

SOGEFI GROUP

**REPORT OF THE BOARD OF DIRECTORS
ON GROUP OPERATIONS
AS OF SEPTEMBER 30, 2003**

During the third quarter of 2003 there was little or no change in the stagnant state of international automotive markets which has characterized not just the last two years, but also the current one.

New vehicle registrations in Europe saw a 1.4% decrease at the end of September compared with the same period in 2002. Among the principal markets, France is again the one that has fallen the most (-7.2%), though the sales trend is also negative in Germany (-0.4%) and in less important markets such as Portugal (-20%) and Benelux (-5.5%), while it has been positive in Italy (+1.7%), Spain (+1.8%) and the UK (+0.5%).

The contraction in auto sales has also continued on the Brazilian market, while the European industrial vehicles market is still in difficulty.

Volumes on the independent aftermarket for spare parts remained stable compared with the first half, while over the nine months they have fallen by around 2% on the previous year.

Even though the pound and the Brazilian real have recovered in recent months, their devaluation against the euro still has a diluting effect on the results for the first nine months of the year compared with the same period last year.

In the first nine months of 2003 the Group produced consolidated revenues of 671.9 million Euro, down 1.8 % compared with 683.9 million in the same period of 2002. At the same exchange rates, sales would have been 697.8 million (+2%), while based on the same scope of consolidation and constant exchange rates, sales would have increased by 3.2%, confirming the original equipment sector's increase in market share.

In the third quarter of 2003 sales came to 214.5 million Euro, growth of 3.1% on 207.9 million in the previous period.

In the third quarter, operating profitability as a percentage of Group sales improved compared with the first six months of the year, but in the nine months there has been a modest decline on the previous year, mainly due to the negative trend on the part of companies operating in the Italian original equipment market (REJNA and SIDERGARDA MOLLIFICIO BRESCIANO), a deterioration in the margins earned by the South American activities and by the precision springs segment.

In the first nine months of the current year, consolidated gross operating margin (EBITDA) came to 95.6 million Euro (14.2% of sales), versus 98.8 million (14.5% of sales) in the same period of 2002.

Consolidated operating income (EBIT) amounted to 56.9 million Euro compared with 59.6 million, while as a percentage of sales it has decreased from 8.7% to 8.5%, similar to what it was for the whole of 2002.

The quarter, on the other hand, turned in consolidated operating income of 18.6 million Euro (8.8% of sales) an increase on the 17.7 million (8.5% of sales) made in the corresponding period of 2002.

Income before taxes and minority interests declined slightly (-1.3%) with respect to the first nine months of 2002, coming in at 43.6 million Euro (44.1 million in the same period last year).

This result benefited from a capital gain of 0.4 million U.S. Dollars due to the sale of the 50% interest in FIAMM-SOGEFI BUZINAS Ltda of Sao Paulo (Brazil), a manufacturer of acoustic warning devices which is a business that is no longer considered strategic. This capital gain is equal to the entire value of the transaction, as the book value of the investment was written off in the 2002 financial statements.

Income before taxation was influenced by lower financial expenses, by the elimination of allowances for risks and charges of 1.7 million no longer considered necessary and by an increase in the provision for risks of 1.2 million in Rejna S.p.A. because of a dispute with a transport company. New restructuring reserves of 4.4 million were also provided for.

Consolidated net income in the nine months came to 22.8 million Euro, an improvement of 17.1% on the previous year's 19.4 million. As a percentage of sales it has gone from 2.8% in the first nine months of 2002 to 3.4%.

In the quarter from July to September, the Group made net income of 7 million, an increase of 81.6% compared with 3.8 million in the same period last year, which was also adversely affected by the application of accounting principle IAS 29 to the Argentine companies, which was subsequently no longer necessary.

At the end of September, consolidated shareholders' equity amounted to 193.9 million Euro versus 193.2 million at September 30, 2002 and 187.9 million at December 31, 2002, while total shareholders' equity, including minority interests, totalled 207.9 million, compared with 205.3 million twelve months earlier and 200.4 million at December 31, 2002.

Net financial indebtedness at September 30, 2003 amounted to 247.1 million Euro, a reduction compared with 265.5 million Euro at September 30, 2002 and an increase on 241.5 million Euro at December 31, 2002.

At the end of the period, the Group had 6,686 employees (including 102 on state redundancy benefits following the definitive closure of the Castelfranco Veneto plant), 459 fewer compared with 7,145 a year earlier and 17 fewer than the 6,703 at 31 December 2002.

PERFORMANCE OF THE FILTRATION DIVISION

Compared with the first half, recent months have seen a slower decline in aftermarket sales, though the turnover of the filtration division is still 2.3% down on the previous year. The division's consolidated revenues reached Euro 371.6 million Euro (391.3 million at constant exchange rates) with respect to 380.3 million in the first nine months of 2002. The only business unit that saw sales grow was FILTRAUTO, with a 3.1% improvement to 201.5 million compared with 195.5 million last year; this offsets lower sales at SOGEFI FILTRATION EUROPA and SOGEFI FILTRATION SUDAMERICA, which turned in 140.3 million and 34.1 million respectively, penalized by their exchange rates, compared with 145.4 million and 40.6 million in the first nine months of last year.

In any case, the division's results for the period are fairly similar to last year's, with consolidated gross operating margin (EBITDA) of 54.1 million (55 million in 2002) and consolidated operating income (EBIT) of 37.7 million (37.9 million in 2002), which as a percentage of sales is 14.6% for EBITDA (previously 14.5%) and 10.2% for EBIT (10% in 2002).

FILTRAUTO benefited from the effects of the reorganization, improving its operating profitability to 20.6 million euro (10.2% of sales) compared with 17.6 million (9% of sales) in the same period last year.

SOGEFI FILTRATION EUROPA saw its net operating income fall to 14.4 million euro (10.3% of sales) from 15.6 million of the first nine months of 2002 (10.7% of sales). In July, work ceased at the Castelfranco Veneto plant, while the transfer of the UK plant at Abergavenny to the new site at Tradegar is nearing completion.

SOGEFI FILTRATION SUDAMERICA experienced a deterioration in its profitability, in particular because of the difficulties of the Brazilian company to recharge price increases on imported raw materials to original equipment customers. Net operating income came to 2.7 million Euro versus 4.6 million in 2002, also due to the real/euro exchange rate, with a decrease to 8% of sales compared with 11.4%.

PERFORMANCE OF THE SUSPENSION COMPONENTS AND PRECISION SPRINGS DIVISION

Growth in the Group's market share in the suspension components business made it possible to improve the level of sales by 1.5% compared with 2002, despite generally negative market trends.

Consolidated net sales amounted to 298.7 million Euro (304.3 million at constant exchange rates) compared with 294.4 million in the first nine months of 2002. The industrial vehicles segment saw its sales rise (mainly on the German market) to 71.8 million from 67.9 million, while the auto sector maintained constant revenues at 227.9 million versus 227.4 million in the previous period.

The decline in the auto sector's profitability resulted in a deterioration for the whole division. Consolidated gross operating margin came to 43.6 million Euro compared with 45 million in the first nine months of 2002, and operating income amounted to 25 million versus 26.9 million. As a percentage of sales EBITDA went from 15.3% to 14.6%, while EBIT went from 9.1% to 8.4%.

The Group's operations in the auto sector, which are carried out through ALLEVARD REJNA AUTOSUSPENSIONS (ARA), were affected - as mentioned previously - by problems encountered in certain companies (REJNA, which operates on the Italian

market, and LIGGETT, which operates on the Argentine market), as well as by falling prices and lower margins in the precision springs business. Partly due to an increase in R&D expenditure, ARA made a lower level of net operating income at 19.8 million versus 22.8 million in the first nine months of 2002, falling as a percentage of sales from 10% to 8.7%.

Construction work is nearing completion at the industrial building in Prichard (West Virginia) where the production activity of ALLEVARD SPRINGS U.S.A. (ASUSA) will commence in the spring of 2004, once the plant and machinery have been installed. To date, this project is running in line with schedule in terms of both cost and completion time.

On the other hand, the operating profitability of the industrial vehicles sector improved, coming in at 4.9 million (6.8% of sales) on 3.6 million (5.3% of sales) in the first nine months of 2002. This was largely thanks to the excellent results achieved by LPDN (Germany), whereas the results of the Italian company SIDERGARDA MOLLIFICIO BRESCIANO continue to be unsatisfactory, essentially because of inadequate margins on the work performed for Italy's main producer of industrial vehicles.

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

In the first nine months of the year Sogefi S.p.A. generated net income of 16.8 million Euro, an increase of 18.2% compared with 14.2 million in the same period of 2002, thanks to higher dividend income.

Significant trend reversals are not expected in the latter part of the year, so it is likely that the performance achieved to date in terms of sales and operating profitability will be confirmed at the end of the year. Management will continue to focus on a further reduction in Group debt during the next months, helped by the sale of one of the two buildings no longer used for manufacturing purposes (Abergavenny and Castelfranco Veneto), as well as by measures to reduce working capital.

ACCOUNTING SCHEDULES

RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME FOR THE FIRST NINE MONTHS OF THE YEAR

(in thousands of Euro)	Period 1.1 - 9.30.2003		Period 1.1 - 9.30.2002		Change	
	Amount	%	Amount	%	Amount	%
Sales revenues	671,868	100.0	683,941	100.0	(12,073)	(1.8)
Cost of production	492,390	73.3	497,159	72.7	(4,769)	(1.0)
GROSS INDUSTRIAL INCOME	179,478	26.7	186,782	27.3	(7,304)	(3.9)
Sales costs, overheads and administrative costs	122,621	18.2	127,226	18.6	(4,605)	(3.6)
OPERATING INCOME	56,857	8.5	59,556	8.7	(2,699)	(4.5)
Financial expenses, net	(8,184)	(1.2)	(12,257)	(1.8)	4,073	33.2
Miscellaneous income (expenses), net	688	0.1	(4,430)	(0.6)	5,118	115.5
Extraordinary income (expenses), net	(5,796)	(0.9)	1,273	0.2	(7,069)	(555.3)
INCOME BEFORE TAXES AND MINORITY INTERESTS	43,565	6.5	44,142	6.5	(577)	(1.3)
Income taxes	19,290	2.9	23,275	3.4	(3,985)	(17.1)
INCOME BEFORE MINORITY INTERESTS	24,275	3.6	20,867	3.1	3,408	16.3
Loss (income) attributable to minority interests	(1,503)	(0.2)	(1,424)	(0.3)	(79)	(5.5)
NET INCOME FOR THE PERIOD	22,772	3.4	19,443	2.8	3,329	17.1

NET FINANCIAL POSITION

(in thousands of Euro)	Situation as of 09.30.2003	Situation as of 06.30.2003	Situation as of 12.31.2002
Cash, banks, financial receivables and marketable securities	69,562	74,163	76,823
Medium/long term investments	9	40	46
Short term borrowings (*)	(121,804)	(140,580)	(122,397)
Medium/long term debt	(194,894)	(195,413)	(195,995)
NET FINANCIAL INDEBTEDNESS	(247,127)	(261,790)	(241,523)

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

RECLASSIFIED CONSOLIDATED STATEMENT OF INCOME FOR THE THIRD QUARTER

(in thousands of Euro)	Period 1.7 - 9.30.2003		Period 1.7 - 9.30.2002		Change	
	Amount	%	Amount	%	Amount	%
Sales revenues	214,465	100.0	207,931	100.0	6,534	3.1
Cost of production	158,564	73.9	151,643	72.9	6,921	4.6
GROSS INDUSTRIAL INCOME	55,901	26.1	56,288	27.1	(387)	(0.7)
Sales costs, overheads and administrative costs	37,322	17.3	38,588	18.6	(1,266)	(3.3)
OPERATING INCOME	18,579	8.8	17,700	8.5	879	5.0
Financial expenses, net	(3,084)	(1.5)	(4,500)	(2.2)	1,416	31.5
Miscellaneous income (expenses), net	(1,263)	(0.6)	(3,667)	(1.7)	2,404	65.6
Extraordinary income (expenses), net	(1,302)	(0.6)	1,176	0.6	(2,478)	(210.7)
INCOME BEFORE TAXES AND MINORITY INTERESTS	12,930	6.1	10,709	5.2	2,221	20.7
Income taxes	5,621	2.6	6,411	3.1	(790)	(12.3)
INCOME BEFORE MINORITY INTERESTS	7,309	3.5	4,298	2.1	3,011	70.1
Loss (income) attributable to minority interests	(356)	(0.2)	(470)	(0.3)	114	24.3
NET INCOME FOR THE PERIOD	6,953	3.3	3,828	1.8	3,125	81.6

NET FINANCIAL POSITION

(in thousands of Euro)	Situation as of 09.30.2003	Situation as of 09.30.2002
Cash, banks, financial receivables and marketable securities	69,562	66,403
Medium/long term investments	9	18
Short term borrowings (*)	(121,804)	(76,532)
Medium/long term debt	(194,894)	(255,424)
NET FINANCIAL INDEBTEDNESS	(247,127)	(265,535)

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

COMMENTS ON THE ACCOUNTING SCHEDULES

The accounting and consolidation principles used in preparing these accounting schedules are consistent with those applied to the consolidated financial statements as of December 31, 2002.

In particular, the accounting schedules do not contain estimated figures, except for the inventory provisions for obsolete or slow-moving goods, or those made to write down the face value of receivables to their estimated realizable value and to update the amount of provisions for risks and charges, based on valuation criteria and accounting methods that are consistent with those used in preparing the consolidated financial statements as of December 31, 2002.

Changes in the Group share of shareholders' equity and in total shareholders' equity were as follows:

(in thousands of Euro)	Consolidated shareholders' equity - Group	Capital and reserves pertaining to minority interests	Total Group and minority shareholders' equity
Balance as of December 31, 2002	187,866	12,537	200,403
Dividends paid to minority interests	(13,944)	(890)	(14,834)
Increase in share capital	773	-	773
Effect of translating foreign currency financial statements and other changes	(3,600)	884	(2,716)
Group net income (loss) for the period	22,772	1,503	24,275
Balances as of September 30, 2003	193,867	14,034	207,901

Sales amounted to Euro 671.9 million compared with 683.9 million in the first nine months of 2002, whereas at the same exchange rate and scope of consolidation, they would have increased by 3.2%.

The breakdown of sales by business sector is as follows:

(in millions of Euro)	Situation as of 9.30.2003		Situation as of 9.30.2002		Change
	Amount	%	Amount	%	%
Filters	371.6	55.3	380.3	55.6	(2.3)
Suspension components	298.7	44.5	294.4	43.0	1.5
Other	1.6	0.2	9.2	1.4	(82.5)
TOTAL	671.9	100.0	683.9	100.0	(1.8)

The breakdown of sales by geographical area is the following:

(in millions of Euro)	Situation as of 9.30.2003		Situation as of 9.30.2002		Change
	Amount	%	Amount	%	%
France	206.9	30.8	201.5	29.5	2.7
Italy	101.6	15.1	110.3	16.1	(7.9)
Great Britain	90.8	13.5	96.5	14.1	(5.9)
Other European countries	210.2	31.3	198.9	29.1	5.6
Rest of the world	62.4	9.3	76.7	11.2	(18.6)
TOTAL	671.9	100.0	683.9	100.0	(1.8)

Net extraordinary charges totalled 5.8 million Euro versus 1.3 million of income in the first nine months of 2002. Net expenses for the period are mainly for the restructuring and reorganization of certain activities of the filtration division and, to a lesser extent, for the suspension components division. The Italian companies also took advantage of the tax amnesty for a cost of 1.6 million euro.

At September 30, 2003 the Group had 6,686 employees compared with 6,703 at December 31, 2002 and 7,145 at September 30, 2002, broken down as follows:

	Situation as of 9.30.2003	Situation as of 12.31.2002	Situation as of 9.30.2002
Managers	108	112	113
Clerical staff	1,561	1,625	1,708
Blue collar workers	5,017	4,966	5,324
TOTAL	6,686	6,703	7,145

Milan, October 20th, 2003