

**REPORT ON GROUP OPERATIONS
AS OF SEPTEMBER 30, 2006
AND IN THE THIRD QUARTER OF THE YEAR**



SOCIETA' PER AZIONI - SHARE CAPITAL EURO 58,826,347.84
MANTUA COMPANY REGISTER AND TAX CODE 00607460201
COMPANY SUBJECT TO THE ACTIVITY AND COORDINATION OF CIR S.p.A.
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REPORT OF THE BOARD OF DIRECTORS ON GROUP OPERATIONS IN THE NINE MONTHS TO 30 SEPTEMBER 2006 AND IN THE THIRD QUARTER OF THE YEAR

There was no change in the scenario for international automotive market during the third quarter of 2006; only the South American market increased the vehicle production compared to the previous year, whereas the three main markets, North America, Europe and Japan, remained substantially flat.

During the first nine months of 2006, the European market, which is the most important one for SOGEFI, saw reduced sales at the two French car manufacturers, while FORD was in a crisis in the North American market, both factors inevitably having an impact on demand for the Group's products. Business grew, on the other hand, with the other main customers, such as FORD EUROPE, TOYOTA EUROPE and VOLKSWAGEN in the passenger cars segment and DAIMLER MERCEDES, DAF and CATERPILLAR in the industrial vehicle segment.

Consolidated revenues in the first nine months of 2006 amounted to € 765.5 million, 1.2% down on € 774.5 million in the same period of 2005.

However, a lower level of revenues did not prevent the Group from substantially improving its profitability. This was possible thanks to a favourable trend in certain raw material prices, to a greater efficiency as a result of the reorganizations carried out in 2005 and to lower restructuring charges (€ 3.3 million versus € 5.2 million the previous year).

Consolidated net operating income, which expresses the business's profitability prior to the impact of extraordinary and non-recurring events and charges, has improved by 4.6%, coming in at € 80 million (10.4% of sales) versus € 76.5 million (9.9% of sales) in the first nine months of 2005.

Consolidated EBITDA (earnings before interest, tax, depreciation and amortization) has grown by 5.5%, going from € 97.4 million (12.6% of sales) in the first nine months of 2005 to € 102.8 million (13.4% of sales) in the same period of 2006.

Consolidated EBIT (earnings before interest and tax) is up by 9.2% coming in at € 68 million (8.9% of sales) compared with € 62.2 million (8% of sales) in the first nine months of 2005.

Income before taxes and minority interests amounted to € 62.1 million, 15.7% up on € 53.7 million in the first nine months of 2005.

Consolidated net income has increased by 17.7% to € 39.3 million (5.1% of sales) compared with € 33.4 million (4.3% of sales) in the corresponding period of 2005 as a result of a lower incidence of tax and despite an increase in minority interests compared with the previous year.

Total net equity, including minority interests, at September 30, 2006 came to € 284 million, an increase on € 248.9 million at September 30, 2005 and on € 261.3 at the end of 2005.

Consolidated net equity at September 30, 2006 was € 268.5 million, 14% up on € 235.5 million at September 30, 2005 and on € 246.9 million at December 31, 2005.

During the period, the Group confirmed its high capacity for generating cash with a 24.4% reduction in **net financial position** in the last twelve months, going from € 190.6 million at September 30, 2005 to € 144.1 million at September 30, 2006; at December 31, 2005 it amounted to € 167.3 million.

The Group's workforce has fallen by 163 people (-2.6%) and at September 30, 2006 there were 6,148 employees, compared with 6,311 twelve months earlier and 6,171 at December 31, 2005.

RESULTS OF THE FILTRATION DIVISION

Compared with the first six months of the year, third quarter 2006 saw a recovery in the level of sales, which made it possible to limit to 0.2% the decline in sales compared with the first nine months of 2005. The difficulties in the Italian and Spanish aftermarket remain and so does the contraction in original equipment (OEM) and original equipment spares (OES) business with RENAULT and PEUGEOT.

Consolidated revenues by this division came to € 392.4 million euro, compared with € 393.3 million in the same period of 2005.

Lower sales in the more profitable independent aftermarket led to a slight drop in **consolidated operating income**, which came in at € 42.5 million compared with € 43 million in the first nine months of 2005. The return on sales went down slightly from 10.9% to 10.8%.

EBIT and EBITDA are up, mainly because of lower restructuring costs and higher non-recurring income from the disposal of a plant in Spain. **Consolidated EBITDA** amounts to € 52.8 million (13.5% of sales), whereas it was € 51.1 million (13% of sales) in the same period of 2005; **consolidated EBIT** comes to € 39.1 million (10% of sales) compared with € 37.2 million (9.5% of sales) in the first nine months of the previous year.

The third quarter saw completion of the transfer of operations in Catalonia from the previous location to a more modern and functional plant that was inaugurated in September. Construction also began on a new plant in Shanghai, which will start up production by the end of the current year with a view to serving the Chinese original equipment market and independent aftermarket.

PERFORMANCE OF THE SUSPENSION COMPONENTS AND PRECISION SPRINGS DIVISION

Lower demand from FORD in the United States and from PSA and RENAULT in Europe led to a 6.1% drop in the division's turnover in the third quarter. The division's **consolidated revenues** in the first nine months of 2006 came to € 373.1 million, 2.1% down on € 381.2 million in the same period of 2005.

Despite the decline in volumes, the division's profitability has improved thanks to better results on the part of the Italian company and the precision springs operations following the success of the reorganization measures that have been taken. It also benefited from the € 2.3 million insurance reimbursement received by the Spanish subsidiary for the compensation paid to a customer in 2005 for problems of product quality.

Consolidated operating income has risen to € 39.4 million (10.6% of sales) compared with € 35.1 million (9.2% of sales) in the first nine months of 2005, despite worse results on the part of the American company because of the hefty drop in volumes required by FORD.

EBITDA and **EBIT** have also improved, rising by 5.5% and 10.6% respectively.

Consolidated EBITDA amounted to € 51.8 million compared with € 49.1 million in the first nine months of 2005 with revenues going from 12.9% to 13.9%, while **consolidated EBIT** came to € 31.3 million (8.4% of sales) compared with € 28.3 million (7.4% of sales) in the first nine months of 2005.

The reorganizations currently in progress were almost completed during the period: in Italy, concentration of production for the industrial vehicle sector at the Raffa location with consequent closure of the S. Felice del Benaco plant; in Great Britain, closure of the West Bromwich plant devoted to precision springs and in France, the shutdown of a production line for springs and shock absorbers at Douai.

PERFORMANCE OF THE PARENT COMPANY SOGEFI SPA

In the first nine months of 2006, the Parent Company net income came to € 22.7 million, substantially in line with € 22.8 million in the same period last year. Given fewer dividends from subsidiaries, it benefited from lower finance charges thanks to a lower level of debt and the fact that the centralized treasury function is now up and running, as well as the recovery of withholding tax on prior year dividends paid by the French subsidiaries.

As regards strengthening the Company's financial structure, two loan contracts were signed in September for a total of € 150 million with a duration of 5 years, an option to extend them for another 2 years and pre-amortization of 30 months. Part of this funding will be used to repay a 5-year syndicated loan of € 80 million that falls due this coming December.

PERFORMANCE IN THE THIRD QUARTER OF 2006

The third quarter saw a 2.7% decrease in revenues compared with the same period of the previous year, however less than in the second quarter when they fell by 4.8%. **Consolidated revenues** amounted to € 232.5 million compared with € 239.1 million in the third quarter of 2005, with a slight improvement from € 123.4 million to € 123.9 million for the Filtration Division and a reduction from € 115.7 million to € 108.7 million for the Suspension Components Division. The decline in revenues did not make it possible to maintain the same level of operating income as in 2005, but it did not prevent a further improvement in net income.

Consolidated operating income came to € 25.4 million compared with € 26.4 million in third quarter 2005, with an incidence on revenues that, even going down from 11.1% to 10.9%, was still higher than the previous half-year. The Filtration Division made operating income of € 13.9 million (11.2% of sales) compared with € 14.7 million (11.9% of sales) in the third quarter of 2005, while the Suspension Components Division made operating income of € 11.9 million compared with € 12.1 million in the third quarter of 2005, improving as a percentage of sales from 10.5% to 11%.

Consolidated EBITDA came to € 32.6 million (14% of sales), compared with € 33.2 million (13.9% of sales) in third quarter 2005. The EBITDA of the Filtration Division went from € 17.6 million to € 16.5 million; that of the Suspension Components Division from € 16.6 million to € 16 million.

There was a similar trend in **consolidated EBIT**, which amounted to € 22.3 million, down on € 22.7 million in third quarter 2005, whereas it is up slightly as a percentage of sales from 9.5% to 9.6%.

Consolidated net income improved during the quarter under review, coming in at € 11.9 million (5.1% of sales) having been € 11.4 million (4.8% of sales) in third quarter 2005.

The reduction in **net financial position** during the quarter amounted to € 12.1 million (- 7.7%).

OUTLOOK FOR THE REST OF THE YEAR

It's not likely there will be an increase in business volumes during the last three months of the year as the lasting problems with the European and North American markets will probably be unresolved. Moreover, given that the main cost factors are not expected to change radically and the steps being taken to optimize profitability are due to continue, it is reasonable to say that, despite the fact that the current sales situation is not particularly favourable, the results for the whole of the year should be better than last year.

CONSOLIDATED BALANCE SHEET

(in millions of euro)

ASSETS	09.30.2006	12.31.2005
CURRENT ASSETS		
Cash and cash equivalents	65.8	55.4
Securities and financial assets held for trading	0.2	2.1
Current portion of long term financial assets	-	-
<i>Working capital</i>		
Inventories	115.2	107.8
Trade receivables	226.0	232.8
Other receivables	6.8	4.3
Receivables from tax authorities	12.9	13.8
Other current assets	3.3	2.4
<i>TOTAL WORKING CAPITAL</i>	364.2	361.1
TOTAL CURRENT ASSETS	430.2	418.6
NON-CURRENT ASSETS		
FIXED ASSETS		
Land	15.7	16.0
Property, plant and equipment	233.2	239.2
Other tangible fixed assets	4.4	4.7
<i>of which: leasing</i>	14.7	19.6
Intangible assets	116.0	113.9
TOTAL FIXED ASSETS	369.3	373.8
OTHER NON-CURRENT ASSETS		
Equity investments in associated companies	0.3	3.4
Other financial assets available for sale	0.4	0.4
Long term trade receivables	-	-
Other receivables	5.7	3.5
Deferred tax assets	25.4	26.8
TOTAL OTHER NON-CURRENT ASSETS	31.8	34.1
TOTAL NON-CURRENT ASSETS	401.1	407.9
NON-CURRENT ASSETS HELD FOR SALE	2.6	-
TOTAL ASSETS	833.9	826.5

LIABILITIES AND EQUITY	09.30.2006	12.31.2005
CURRENT LIABILITIES		
Current bank overdrafts	4.1	26.4
Current portion of long term financial debt and other loans	110.8	93.9
<i>of which: leasing</i>	1.2	1.2
TOTAL SHORT TERM FINANCIAL DEBT	114.9	120.3
Other short term liabilities for cash flow hedges	-	-
TOTAL SHORT TERM FINANCIAL DEBT AND CASH FLOW HEDGES	114.9	120.3
Trade and other payables	226.0	224.1
Tax payables	11.1	7.9
Other current liabilities	3.1	2.6
TOTAL CURRENT LIABILITIES	355.1	354.9
NON-CURRENT LIABILITIES		
MEDIUM/LONG TERM FINANCIAL DEBT AND CASH FLOW HEDGES		
Financial debt to bank	75.4	83.6
Other medium/long term financial debts	19.6	20.7
<i>of which: leasing</i>	15.9	17.2
TOTAL MEDIUM/LONG TERM FINANCIAL DEBT	95.0	104.3
Other medium/long term financial liabilities for cash flow hedges	0.2	0.1
TOTAL MEDIUM/LONG TERM FINANCIAL DEBT AND CASH FLOW HEDGES	95.2	104.4
OTHER LONG TERM LIABILITIES		
Long term provisions	75.4	83.9
Other long term payables	-	-
Deferred taxation	24.2	22.0
TOTAL OTHER LONG TERM LIABILITIES	99.6	105.9
TOTAL NON-CURRENT LIABILITIES	194.8	210.3
SHAREHOLDERS' EQUITY		
Share capital	58.8	58.3
Reserves and retained earnings (accumulated losses)	170.4	143.9
Net income (loss) for the period	39.3	44.7
TOTAL SHAREHOLDERS' EQUITY ATTRIBUTABLE TO THE PARENT COMPANY	268.5	246.9
Minority interests	15.5	14.4
TOTAL SHAREHOLDERS' EQUITY	284.0	261.3
TOTAL LIABILITIES AND EQUITY	833.9	826.5

CONSOLIDATED INCOME STATEMENT FROM 1.1.2006 TO 09.30.2006

(in millions of euro)

	Period 01.01-09.30.2006		Period 01.01-09.30.2005		Variation	
	Amount	%	Amount	%	Amount	%
Sales revenues	765.5	100.0	774.5	100.0	(9.0)	(1.2)
Variable cost of sales	488.3	63.8	500.6	64.6	(12.3)	(2.5)
CONTRIBUTION MARGIN	277.2	36.2	273.9	35.4	3.3	1.2
Manufacturing and R&D overheads	87.3	11.4	87.0	11.2	0.3	0.4
Depreciation and amortization	34.8	4.5	35.2	4.5	(0.4)	(1.1)
Distribution and sales fixed expenses	28.5	3.7	29.4	3.8	(0.9)	(3.2)
Administrative and general expenses	46.6	6.2	45.8	6.0	0.8	1.8
OPERATING INCOME	80.0	10.4	76.5	9.9	3.5	4.6
Restructuring costs	3.3	0.4	5.2	0.7	(1.9)	(37.0)
Losses (gains) on disposal	(3.8)	(0.5)	(0.1)	-	(3.7)	-
Exchange (gains) losses	0.6	0.1	(0.3)	-	0.9	314.9
Other non-operating expenses (income)	11.9	1.5	9.5	1.2	2.4	27.1
EBIT	68.0	8.9	62.2	8.0	5.8	9.2
Financial expenses (income), net	7.7	1.0	8.4	1.1	(0.7)	(9.7)
Losses (gains) from equity investments	(1.8)	(0.2)	0.1	-	(1.9)	-
INCOME BEFORE TAXES AND MINORITY INTERESTS	62.1	8.1	53.7	6.9	8.4	15.7
Income taxes for the period	20.9	2.7	20.0	2.5	0.9	4.5
NET INCOME BEFORE MINORITY INTERESTS	41.2	5.4	33.7	4.4	7.5	22.2
Loss (income) attributable to minority interests	(1.9)	(0.3)	(0.3)	(0.1)	(1.6)	(441.1)
GROUP NET INCOME FOR THE PERIOD	39.3	5.1	33.4	4.3	5.9	17.7

SOGEFI GROUP NET FINANCIAL POSITION

(in millions of euro)

	Position as 09.30.2006	Position as 12.31.2006	Position as 09.30.2005
A. Cash and banks	65.8	55.4	56.9
B. Securities and other liquid funds	-	-	-
C. Financial instruments held for trading	0.2	2.1	9.4
D. Liquid funds (A) + (B) + (C)	66.0	57.5	66.3
E. Current financial receivables	-	-	0.1
F. Current bank overdrafts	(4.1)	(11.5)	(3.8)
G. Current portion of non-current indebtedness	(110.8)	(108.9)	(90.4)
H. Other current financial payables	-	-	-
I. Current financial indebtedness (F) + (G) + (H)	(114.9)	(120.4)	(94.2)
J. Net current financial position (I) + (E) + (D)	(48.9)	(62.9)	(27.8)
K. Non-current financial debt to banks	(79.3)	(87.2)	(144.5)
L. Bonds issued	-	-	-
M. Other non-current financial debts	(15.9)	(17.2)	(18.3)
N. Non-current financial indebtedness (K) + (L) + (M)	(95.2)	(104.4)	(162.8)
O. Net financial position (J) + (N)	(144.1)	(167.3)	(190.6)

CONSOLIDATED INCOME STATEMENT FOR THE THIRD QUARTER OF 2006

(in millions of euro)

	Period		Period		Variation	
	07.01-09.30.2006		07.01-09.30.2005			
	Amount	%	Amount	%	Amount	%
Sales revenues	232.5	100.0	239.1	100.0	(6.6)	(2.7)
Variable cost of sales	146.8	63.2	151.4	63.3	(4.6)	(3.0)
CONTRIBUTION MARGIN	85.7	36.8	87.7	36.7	(2.0)	(2.4)
Manufacturing and R&D overheads	26.8	11.5	27.1	11.3	(0.3)	(1.2)
Depreciation and amortization	10.3	4.4	10.5	4.4	(0.2)	(2.4)
Distribution and sales fixed expenses	8.8	3.8	9.3	3.9	(0.5)	(5.4)
Administrative and general expenses	14.4	6.2	14.4	6.0	-	-
OPERATING INCOME	25.4	10.9	26.4	11.1	(1.0)	(3.9)
Restructuring costs	0.2	0.1	0.1	0.1	0.1	93.5
Losses (gains) on disposal	-	-	(0.1)	-	0.1	89.0
Exchange (gains) losses	0.2	0.1	0.5	0.2	(0.3)	(67.7)
Other non-operating expenses (income)	2.7	1.1	3.2	1.3	(0.5)	(12.3)
EBIT	22.3	9.6	22.7	9.5	(0.4)	(2.2)
Financial expenses (income), net	2.5	1.1	2.8	1.2	(0.3)	(10.8)
Losses (gains) from equity investments	-	-	-	-	-	-
INCOME BEFORE TAXES AND MINORITY INTERESTS	19.8	8.5	19.9	8.3	(0.1)	(0.8)
Income taxes for the period	6.7	2.9	8.1	3.4	(1.4)	(17.2)
NET INCOME BEFORE MINORITY INTERESTS	13.1	5.6	11.8	4.9	1.3	10.4
Loss (income) attributable to minority interests	(1.2)	(0.5)	(0.4)	(0.1)	(0.8)	(163.3)
GROUP NET INCOME FOR THE PERIOD	11.9	5.1	11.4	4.8	0.5	4.4

EXPLANATORY NOTES

1. INTRODUCTION

The consolidated financial statements as at September 30, 2006, unaudited, have been prepared in accordance with International Financial Reporting Standards (IFRS) and to this end the financial statement figures of the Group companies included in the consolidation have been suitably reclassified and adjusted.

The report has been prepared in accordance with art. 82 of the Issuers' Regulations no. 11971/1999 (as amended by Consob resolution no. 14990 of April 14, 2005) and with Attachment 3D of the Regulations. Therefore, the international accounting standard applicable to interim accounts (IAS 34 "Interim Financial Reporting") has not been adopted in preparing this report.

2. CONSOLIDATION POLICIES

The consolidation is on a line-by-line basis. The principles adopted for the application of this method are the same as those used at December 31, 2005.

3. ACCOUNTING PRINCIPLES

The accounting principles adopted in the preparation of the financial statements as at September 30, 2006 are consistent with those applied in the financial statements as at December 31, 2005.

COMMENTS ON THE ACCOUNTING SCHEDULES

Changes in the Group share of shareholders' equity and in total shareholders' equity in the third quarter 2006 were as follows:

(in millions of Euro)	Consolidated shareholders' equity of the Group	Minority interests	Total
Balances at 12.31.2006	246.9	14.4	261.3
Share Capital increase	2.3	-	-
Dividends	(19.5)	(1.0)	(20.5)
Exchange differences arising on conversion and other variations	(0.5)	0.2	(0.3)
Net income of the period	39.3	1.9	41.2
Balances at 09.30.2006	268.5	15.5	284.0

Net sales totalled € 765.5 million compared with € 774.5 million in the previous period of 2005.

The breakdown of revenues by business sector is as follows:

(in millions of Euro)	Position as of 09.30.2006		Position as of 09.30.2005		Variation	
	Amount	%	Amount	%	Amount	%
Suspension components and precision springs	373.1	48.7	381.2	49.2	(8.1)	(2.1)
Filters	392.4	51.3	393.3	50.8	(0.9)	(0.2)
TOTAL	765.5	100.0	774.5	100.0	(9.0)	(1.2)

The breakdown of revenues by geographical area is as follows:

(in millions of Euro)	Position as of 09.30.2006		Position as of 09.30.2005		Variation	
	Amount	%	Amount	%	Amount	%
France	202.7	26.5	222.7	28.8	(20.0)	(9.0)
Germany	100.3	13.1	95.6	12.3	4.7	4.9
Great Britain	94.8	12.4	95.0	12.3	(0.2)	(0.2)
Italy	75.1	9.8	83.9	10.8	(8.8)	(10.5)
Spain	52.2	6.8	50.0	6.5	2.2	4.6
Benelux	49.0	6.4	48.1	6.2	0.9	1.8
Other European countries	70.1	9.2	63.6	8.2	6.5	10.3
Mercosur	92.0	12.0	82.8	10.7	9.2	11.1
United States	18.8	2.5	23.9	3.1	(5.1)	(21.6)
China	2.6	0.3	3.2	0.4	(0.6)	(21.8)
Rest of the World	7.9	1.0	5.7	0.7	2.2	41.0
TOTAL	765.5	100.0	774.5	100.0	(9.0)	(1.2)

At September 30, 2006 the Group had 6,148 employees compared with 6,171 at December 31, 2005 and 6,311 at September 30, 2005, broken down as follows:

	Position as of 09.30.2006	Position as of 12.31.2005	Position as of 09.30.2005
Managers	87	92	96
Clerical staff	1380	1421	1447
Blue collar workers	4681	4658	4768
TOTAL	6148	6171	6311

Milan, October 19, 2006

THE BOARD OF DIRECTORS