent losses in the value of tangible assets.

### ***Financial fixed assets***

As of June 30, 2003 these totaled Euro 13,920 thousand, compared with Euro 15,367 thousand as of December 31, 2002. They are analyzed as follows:

(in thousands of euro)	<i>June 30, 2003</i>	<i>December 31, 2002</i>	<i>June 30, 2002</i>
Equity investments in subsidiaries	51	116	18
Equity investments in associated companies and other companies	7,915	9,238	10,127
Due from subsidiaries	30	30	218
Due from associated companies	133	133	445
Due from others	2,029	2,083	2,441
Other securities	--	5	5
Treasury stock	3,762	3,762	3,635
<b>TOTAL</b>	<b>13,920</b>	<b>15,367</b>	<b>16,889</b>

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

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

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

## C) CURRENT ASSETS

### *Inventories*

Inventories are analyzed below:

(in thousands of euro)	June 30, 2003	December 31, 2002	June 30, 2002
Raw materials, ancillary materials and consumables	39,124	35,202	35,709
Work in progress and semi-finished products	15,552	13,359	14,329
Contract work in progress	765	1,348	1,350
Finished goods and goods for resale	58,070	60,400	66,503
Advances	2,166	3,160	1,276
<b>TOTAL</b>	<b>115,677</b>	<b>113,469</b>	<b>119,167</b>

The decrease in inventories between June 2002 and June 2003 is mainly due to the exchange effect caused by devaluation of the Brazilian and UK currency, the increase in provisions for doubtful accounts and the change in the scope of consolidation (ANSA Automotive Parts Distributors).

### *Receivables*

Current receivables are analyzed as follows:

(in thousands of euro)	June 30, 2003	December 31, 2002	June 30, 2002
Trade receivables	258,062	225,402	254,369
Due from subsidiaries	482	682	5,006
Due from associated companies	1	1	-
Due from parent companies	--	-	-
Due from others	20,234	21,496	20,126
<b>TOTAL</b>	<b>278,779</b>	<b>247,581</b>	<b>279,501</b>

The increase in "Trade receivables" between the two periods, June 2002 and June 2003, is mainly due to a temporary postponement in collections for the supply of equipment to French manufacturers; the decrease caused by the change in scope of consolidation is not particularly significant.

Amounts "due from others" consist mainly of credits due to Group companies from the tax authorities.

### *Financial assets not held as fixed assets*

These are analyzed below:

(in thousands of euro)	June 30, 2003	December 31, 2002	June 30, 2002
Other securities	12,125	14,678	9,990
Due from financial institutions and others	12,004	15,782	188
<b>TOTAL</b>	<b>24,129</b>	<b>30,460</b>	<b>10,178</b>

The increase in "Other securities", compared with the same period last year is mainly due to the purchase of mutual fund units (in ISSA) as the best possible short-term investment of surplus cash. The "amounts due from financial institutions and others"

relate primarily to reverse repurchase agreements. The increase with respect to the same period and the end of last year is explained by a different utilization of liquid funds by the parent company.

### ***Cash at bank and on hand***

This caption is analyzed as follows:

(in thousands of euro)	June 30, 2003	December 31, 2002	June 30, 2002
Bank and post office deposits	49,651	45,735	39,046
Checks	137	112	913
Cash and valuables on hand	84	355	120
<b>TOTAL</b>	<b>49,872</b>	<b>46,202</b>	<b>40,079</b>

Bank and post office deposits include Euro 19,045 thousand of time deposits to take advantage of the best market conditions available.

## **COMMENTS ON THE MAIN LIABILITY CAPTIONS**

### **A) GROUP SHARE OF CONSOLIDATED EQUITY**

As of June 30, 2003 this amounted to Euro 188,509 thousand, an increase of Euro 643 thousand since December 31, 2002.

The principal changes during the period included the payment of dividends by the parent company, Euro 13,944 thousand, the results for the period and the effect of translating foreign currency financial statements into Euro (the negative effect deriving above all from the devaluation of sterling ).

Movements are detailed below:

(in thousands of euro)	Share capital	Share premium reserve	Revaluation reserves	Legal reserve	Reserve for treasury stock	Other reserves	Group net income for the period	TOTAL
Balance as of Dec. 31, 2002	56,574	24,213	1,547	11,315	3,762	66,945	23,510	187,866
Allocation of 2002 net income								
Dividends	-	-	-	-	-	-	(13,944)	(13,944)
Retained earnings	-	-	-	165	-	9,401	(9,566)	-
Increases in share capital	82	236	-	-	-	121	-	439
Effect of translating foreign currency financial statements	-	-	-	-	-	(1,671)	-	(1,671)
Income for the period	-	-	-	-	-	-	15,819	15,819
<b>Balance as of June 30, 2003</b>	<b>56,656</b>	<b>24,449</b>	<b>1,547</b>	<b>11,480</b>	<b>3,762</b>	<b>74,796</b>	<b>15,819</b>	<b>188,509</b>

### **B) ALLOWANCES FOR RISKS AND CHARGES**

As of June 30, 2003 "Other" allowances amounted to Euro 28,466 thousand (Euro 37,521 thousand as of December 31, 2002). The decrease is mainly due to the utilization of reserves previously set aside for the reorganization.

## D) PAYABLES

As of June 30, 2003 payables amounted to Euro 572,488 thousand, none of which due beyond five years, except where indicated for amounts due to banks and other providers of finance.

### **Bonds**

The total of Euro 150 million represents a bond arranged by The Chase Manhattan Bank and issued by Sogefi International B.V. in December 1998 for 70 million euro. It is repayable in December 2003 and bears interest at a rate linked to quarterly Euribor plus around 60 basis points. The above total also includes a bond arranged by Caboto Holding SIM and Deutsche Bank and issued by Sogefi S.p.A. in December 2000 (repayable in December 2005) for 80 million euro which bears interest at a rate linked to quarterly Euribor-indexed rate uplifted by about 90 basis points. Considering the issue and re-offer price of 99.566, the yield to investors is of Euribor + 100 basis points. Considering the likelihood of a rise in interest rates over the coming years, for this last transaction, the parent company has stipulated an interest rate hedging contract (IRS) with a nominal value of 40 million euro, which falls due in December 2005, thus converting the floating rate into a fixed rate of 2.89%.

### **Banks**

These are analyzed as follows:

(in thousands of euro)	June 30, 2003	December 31, 2002	June 30, 2002
Current account overdrafts	44,463	16,239	40,449
Secured loans:			
due within 12 months	523	657	925
due between one and five years	1,637	1,684	3,041
due beyond five years	--	202	2,632
Other loans:			
due within 12 months	24,897	34,449	33,804
due between one and five years	100,215	101,995	92,042
due beyond five years	1,363	--	--
<b>TOTAL</b>	<b>173,098</b>	<b>155,226</b>	<b>172,893</b>

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

The interest rates on the other loans are prevalently floating.



### ***Other providers of finance***

These are analyzed as follows:

(in thousands of euro)	June 30, 2003	December 31, 2002	June 30, 2002
due within 12 months	636	796	576
due between one and five years	6,884	6,632	5,829
due beyond five years	5,313	5,482	2,922
<b>TOTAL</b>	<b>12,833</b>	<b>12,910</b>	<b>9,327</b>

### ***Suppliers***

These amounted to Euro 165,784 thousand compared with Euro 159,569 thousand as of June 30, 2002; this slight increase over the same period of last year is also due principally to the higher investments carried out; the decrease caused by the change in scope of consolidation is not particularly significant.

## **COMMENTS ON THE MEMORANDUM ACCOUNTS**

These are detailed in the following table:

(in thousands of euro)	June 30, 2003	December 31, 2002	June 30, 2002
<b>PERSONAL GUARANTEES GIVEN</b>			
a) Sureties in favor of:			
- subsidiaries	247	238	250
- associated companies	--	2,726	2,828
- third parties	2,399	1,532	1,697
c) Other personal guarantees in favor of third parties	9,714	9,715	9,715
<b>TOTAL PERSONAL GUARANTEES GIVEN</b>	<b>12,360</b>	<b>14,211</b>	<b>14,490</b>
<b>SECURED GUARANTEES GIVEN</b>			
b) Against liabilities shown in the balance sheet	15,374	15,730	15,508
<b>TOTAL SECURED GUARANTEES GIVEN</b>	<b>15,374</b>	<b>15,730</b>	<b>15,508</b>
<b>COMMITMENTS</b>			
- for the purchase of goods	2,789	1,677	1,446
- for the purchase of equity investments	1,064	--	--
- for the purchase of currency	--	--	726
- for the sale of goods	87,378	19,295	37,575
- for the sale of securities under repurchase agreements	12,016	14,732	--
- for the sale of equity investments	--	1	--
- for the sale of currency	5,049	3,814	5,013
<b>TOTAL COMMITMENTS</b>	<b>108,296</b>	<b>39,519</b>	<b>44,760</b>
<b>CONTINGENCIES</b>	<b>5,490</b>	<b>6,082</b>	<b>5,712</b>
<b>TOTAL MEMORANDUM ACCOUNTS</b>	<b>141,520</b>	<b>75,542</b>	<b>80,470</b>

These accounts indicate risks, commitments and guarantees provided by Group companies to third parties and to Group companies not consolidated on a line-by-line basis.

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

"Commitments for the sale of goods" include interest rate hedging operations (IRS and "Zero Collar") carried out by Allevard Rejna Autosuspensions S.A. and Sogefi S.p.A. for 87,378 thousand euro (including 1,280 thousand euro for charges to be borne in future years, calculated on the basis of the interest rate curve foreseen at the end of the period).

## INFORMATION ON THE STATEMENT OF INCOME

The statement of income captions have been affected by the change in the scope of consolidation.

### A) VALUE OF PRODUCTION

#### *Revenues from the sale of goods and services*

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

By business sector:

(in thousands of euro)	<i>Ist half 2003</i>		<i>Ist half 2002</i>		<i>Year 2002</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
Filters	248,963	54.4	260,932	54.8	502,537	55.5
Suspension components	207,374	45.4	208,436	43.8	392,201	43.3
Other	1,068	0.2	6,642	1.4	10,873	1.2
<b>TOTAL</b>	<b>457,405</b>	<b>100.0</b>	<b>476,010</b>	<b>100.0</b>	<b>905,611</b>	<b>100.0</b>

By geographical area:

(in thousands of euro)	<i>Ist half 2003</i>		<i>Ist half 2002</i>		<i>Year 2002</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
Italy	71,932	15.7	77,605	16.3	147,370	16.3
France	143,571	31.4	140,153	29.4	263,032	29.0
Great Britain	60,669	13.3	65,070	13.7	128,414	14.2
Other European countries	141,056	30.8	136,816	28.7	267,772	29.6
Rest of World	40,177	8.8	56,366	11.9	99,023	10.9
<b>TOTAL</b>	<b>457,405</b>	<b>100.0</b>	<b>476,010</b>	<b>100.0</b>	<b>905,611</b>	<b>100.0</b>

Sales for the period show a reduction of 3.9% compared with first half 2002. Sales would have increased by 2.5% if exchange rates and the scope of consolidation had stayed the same.

## B) PRODUCTION COSTS

### *Personnel*

Personnel costs are analyzed as follows:

(in thousands of euro)	<i>1st half 2003</i>	<i>1st half 2002</i>	<i>Year 2002</i>
Wages and salaries	86,808	91,830	172,084
Social security payments	24,986	25,682	47,835
Termination indemnities	1,574	1,720	3,064
Retirement benefits and similar	2,161	2,369	5,109
Other	1,353	1,598	4,030
<b>TOTAL</b>	<b>116,882</b>	<b>123,199</b>	<b>232,122</b>

Average employment is shown below by grade:

(Number of employees)	<i>1st half 2003</i>	<i>1st half 2002</i>	<i>Year 2002</i>
Managers	112	112	113
Clerical staff	1,586	1,745	1,716
Blue collar workers	5,019	5,405	5,320
<b>TOTAL</b>	<b>6,717</b>	<b>7,262</b>	<b>7,149</b>

## C) FINANCIAL INCOME AND EXPENSES

### *Other financial income*

These are analyzed as follows:

(in thousands of euro)	<i>1st half 2003</i>	<i>1st half 2002</i>	<i>Year 2002</i>
Income from receivables held as fixed assets	7	8	13
Income from securities held as fixed assets not representing equity investments	--	8	23
Income from securities held as current assets not representing equity investments	132	153	354
Income other than the above:			
Interest and commissions from subsidiaries and associated companies	--	1	3
Financial income from repurchase agreements	152	40	128
Bank interest	322	261	642
Income from interest-rate hedging contracts	25	48	71
Exchange gains and income from exchange-rate hedging contracts	1,114	1,411	3,334
Other interest and commissions	1,835	173	1,020
<b>TOTAL</b>	<b>3,587</b>	<b>2,103</b>	<b>5,588</b>

"Other financial income" amounted to Euro 3,587 thousand compared with Euro 2,103 thousand in the first half of 2002. "Exchange gains and income from exchange-rate hedging contracts" (which decrease compared with first half 2002) consist mainly of income from commercial transactions.

### ***Interest and other financial charges***

These are analyzed as follows:

(in thousands of euro)	<i>1st half 2003</i>	<i>1st half 2002</i>	<i>Year 2002</i>
Interest on non-convertible bonds	2,651	3,146	6,343
Interest on bank overdrafts	558	1,132	1,992
Interest on bank loans	2,917	3,190	6,184
Interest on loans from third parties	7	21	27
Costs of interest-rate hedging contracts	190	415	752
Exchange losses and cost of hedging exchange risks	1,617	1,298	4,472
Other interest and commissions	1,058	1,070	2,077
<b>TOTAL</b>	<b>8,998</b>	<b>10,272</b>	<b>21,847</b>

Interest and other financial charges amount to Euro 8,998 thousand compared with Euro 10,272 thousand in the first half of 2002. "Exchange losses and cost of hedging exchange risks" (which are up on the equivalent period in 2002) mainly relate to the cost of hedging fluctuations in the Brazilian real and to exchange differences deriving from commercial transactions.

### **E) EXTRAORDINARY INCOME AND EXPENSES**

This caption shows a negative balance for the first half of 2003 of Euro 4,494 thousand as a result of expenses to restructure various Group companies and the costs incurred to take advantage of the tax amnesty in Italy.

In the same period last year, this caption showed a positive balance of Euro 97 thousand as a result of extraordinary charges to restructure various Group companies and the utilization of reorganization reserves.

LIST OF EQUITY INVESTMENTS AS AT JUNE 30, 2003

SUBSIDIARIES CONSOLIDATED ON A LINE-BY-LINE BASIS

Direct subsidiaries	Currency	Share capital	No. of shares	% ownership	Par value per share	Par value of interest held
SOGEFI INTERNATIONAL B.V. Amsterdam (Netherlands)	Euro	28,606,950	63,571	100.00	450	28,606,950
SOGEFI FILTRATION S.p.A. Mantua	Euro	9,000,000	9,000,000	100.00	1	9,000,000
FILTRAUTO S.A. Montigny-le-Bretonneux (France)	Euro	5,500,000	274,994	99.99	20	5,499,880
ALLEVARD REJNA AUTOSUSPENSIONS S.A. Saint Cloud (France)	Euro	18,517,734	1,028,582	99.98	18	18,514,476
REJNA S.p.A. Settimo Torinese (Turin)	Euro	5,200,000	7,981,862	99.77	0.65	5,188,210.30
SIDERGARDA MOLLIFICIO BRESCIANO S.r.l. San Felice del Benaco (Brescia)	Euro	17,700,000		100.00		17,700,000
LUHN & PULVERMACHER - DITTMANN & NEUHAUS GmbH Hagen (Germany)	Euro	50,000		100.00		50,000
LES NOUVEAUX ATELIERS MECANIQUES S.A. Morlanwelz (Belgium) Held by Sogefi S.p.A.: 74.9% Held by Sidergarda Mollificio Bresciano S.r.l.: 25.1%	Euro	2,880,000	120,000	100.00	24	2,880,000
KINGDRAGON.IT S.p.A. (*) Turin	Euro	517,000	413,600	80.00	1	413,600
SENECA S.c.a.r.l. Milan Held by Sogefi S.p.A.: 85.75% Held by Rejna S.p.A.: 0.25% Held by Sidergarda Mollificio Bresciano S.r.l.: 0.25%	Euro	10,000		86.25		8,575
ALLEVARD SPRINGS U.S.A. Inc. Charleston (U.S.A.) Held by Sogefi S.p.A.: 60% Held by Allevard Rejna Autosuspensions S.A.: 20%	USD	6,000,000	80	80.00		4,800,000
PRICHARD INDUSTRIAL DEVELOPMENT LLC Charleston (U.S.A.)	USD	1		100.00		1

(\*) In liquidation

Indirect subsidiaries						
	Currency	Share capital	No. of shares	% ownership	Par value per share	Par value of interest held
<b>SOGEFI FILTRATION GROUP</b>						
SOGEFI FILTRATION Ltd Llantrisant (Great Britain) Held by Sogefi Filtration S.p.A.	GBP	5,126,737	5,126,737	100.00	1	5,126,737
SOGEFI FILTRATION B.V. Weesp (Netherlands) Held by Sogefi Filtration S.p.A.	Euro	1,125,000	2,500	100.00	450	1,125,000
SOGEFI FILTRATION A.B. Stockholm (Sweden) Held by Sogefi Filtration S.p.A.	SEK	100,000	1,000	100.00	100	100,000
SOGEFI FILTRATION S.A. Rubi (Spain) Held by Sogefi Filtration S.p.A.	Euro	14,098,408.25	2,345,825	100.00	6.01	14,098,408.25
SOGEFI FILTRATION S.A. Saint-Perè-en-Retz (France) Held by Sogefi Filtration S.p.A.	Euro	612,000	3,994	99.85	153	611,082
COOPERS FILTERS EUROPE B.V. Weesp (Netherlands) Held by Sogefi Filtration B.V.	Euro	453,780	1,000	100.00	453.78	453,780
COOPERS FILTERS Ltd Abergavenny (Great Britain) Held by Sogefi Filtration Ltd	GBP	3,000,000	3,000,000	100.00	1	3,000,000
<b>FILTRAUTO GROUP</b>						
FILTRAUTO ITALIA S.r.l. Sant'Antonino di Susa (Turin) Held by Filtrauto S.A.	Euro	21,951,000		100.00		21,951,000
FILTRAUTO GmbH Ludwigsburg (Germany) Held by Filtrauto S.A.	Euro	51,130		100.00		51,130
FILTRAUTO IBERICA S.A. Oyarzun-Guipuzcoa (Spain) Held by Filtrauto S.A.	Euro	1,803,000	300,000	100.00	6.01	1,803,000
FILTRAUTO SLOVENIJA d.o.o. Medvode (Slovenia) Held by Filtrauto S.A.	SIT	2,466,326,560		100.00		2,466,326,560
EFFICIENCE S.A. Montigny-le-Bretonneux (France) Held by Filtrauto S.A.	Euro	539,000	6,994	99.91	77	538,538
FILTRAUTO UK Ltd Nottingham (Great Britain) Held by Filtrauto S.A.	GBP	6,810,000	6,810,000	100.00	1	6,810,000
FILTRAUTO B.V. s'Hertogenbosch (Netherlands) Held by Filtrauto UK Ltd	Euro	113,446	113,446	100.00	1	113,446

Indirect subsidiaries						
	Currency	Share capital	No. of shares	% ownership	Par value per share	Par value of interest held
<b>ALLEVARD REJNA AUTOSUSPENSIONS GROUP</b>						
ALLEVARD SPRINGS Co. Ltd Mid Glamorgan (Great Britain) Held by Allevard Rejna Autosuspensions S.A.	GBP	10,500,002	10,500,002	100.00	1	10,500,002
ALLEVARD FEDERN GmbH Volklingen (Germany) Held by Allevard Rejna Autosuspensions S.A.	Euro	12,782,300		100.00		12,782,300
LIGGETT ARGENTINA S.A. Buenos Aires (Argentina) Held by Allevard Rejna Autosuspensions S.A.	ARP	600,000	599,827	99.97	1	599,827
EGUZKIA S.A. Alsasua (Spain) Held by Allevard Rejna Autosuspensions S.A.	Euro	2,547,148	1,085 310,202	50.00	602 2	1,273,574
IBERICA DE SUSPENSIONES S.A. (ISSA) Nules (Spain) Held by Allevard Rejna Autosuspensions S.A.	Euro	7,982,520	6,630	50.00	602	3,991,260
ALLEVARD MOLAS DO BRASIL Ltda São Paulo (Brazil) Held by Allevard Rejna Autosuspensions S.A.: 99.997% Held by Allevard Springs Co. Ltd: 0.003%	BRL	41,237,934	41,237,934	100.00	1	41,237,934
ALLEVARD REJNA TECHNOLOGIE FROID S.A. Choisy Le Roi (France) Held by Allevard Rejna Autosuspensions S.A.	Euro	3,340,050	222,664	99.99	15	3,339,960
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	50,796,597		63.42		32,215,202
<b>SOGEFI INTERNATIONAL B.V. GROUP</b>						
SOGEFI FILTRATION DO BRASIL Ltda São Bernardo Do Campo (Brazil) Held by Sogefi International B.V.	BRL	29,857,374	29,857,373	99.99	1	29,857,373
SOGEFI FILTRATION ARGENTINA S.A. Buenos Aires (Argentina) Held by Sogefi Filtration do Brasil Ltda	ARP	9,610,000	9,609,998	99.99	1	9,609,998

## EQUITY INVESTMENTS IN SUBSIDIARIES CARRIED AT EQUITY

Indirect subsidiaries	Currency	Share capital	No. of shares	% ownership	Par value per share	Par value of interest held
FILTRAUTO Inc. Wilmington (U.S.A.) Held by Filtrauto S.A.	USD	1,000	1,000	100.00		1,000
DONIT ZAGREB d.o.o. Zagreb (Croatia) Held by Filtrauto Slovenija d.o.o.	HRK	116,500		100.00		116,500
FILTRAUTO ARGENTINA S.A.C.I.F. Buenos Aires (Argentina) Held by Filtrauto S.A. 99.99996% Held by Filtrauto Italia S.r.l. 0.00004%	ARP	2,367,873	2,367,873	100.00	1	2,367,873
CARMEN DE ARECO S.A. Buenos Aires (Argentina) Held by Filtrauto S.A.	ARP	3,350,000	3,350,000	100.00	1	3,350,000
INTEGRAL S.A. San Luis (Argentina) Held by Filtrauto S.A.: 93.50% Held by Filtrauto Argentina S.A.C.I.F.: 6.50%	ARP	2,515,600	2,515,600	100.00	1	2,515,600
FILTRAUTO DO BRASIL Ltda São Paulo (Brazil) Held by Filtrauto S.A.: 99.44% Held by Efficiencia S.A.: 0.56%	BRL	354,600	354,600	100.00	1	354,600
FILTRAUTO IRELAND Ltd Shankill (Ireland) Held by Filtrauto UK Ltd	IEP	2	2	100.00	1	2

## SUBSIDIARIES CONSOLIDATED USING THE PROPORTIONAL METHOD

Indirect subsidiaries	Currency	Share capital	No. of shares	% ownership	Par value per share	Par value of interest held
FIAMM-SOGEFI BUZINAS Ltda São Bernardo Do Campo (Brazil) Held by Sogefi International B.V.	BRL	8,901,070	4,450,535	50.00	1	4,450,535

## EQUITY INVESTMENTS IN ASSOCIATED COMPANIES CARRIED AT EQUITY

	Currency	Share capital	No. of shares	% ownership	Par value per share	Par value of interest held
ALLEVARD RESSORTS COMPOSITES S.A.S. Serrieres (France) Held by Allevard Rejna Autosuspensions S.A.	Euro	300,000	60,000	50.00	2.50	150,000
KS AUTOMOTIVE SUSPENSIONS ASIA PRIVATE Ltd Singapore Held by Allevard Rejna Autosuspensions S.A.	DEM	16,200,000	8,100,000	50.00	1	8,100,000



## EQUITY INVESTMENTS IN ASSOCIATED COMPANIES CARRIED AT COST

	Currency	Share capital	No. of shares	% ownership	Par value per share	Par value of interest held
IMMOBILIARE REGIS S.r.l. Mantua Held by Sogefi S.p.A.	Euro	6,783,000		20.00		1,356,600
INTERZAPCHAST A/O (*) (International Auto Parts Ltd) Moscow (Russia) Held by Sogefi S.p.A.: 16% Held by Sogefi International B.V. : 17.33%	RUR	514,800,000	1,200	33.33	143,000	171,600,000
MAKKAWI CARS & LORRIES Co. Khartoum (Sudan) Held by Sidergarda Mollificio Bresciano S.r.l.	SDP	900,000	225	25.00	1,000	225,000

(\*) in liquidation

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

	Currency	Share capital	No. of shares	% ownership	Par value per share	Par value of interest held
AFICO FILTERS S.A.E. Cairo (Egypt) Held by Sogefi Filtration S.p.A.	EGP	10,000,000	19,000	19.00	100	1,900,000

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

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

BALANCE SHEET  
STATEMENT OF INCOME  
RECLASSIFIED STATEMENT OF INCOME

**BALANCE SHEET**  
(in thousands of euro)

ASSETS	<i>June 30, 2003</i>		<i>December 31, 2002</i>		<i>June 30, 2002</i>
A) DUE FROM SHAREHOLDERS FOR CAPITAL NOT PAID IN	-		-		-
B) FIXED ASSETS					
I. Intangible fixed assets	571		678		800
II. Tangible fixed assets	9,355		9,619		9,798
III. Financial fixed assets	(**) 222,616		219,228		220,992
<b>TOTAL FIXED ASSETS</b>	<b>232,542</b>		<b>229,525</b>		<b>231,590</b>
C) CURRENT ASSETS	(*)		(*)		(*)
I. Inventories	-		-		-
II. Receivables	306	9,473	454	6,833	6,058
III. Financial assets not held as fixed assets	67,602	83,114	64,602	79,910	84,267
IV. Cash at bank and on hand	2,726		3,820		56
<b>TOTAL CURRENT ASSETS</b>	<b>95,313</b>		<b>90,563</b>		<b>90,381</b>
D) ACCRUED INCOME AND PREPAID EXPENSES	301		308		321
<b>TOTAL ASSETS</b>	<b>328,156</b>		<b>320,396</b>		<b>322,292</b>

(\*) amounts due beyond one year

(\*\*\*) including 1,695,000 treasury stock with a total par value of 881 thousand euro

LIABILITIES AND SHAREHOLDERS' EQUITY	<i>June 30, 2003</i>		<i>December 31, 2002</i>		<i>June 30, 2002</i>	
A) SHAREHOLDERS' EQUITY						
I. Share capital		56,656		56,574		56,574
II. Share premium reserve		24,449		24,213		24,213
III. Revaluation reserves		1,547		1,547		1,547
IV. Legal reserve		11,480		11,315		11,315
V. Reserve for treasury stock		3,762		3,762		3,635
VI. Statutory reserves		-		-		-
VII. Other reserves		42,551		42,430		42,557
VIII. Retained earnings		1,171		941		941
IX. Income for the period		17,642		14,339		14,877
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>159,258</b>		<b>155,121</b>		<b>155,659</b>
B) ALLOWANCES FOR RISKS AND CHARGES						
1) Pension and similar commitments		-		-		-
2) Taxation		-		-		-
3) Other		458		958		865
<b>TOTAL ALLOWANCES FOR RISKS AND CHARGES</b>		<b>458</b>		<b>958</b>		<b>865</b>
C) ALLOWANCE FOR EMPLOYMENT TERMINATION INDEMNITIES		669		609		750
D) PAYABLES		(*)		(*)		(*)
1) Bonds	80,000	80,000	80,000	80,000	80,000	80,000
2) Convertible bonds		-		-		-
3) Banks	82,600	82,631	80,000	80,000	80,000	80,441
4) Other providers of finance		-		-		-
5) Advances		-		-		-
6) Suppliers		620		663		764
7) Notes payable		-		-		-
8) Subsidiaries		54		108		2
9) Associated companies		450		450		450
10) Parent companies		808		-		780
11) Tax authorities	813	1,384		522		120
12) Social security institutions		73		102		80
13) Other		397		262		565
<b>TOTAL PAYABLES</b>		<b>166,417</b>		<b>162,107</b>		<b>163,202</b>
E) ACCRUED EXPENSES AND DEFERRED INCOME		1,354		1,601		1,816
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>328,156</b>		<b>320,396</b>		<b>322,292</b>
MEMORANDUM ACCOUNTS		<i>June 30, 2003</i>		<i>December 31, 2002</i>		<i>June 30, 2002</i>
- Personal guarantees given		177,251		178,552		266,160
- Secured guarantees given		-		-		-
- Commitments		95,892		14,732		-
<b>TOTAL MEMORANDUM ACCOUNTS</b>		<b>273,143</b>		<b>193,284</b>		<b>266,160</b>

(\*) amounts due beyond one year

**STATEMENT OF INCOME**  
(in thousands of euro)

	<i>1st half 2003</i>	<i>1st half 2002</i>	<i>Year 2002</i>
A) VALUE OF PRODUCTION			
1) Revenues from the sale of goods and services	2,519	2,233	4,724
2) Change in inventories of work in progress, semi-finished goods and finished products	-	-	-
3) Change in contract work in progress	-	-	-
4) Additions to fixed assets by internal production	-	-	-
5) Other revenues and income	297	2,601	3,188
<b>TOTAL VALUE OF PRODUCTION</b>	<b>2,816</b>	<b>4,834</b>	<b>7,912</b>
B) PRODUCTION COSTS			
6) Raw, ancillary and consumable materials and goods for resale	-	-	-
7) Services received	1,789	1,520	3,072
8) Leases and rentals	62	69	185
9) Personnel	2,487	1,949	3,722
10) Depreciation, amortization and writedowns	396	392	794
11) Change in inventories of raw, ancillary and consumable materials and goods for resale	-	-	-
12) Provisions for risks and charges	-	-	-
13) Other provisions	-	250	-
14) Other operating expenses	323	343	998
<b>TOTAL PRODUCTION COSTS</b>	<b>5,057</b>	<b>4,523</b>	<b>8,771</b>
<b>DIFFERENCE BETWEEN VALUE AND COST OF PRODUCTION (A-B)</b>	<b>(2,241)</b>	<b>311</b>	<b>(859)</b>
C) FINANCIAL INCOME AND EXPENSES			
15) Income from equity investments	29,655	24,827	26,966
16) Other financial income	1,693	2,046	4,082
17) Interest and other financial charges	3,295	3,421	7,207
<b>TOTAL FINANCIAL INCOME AND EXPENSES</b>	<b>28,053</b>	<b>23,452</b>	<b>23,841</b>
D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS			
18) Revaluations	-	-	-
19) Writedowns	-	340	1,709
<b>TOTAL ADJUSTMENTS</b>	<b>-</b>	<b>(340)</b>	<b>(1,709)</b>
E) EXTRAORDINARY INCOME AND EXPENSES			
20) Income	-	-	-
21) Expenses	1,395	615	600
<b>TOTAL EXTRAORDINARY ITEMS</b>	<b>(1,395)</b>	<b>(615)</b>	<b>(600)</b>
<b>INCOME BEFORE TAXES</b>	<b>24,417</b>	<b>22,808</b>	<b>20,673</b>
22) Income taxes	6,775	7,931	6,334
<b>NET INCOME FOR THE PERIOD</b>	<b>17,642</b>	<b>14,877</b>	<b>14,339</b>

RECLASSIFIED STATEMENT OF INCOME  
(in thousands of euro)

	<i>1st half 2003</i>	<i>1st half 2002</i>	<i>Year 2002</i>
FINANCIAL INCOME AND EXPENSES			
1) Income from equity investments	29,655	24,827	26,966
2) Other financial income	1,693	2,046	4,082
3) Interest and other financial charges	3,295	3,421	7,207
<b>TOTAL FINANCIAL INCOME AND EXPENSES</b>	<b>28,053</b>	<b>23,452</b>	<b>23,841</b>
ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS			
4) Revaluations	-	-	-
5) Writedowns	-	340	1,709
<b>TOTAL ADJUSTMENTS TO FINANCIAL ASSETS</b>	<b>-</b>	<b>(340)</b>	<b>(1,709)</b>
<b>6) OTHER OPERATING INCOME</b>	<b>2,816</b>	<b>4,834</b>	<b>7,912</b>
OTHER OPERATING COSTS			
7) Non financial services	1,789	1,520	3,072
8) Leases and rentals	62	69	185
9) Personnel	2,487	1,949	3,722
10) Depreciation, amortization and writedowns	396	392	794
11) Provisions for risks and charges	-	-	-
12) Other provisions	-	250	-
13) Other operating expenses	323	343	998
<b>TOTAL OTHER OPERATING COSTS</b>	<b>5,057</b>	<b>4,523</b>	<b>8,771</b>
<b>INCOME FROM ORDINARY OPERATIONS</b>	<b>25,812</b>	<b>23,423</b>	<b>21,273</b>
EXTRAORDINARY INCOME AND EXPENSES			
14) Income	-	-	-
15) Expenses	1,395	615	600
<b>TOTAL EXTRAORDINARY ITEMS</b>	<b>(1,395)</b>	<b>(615)</b>	<b>(600)</b>
<b>INCOME BEFORE TAXATION</b>	<b>24,417</b>	<b>22,808</b>	<b>20,673</b>
16) Income taxes	6,775	7,931	6,334
<b>NET INCOME FOR THE PERIOD</b>	<b>17,642</b>	<b>14,877</b>	<b>14,339</b>

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

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

Pursuant to Art. 5 of CONSOB Resolution no. 11971, the company has also prepared a reclassified statement of income in accordance with the instructions contained in CONSOB Communication no. SOC/RM 94001437 of February 23, 1994.

The financial statements are presented together with comparative figures as of June 30 and December 31, 2002.

### **ACCOUNTING POLICIES**

The accounting policies used to prepare the balance sheet and statement of income as of June 30, 2003 are the same as those adopted as of December 31, 2002.

Please note that, as the Company hedged exchange and interest rate risks during the half-year, the principle adopted is the following:

- the financial instruments used to hedge exchange and interest rate risks relating to specific assets and liabilities contained within the balance sheet are reflected in the statement of income according to the matching principle.

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

## INFORMATION ON THE BALANCE SHEET

### COMMENTS ON THE MAIN ASSET CAPTIONS

#### B) FIXED ASSETS

##### *Intangible fixed assets*

As of June 30, 2003 intangible assets totaled Euro 571 thousand, compared with Euro 678 thousand at the end of last year. The caption increased by Euro 21 thousand during the half-year and decreased because of the amortization charge for the period.

##### *Tangible fixed assets*

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

(in thousands of euro)	Gross values				
	Balance as of 12.31.02 (a)	Purchases (b)	Disposals (c)	Other changes (d)	Balance as of 06.30.03 (e=a+b+c+d)
Land and buildings	18,673	-	-	-	18,673
Other	554	4	-	-	558
<b>TOTAL</b>	<b>19,227</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>19,231</b>

(in thousands of euro)	Accumulated depreciation					Net values	
	Balance as of 12.31.02 (f)	Depreciation for the period (g)	Utilizations in the period (h)	Other changes (l)	Balance as of 06.30.03 (j=f+g+h+l)	Balance as of 06.30.03 (l=e-j)	
Land and buildings	9,131	253	-	-	9,384	9,289	
Other	478	14	-	-	492	66	
<b>TOTAL</b>	<b>9,609</b>	<b>267</b>	<b>-</b>	<b>-</b>	<b>9,876</b>	<b>9,355</b>	

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

##### *Financial fixed assets*

(in thousands of euro)	June 30, 2003	December 31, 2002	June 30, 2002
------------------------	---------------	-------------------	---------------



Equity investments in:			
- subsidiaries	217,409	214,021	215,897
- associated companies	1,441	1,441	1,441
- other companies	3	3	3
Receivables:			
- due from third parties	1	1	16
Treasury stock	3,762	3,762	3,635
<b>TOTAL</b>	<b>222,616</b>	<b>219,228</b>	<b>220,992</b>

Changes in equity investments classified as financial assets during the first half of 2003 are shown in the following table:

STATEMENT OF CHANGES IN EQUITY INVESTMENTS  
 FOR THE YEAR ENDED JUNE 30, 2003  
 (in thousands of euro)

	Opening balance			Balance
	Number of shares	Historical cost	Revaluations (Writedowns)	
				12.31.2002
<b>Subsidiaries</b>				
REJNA S.p.A.	7,981,826	23,661	-	23,661
SOGEFI FILTRATION S.p.A.	9,000,000	76,729	-	76,729
SOGEFI INTERNATIONAL B.V.	63,571	36,630	-	36,630
FILTRAUTO S.A.	274,994	31,390	-	31,390
SIDERGARDA MOLLIFICIO BRESCIANO S.r.l.	-	21,268	1,043	22,311
ALLEVARD REJNA AUTOSUSPENSIONS S.A.	1,028,582	17,098	-	17,098
LES NOUVEAUX ATELIERS MECANIQUES S.A.	89,880	7,963	(7,963)	-
LUHN & PULVERMACHER-DITTMANN & NEUHAUS GmbH	-	418	5,580	5,998
KINGDRAGON.IT S.p.A. (*)	413,600	526	(526)	-
ALLEVARD SPRINGS USA Inc.	60	196	-	196
PRICHARD INDUSTRIAL DEVELOPMENT LLC	-	-	-	-
SENECA S.c.a.r.l.	-	8	-	8
Total subsidiaries		215,887	(1,866)	214,021
<b>Associated companies</b>				
INTERZAPCHAST A/O (*)	576	160	(160)	-
IMMOBILIARE REGIS S.r.l.	-	1,441	-	1,441
Total associated companies		1,601	(160)	1,441
<b>Other companies</b>				
BMPS (Banca Monte Paschi Siena)	500	3	-	3
Total other companies		3	-	3
Total equity investments		217,491	(2,026)	215,465

(\*) in liquidation

	1st half 2003					Closing balance		
						06.30.2003		
	Additions		Disposals		Writedowns	Number of shares	Amount	% ownership
Number of shares	Amount	Number of shares	Amount	Amount				
<b>Subsidiaries</b>								
REJNA S.p.A.	36	-	-	-	-	7,981,862	23,661	99.77
SOGEFI FILTRATION S.p.A.	-	-	-	-	-	9,000,000	76,729	100.00
SOGEFI INTERNATIONAL B.V.	-	-	-	-	-	63,571	36,630	100.00
FILTRAUTO S.A.	-	105	-	-	-	274,994	31,495	99.99
SIDERGARDA MOLLIFICIO BRESCIANO S.r.l.	-	-	-	-	-	-	22,311	100.00
ALLEVARD REJNA AUTOSUSPENSIONS S.A.	-	-	-	-	-	1,028,582	17,098	99.98
LES NOUVEAUX ATELIERS MECANQUES S.A.	-	-	-	-	-	89,880	-	(**) 74.9
LUHN & PULVERMACHER-DITTMANN & NEUHAUS GmbH	-	-	-	-	-	-	5,998	100.00
KINGDRAGON.IT S.p.A. (*)	-	500	-	-	500	413,600	-	80.00
ALLEVARD SPRINGS USA Inc.	-	3,283	-	-	-	60	3,479	60.00
PRICHARD INDUSTRIAL DEVELOPMENT LLC	-	-	-	-	-	-	-	100.00
SENECA S.c.a.r.l.	-	-	-	-	-	-	8	85.75
<b>Total subsidiaries</b>		<b>3,888</b>			<b>500</b>		<b>217,409</b>	
<b>Associated companies</b>								
INTERZAPCHAST A/O (*)	-	-	-	-	-	576	-	(***) 16.00
IMMOBILIARE REGIS S.r.l.	-	-	-	-	-	-	1,441	20.00
<b>Total associated companies</b>							<b>1,441</b>	
<b>Other companies</b>								
BMPS (Banca Monte Paschi Siena)	-	-	-	-	-	(****) 2,075	3	-
<b>Total other companies</b>							<b>3</b>	
<b>Total equity investments</b>		<b>3,888</b>			<b>500</b>		<b>218,853</b>	

(\*) in liquidation

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

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

(\*\*\*\*) shares in Banca Monte Paschi Siena allocated to replace those held in Banca Agricola Mantovana

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

*Kingdragon.IT S.p.A. in liquidation*

At a meeting in November 2002, the shareholders resolved to put the company into liquidation.

In the first half of 2003, Sogefi S.p.A. paid in a total of Euro 500 thousand to cover losses, using the "Provision for risks and charges" set aside in 2002 for the same amount.

*Alleward Springs USA Inc.*

The increase reflects the subscribed and paid in increases in share capital in the first half of 2003, in proportion to Sogefi's shareholding.

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

The company, which was still dormant at year-end, will manufacture suspension components such as shock absorber springs and stabilizer bars for the South American market.

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

Treasury stock held as of June 30, 2003 represent 1.55% of the total share capital.

The following table compares carrying values and market prices as of June 30, 2003, in relation to treasury stock and investments in companies with listed shares:

	No. of shares	Carrying value		Market value	
		Unit value (in Euro)	Total value (in thousands of Euro)	Unit value (in Euro)	Total value (in thousands of Euro)
Equity investments					
BMPS (Banca Monte Paschi Siena)					
- ordinary shares	2,075	1.42	3	2.427	5
Treasury stock					
- ordinary shares	1,695,000	2.219	3,762	2.169	3,676

## C) CURRENT ASSETS

### *Receivables*

In detail:

(in thousands of euro)	June 30, 2003	December 31, 2002	June 30, 2002
Due from subsidiaries	1,194	487	1,331
Due from associated companies	-	3	6
Due from others	8,279	6,343	4,721
<b>TOTAL</b>	<b>9,473</b>	<b>6,833</b>	<b>6,058</b>

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

### *Financial assets not held as fixed assets*

These are analyzed as follows:

(in thousands of euro)	June 30, 2003	December 31, 2002	June 30, 2002
Due from subsidiaries	71,110	65,212	84,267
Due from financial institutions	12,004	14,698	-
<b>TOTAL</b>	<b>83,114</b>	<b>79,910</b>	<b>84,267</b>

The amount due from subsidiaries as at June 30, 2003 consists of the residual amount of loans granted to them on an arm's-length basis:

(in thousands of euro)	June 30, 2003	December 31, 2002	June 30, 2002
Filtrauto S.A.	26,357	26,357	46,357
Alleward Rejna Autosuspensions S.A.	15,245	15,245	15,245
Sogefi Filtration S.p.A.	15,500	13,500	12,000
Rejna S.p.A.	8,500	8,500	8,165
Sidergarda Mollificio Bresciano S.r.l.	-	-	2,000
Les Nouveaux Ateliers Mecaniques S.A.	200	200	500
Filtrauto Italia S.r.l.	2,000	1,000	-
Prichard Industrial Development LLC	3,220	315	-
Alleward Springs USA Inc.	88	95	-
<b>TOTAL</b>	<b>71,110</b>	<b>65,212</b>	<b>84,267</b>

## D) ACCRUED INCOME AND PREPAID EXPENSES

This caption is analyzed as follows:

(in thousands of euro)	<i>June 30, 2003</i>	<i>December 31, 2002</i>	<i>June 30, 2002</i>
Discount on bond issue	172	207	242
Other accrued income and prepaid expenses			
Interest income from subsidiaries	67	74	-
Interest income on forward transactions	5	21	-
Other prepaid expenses	57	6	79
<b>TOTAL</b>	<b>301</b>	<b>308</b>	<b>321</b>

## COMMENTS ON THE MAIN LIABILITY CAPTIONS

### A) SHAREHOLDERS' EQUITY

#### *Share capital*

As of June 30, 2003, the share capital amounts to Euro 56,656,283.84. On March 31, 2003, 158,400 ordinary shares with a total par value of Euro 82,368 were subscribed in implementation of the stock option plan reserved for the managers of the Company and its subsidiaries.

#### *Share premium reserve*

The increase in the first half of 2003 relates to the premium on the 158,400 shares subscribed on March 31, 2003.

#### *Legal reserve*

This caption has increased by 165 thousand euro, corresponding to the portion of 2002, as authorized at the ordinary shareholders' meeting held on April 17, 2003.

#### *Other reserves*

This includes the caption "Reserve for increase in share capital" of Euro 121 thousand relating to the increase in capital reserved for the employees of the Company and its subsidiaries, subscribed and paid in (for 60,000 shares at a price of Euro 2.01 per share) on June 30, 2003 in implementation of the 2002 stock option plan. This increase has been accounted for under this caption because it was recorded in the Company Register after June 30, 2003.

#### *Retained earnings*

This caption increased during the first half of 2003 by Euro 230 thousand being the unallocated portion of 2002 net income, as authorized at the ordinary shareholders' meeting held on April 17, 2003.

### B) ALLOWANCES FOR RISKS AND CHARGES

The provision for expenses of Euro 958 thousand booked in the financial statements as of December 31, 2002 was used during the first half of 2003 for Euro 500 thousand against the writedown of Kingdragon.it S.p.A, following the payments made to cover losses.

## D) PAYABLES

### ***Bonds***

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

### ***Banks***

These represent financing of 80,000 thousand euro in the form of a syndicated loan obtained from a pool of leading Italian banks in December 2001, repayable in a lump sum in December 2006. The loan will bear interest at a floating rate 70 basis points above Euribor.

The amount of Euro 2,600 thousand represents partial drawdowns of a loan contract for a total of Euro 7,500 thousand stipulated with Banca CARIGE S.p.A. at an interest rate index-linked to 6-month Euribor plus 100 basis points. This loan will be repaid between June 30, 2006 and December 31, 2010.

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

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

### ***Tax authorities***

This caption includes a residual amount of Euro 1,277 thousand due to tax authorities as of June 30, 2003, relating to the presentation of an application for settlement of outstanding fiscal disputes (tax amnesty) in accordance with Law 289 art. 16 of December 27, 2002 concerning the tax assessments for 1990, 1991 and 1992 received in connection with a beneficial interest transaction carried out by the Company in 1990. Despite being convinced of the fairness of this transaction, as confirmed by sentences in favour of the Company issued by the Tax Commissions, the Company decided to settle these disputes in order to avoid the potential risk of the Supreme Court deciding to apply a different interpretation of the tax regulations.



Payables with a residual duration of more than five years amount to Euro 1,363 thousand and refer to the caption "Banks", as discussed previously. Amounts due beyond one year are specified in the balance sheet.

## E) ACCRUED EXPENSES AND DEFERRED INCOME

This item includes Euro 1,181 thousand of the residual amount as of June 30, 2003 received from Honeywell International in relation to the agreement signed in 2000, after deferring income of 236 thousand euro, booked to "Other revenues and income". The agreement concerns the development and expansion activities in those markets where the Sogefi Filtration Group has the sole agency for FRAM products.

Medium-term payables (beyond 12 months) amount to Euro 709 thousand.

## COMMENTS ON THE MEMORANDUM ACCOUNTS

In detail:

(in thousands of euro)	June 30, 2003	December 31, 2002	June 30, 2002
Personal guarantees given			
Sureties in favour of:			
- subsidiaries	176,121	178,552	265,851
- other	1,130	-	309
<b>TOTAL</b>	<b>177,251</b>	<b>178,552</b>	<b>266,160</b>
Commitments			
- for interest rate risk hedging contracts	81,238	-	-
- for the sale of securities under repurchase agreements	12,015	14,732	-
- for the forward sale of currency	1,549	-	-
- for the purchase of equity investments	1,064	-	-
- other	26	-	-
<b>TOTAL</b>	<b>95,892</b>	<b>14,732</b>	<b>-</b>
<b>TOTAL MEMORANDUM ACCOUNTS</b>	<b>273,143</b>	<b>193,284</b>	<b>266,160</b>

The caption "Interest rate risk hedging contracts" refers to the notional value of Euro 80,000 thousand of the two contracts stipulated and to the charge of Euro 1,238 thousand to be borne in future periods, calculated on the basis of the interest rate curve foreseen at the end of the half-year.

As of June 30, 2003, sureties given in favour of subsidiaries amounted to Euro 176,121 thousand and covered liabilities with a residual value of Euro 111,999 thousand.

The caption "Commitments for the purchase of equity investments" represents the commitment to purchase by June 30, 2008 the residual 20% of the investment in Allevard Springs USA Inc. held by SIMEST S.p.A., as already discussed in the explanatory notes to the 2002 financial statements.

## INFORMATION ON THE STATEMENT OF INCOME

### A) VALUE OF PRODUCTION

#### *Revenues from the sale of goods and services*

These are analyzed as follows:

(in thousands of euro)	<i>Ist half 2003</i>	<i>Ist half 2002</i>	<i>Year 2002</i>
Royalties, business consulting and assistance to filtration division companies	793	786	1,561
Business consulting and assistance:			
- suspension components division companies	504	402	1,100
- Filtrauto S.A.	250	-	-
- Ansa Automotive Parts Distributors Inc.	-	80	133
Leased premises:			
- Sogefi Filtration S.p.A.	282	288	577
- Sidergarda Mollificio Bresciano S.r.l.	690	677	1,353
<b>TOTAL</b>	<b>2,519</b>	<b>2,233</b>	<b>4,724</b>

#### *Other revenues and income*

These include the recovery of expenses incurred for subsidiaries for Euro 20 thousand.

The most significant change compared with the first half of 2002 and December 31, 2002 is due to the booking in 2002 of the capital gain of Euro 2,304 thousand on the sale of an industrial building in January 2002.

### B) PRODUCTION COSTS

During the first half of 2003, services received included Euro 808 thousand for administrative, financial, tax-related and corporate services provided by the parent company.

## C) FINANCIAL INCOME AND EXPENSES

### *Income from equity investments*

This caption is analyzed as follows:

(in thousands of euro)	<i>1st half 2003</i>	<i>1st half 2002</i>	<i>Year 2002</i>
Dividends from subsidiaries:			
- Sogefi Filtration S.p.A.	12,429	11,430	11,430
- Rejna S.p.A.	479	2,395	2,395
- Luhn & Pulvermacher-Dittmann & Neuhaus GmbH	1,500	1,500	2,700
- Sidergarda Mollificio Bresciano S.r.l.	-	500	500
- Filtrauto S.A.	2,398	-	-
- Allevard Rejna Autosuspensions S.A.	3,991	514	514
- Ansa Automotive Parts Distributors Inc.	-	301	302
Tax credit ("avoir fiscal") on foreign dividends	1,597	129	129
Tax credits on dividends	7,261	8,058	8,057
Gain on the disposal of Ansa Automotive Parts Distributors Inc.	-	-	939
<b>TOTAL</b>	<b>29,655</b>	<b>24,827</b>	<b>26,966</b>

The statements of income reflects all dividends declared and collected during the first half of 2003 and the first half of 2002, together with the related tax credits.

In order to make the 2003 balance comparable with that of 2002, when tax credits on dividends were classified in this caption only to the extent that they exceeded the amount of income taxes, the prior year figures have been reclassified.

### *Other financial income*

In detail:

(in thousands of euro)	<i>1st half 2003</i>	<i>1st half 2002</i>	<i>Year 2002</i>
Income from repurchase agreements	152	40	128
Interest from banks	28	32	77
Interest from subsidiaries	1,467	1,973	3,874
Miscellaneous financial income	1	1	2
Exchange gains and income from exchange-rate hedging contracts	45	-	1
<b>TOTAL</b>	<b>1,693</b>	<b>2,046</b>	<b>4,082</b>

## ***Interest and other financial charges***

As follows:

(in thousands of euro)	<i>1st half 2003</i>	<i>1st half 2002</i>	<i>Year 2002</i>
Interest expense on the Sogefi bond loan of Euro 80,000,000	1,452	1,716	3,460
Interest expense on syndicated loan	1,430	1,601	3,336
Interest expense on Banca Carige S.p.A. loan	4	-	-
Issue discount on Sogefi bond loan of Euro 80,000,000	34	34	70
Interest on bank overdrafts	-	1	2
Interest rate risk (IRS) hedging charges	126	-	-
Interest due to tax authorities	5	-	-
Exchange losses and cost of hedging exchange risks	183	-	153
Bank commissions and fees	55	67	64
Expenses for financial services	6	2	4
Commission on financial transactions	-	-	118
<b>TOTAL</b>	<b>3,295</b>	<b>3,421</b>	<b>7,207</b>

## **D) ADJUSTMENTS TO THE VALUE OF FINANCIAL ASSETS**

### ***Writedowns***

The equity investment in Kingdragon.it S.p.A. as of June 30, 2003 was written down by Euro 500 thousand because of the amounts paid in during the period to cover losses; at the same time, an equivalent amount was reversed out of the allowance for risks and charges set aside in the 2002 financial statements.

## **E) EXTRAORDINARY INCOME AND EXPENSES**

### ***Expenses***

Of these, Euro 1,393 thousand represent the cost incurred by the Company during the period to settle outstanding disputes under art. 16 of Law 289, December 27, 2002 concerning tax assessments received in connection with a beneficial interest transaction.

## **INCOME TAXES**

This caption includes current and deferred taxes for the period.

## **OTHER INFORMATION**

Sogefi S.p.A. had an average of 23 employees during the first half of 2003.

# **SOGEFI S.P.A.**

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

**MANTUA FIRMS REGISTER No. 00607460201**

**\*\*\* \*\*\*\*\* \*\*\***

## **OBSERVATIONS OF THE BOARD OF STATUTORY AUDITORS ON THE REPORT OF THE BOARD OF DIRECTORS ON GROUP OPERATIONS FOR THE FIRST HALF OF 2003**

We acknowledge that we received the report on operations during the first half of 2003, prepared and approved by the Board of Directors on July 25, 2003, in compliance with the deadline provided for in Art. 2428,3 of the Civil Code, and that we have carried out appropriate audit checks.

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

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

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

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

Mantua, July 29, 2003.

**The Board of Statutory Auditors**

## AUDITORS' REPORT ON THE LIMITED REVIEW OF SOGEFI SpA's INTERIM FINANCIAL REPORTING FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2003

To the shareholders of  
*SOGEFI S.P.A.*  
Mantua

1. We have performed a limited review of the interim financial reporting of *SOGEFI S.P.A.* for the six-month period ended 30 June 2003, consisting of balance sheet, income statement and related notes, both for the holding company and consolidated. Furthermore, we have reviewed those of the notes containing management discussion and analysis only for the purpose of verifying their consistency with other information in the interim financial reporting.

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

3. As for the comparative amounts relating to the Company's financial statements and consolidated financial statements of the prior year and to the interim financial reporting for the corresponding period of the previous year, reference is made to our reports dated 18 March 2003 and 26 July 2002, respectively.

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

Milan, 28 July 2003

PricewaterhouseCoopers SpA

Ezio Bassi  
(Partner)

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