



PRESS RELEASE

**SOGEFI GROUP: PROFITABILITY IN STRONG PROGRESS  
IN A DIFFICULT MARKET**

**Consolidated results for the first half 2005**  
**(under accounting principles IAS/IFRS)**

*Revenues € 535,4 million (+8.1%)*

*EBITDA € 64,2 million (+13.1%)*

*EBIT € 39,5 million (+21.3%)*

*Net Income € 22 million (+68.5%)*

*Net Financial Indebtedness € 214,4 million (-14.8% compared with 30 June 2004)*

The Board of Directors of Sogefi S.p.A. met today in Milan under the chairmanship of Mr. Rodolfo De Benedetti and approved the report on the Group's activity as of 30 June 2005.

In the first half 2005 the Sogefi Group kept increasing its activities, reporting a further improvement of economic results in spite of the negative situation in the European automotive market and the continuous rise in steel prices.

The significant progress in revenues and profitability took place thanks to the good evolution of demand in South-American countries and to the strong progress of suspension components for industrial vehicles (in particular the new stabilizer bars *stabilinks*), which have been started being supplied to the American manufacturer Paccar, and to the transfer on selling prices of most of the increased costs of steel.

**Consolidated revenues** for the first half 2005 amounted to € 535.4 million, an increase of 8.1% compared with € 495.3 million in the first half 2004 due to the contribution of the American subsidiary Allevard Springs U.S.A. Inc., not yet operating in the first half of 2004. Growth was substantially achieved by the suspension components Division, while the filtration Division recorded a slight progress.

**Consolidated EBITDA** in the first six months of 2005 was of € 64.2 million (12% on sales), growing by 13.1% compared with € 56.8 million (11.5% on sales) in the same period of the previous year, also thanks to the full effect of the benefits deriving from industrial and corporate reorganizations carried out in 2004.

**Consolidated EBIT** amounted to € 39.5 million (7.4% on sales), an increase of 21.3% on € 32.6 million in the first six months of 2004 (6.6% on sales).

This result has been penalized by a provision of € 8.9 million for already planned industrial reorganizations to be carried out in the next months and to face a possible legal dispute versus a European customer.

The result in 2004 had also been influenced by reorganization charges worth € 6.7 million as well as start-up costs of the American subsidiary Allevard Springs USA Inc. for € 3.3 million.

In the first semester 2005 **income before taxes and minority interests** was of € 33.8 million, rising by 19.9% compared with €28.2 million in the same period of 2004.

**Consolidated net income** was of € 22 million (4.1% on sales), with an increase of 68.5% on € 13.1 million in the first six months of 2004 (2.6% on sales).

The Sogefi Group's **net financial indebtedness** as of 30 June 2005 totalled € 214.4 million, in reduction compared with € 251.7 million as of 30 June 2004 and rising on the € 204 million as of 31 December 2004, after payment of dividends and taxes.

**Shareholders' equity**, included minority interests, was of € 235.5 million as of 30 June 2005, rising over both € 208.1 million as of 30 June 2004 and € 224.5 million as of 31 December 2004.

**Consolidated net equity** was of € 221.2 million as of 30 June 2005, improving over € 193.8 million as of 30 June 2004 and € 210.3 million as of 31 December 2004.

**FILTRATION DIVISION.** In the first half 2005 the activity of this division grew by 1.5% in an aftermarket proving weak in the first quarter. Consolidated revenues amounted to € 269.9 million versus € 265.9 million in the first half of 2004.

EBITDA was of € 33.5 million (12.4% on sales), compared with € 34.5 million (13% on sales) in the first half of 2004, while EBIT totalled € 24 million against € 23.3 million in the same period of 2004, with a percentage on sales of 8.9%, in line with the correspondent period in 2004.

**SUSPENSION COMPONENTS DIVISION.** The revenues of this division in the first semester of 2005 amounted to € 265.5 million, a strong growth (+ 15.8%) on € 229.3 million in the first six months of 2004, thank to the good performance in South American activities and in the industrial vehicles and earth moving machines sectors.

As a consequence, economic results improved visibly: EBITDA reached € 32.5 million (12.3% on sales) versus € 24.8 million (10.8% on sales) in the first six months of 2004 and EBIT was of € 17.7 million (6.7% on sales) compared with € 12.2 million (5.3% on sales) in the first half 2004.

Also the **Parent Company Sogefi S.p.A.** wrote the six-month financial statements in compliance with the accounting principles IAS/IFRS. In the first half 2005 the company reported a net income worth € 25.2 million, lessening compared with € 30.1 million in the same period of 2004 because of lower dividends from subsidiaries.

December 2005 will be the expiry date of the **bond** worth € 80 million issued by the Parent Company in December 2000; the bond will be reimbursed following the credit lines already available by now.

### **Outlook for the second half 2005**

In line with what reported in the first half, and also analyzing the performance of the sole second quarter 2005, the result is a relevant growth of activities and a noticeable improvement of results as against the same period in 2004.

Consolidated revenues passed from € 254.8 million to € 282.3 million (+10.8%).

Consolidated EBITDA was of € 33.1 million (11.7% on sales), growing by 15.2% versus € 28.8 million (11.3% on sales) in the first half of 2004, when the impact of the rise in raw material prices was still limited.

Consolidated EBIT was of € 20.4 million (7.2% on sales), an improvement of 23.2% over € 16.6 million (6.5% on sales) in the same quarter of 2004.

The increase of consolidated net income was even more relevant, with € 12.2 million (4.3% on sales), compared with € 5.1 million (2% on sales); such result was influenced by the improvement in the operating activity as well as by a significant decrease in the incidence of taxes.

In the light of the results achieved in the first half, without further increases in steel prices and in case the worldwide vehicle market does not worsen, the Sogefi Group forecasts for the whole period 2005 a result higher than the one achieved in 2004.

In occasion of the 25th anniversary of the company's activity, the Board of Directors, partially using the entrustment received by the Shareholders' Meeting of 19 April 2005, authorized a stock capital increase for a total of 1,445,000 shares at the price of € 4.50 per share, in line with a stock option plan reserved to those some 1,500 employees who, as of 31 December 2004, had been working for at least ten years in the Parent Company or any of its subsidiaries.

Milan, 26 July 2005

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## **SOGEFI GROUP**

### **CONSOLIDATED RECLASSIFIED STATEMENT OF INCOME FOR FIRST HALF 2005 – KEY FIGURES**

(in million euros)	<i>1st half 2005</i>		<i>1st half 2004</i>		<i>Fiscal year 2004</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
Sales revenues	535.4	100.0	495.3	100.0	966.1	100.0
Variable cost of sales	349.2	65.2	313.2	63.2	614.5	63.6
CONTRIBUTION MARGIN	186.2	34.8	182.1	36.8	351.6	36.4
Manufacturing and R&D overheads	59.9	11.2	60.3	12.2	116.4	12.0
Depreciation and Amortization	24.7	4.6	24.2	4.9	45.1	4.7
Distribution, marketing, sales fixed expenses	20.1	3.8	20.6	4.2	39.5	4.1
Administrative and general expenses	31.4	5.8	32.0	6.4	59.0	6.1
OPERATING INCOME	50.1	9.4	45.0	9.1	91.6	9.5
Restructuring costs	5.1	1.0	6.7	1.4	23.0	2.4
Losses (gain) on disposals	-	-	(0.1)	-	(7.9)	(0.8)
Exchange differences (gain) losses	(0.7)	(0.1)	0.6	0.1	1.9	0.2
Other non-operating expenses (income)	6.2	1.1	5.2	1.0	9.6	1.0
EBIT	39.5	7.4	32.6	6.6	65.0	6.7
Financial expenses (income) - net	5.6	1.1	6.1	1.2	12.2	1.3
Losses (gain) from equity investments	0.1	-	(1.7)	(0.3)	(1.7)	(0.2)
INCOME BEFORE TAXES AND MINORITY INTERESTS	33.8	6.3	28.2	5.7	54.5	5.6
Income taxes	11.9	2.2	13.8	2.8	22.0	2.3
INCOME BEFORE MINORITY INTERESTS	21.9	4.1	14.4	2.9	32.5	3.3
Loss (income) attributable to minority interests	0.1	-	(1.3)	(0.3)	(2.5)	(0.2)
NET INCOME - GROUP	22.0	4.1	13.1	2.6	30.0	3.1

### **CONSOLIDATED BALANCE SHEET – KEY FIGURES**

(in million euros)	<i>30 June 2005</i>		<i>31 December 2004</i>		<i>30 June 2004</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
Short term operating assets	406.2		374.0		406.3	
Short term operating liabilities	(246.8)		(243.9)		(252.2)	
Net working capital	159.4	35.4	130.1	30.4	154.1	33.5
Equity investments	5.6	1.2	10.2	2.4	10.0	2.2
Intangible and tangible fixed assets and other medium and long-term assets	385.4	85.7	385.6	90.0	384.4	83.6
CAPITAL INVESTED	550.4	122.3	525.9	122.8	548.5	119.3
Other medium and long-term liabilities	(100.5)	(22.3)	(97.4)	(22.8)	(88.7)	(19.3)
CAPITAL INVESTED - NET	449.9	100.0	428.5	100.0	459.8	100.0
Financial indebtedness - net	214.4	47.7	204.0	47.6	251.7	54.8
Shareholders' equity – minority interests	14.3	3.2	14.2	3.3	14.3	3.1
Consolidated shareholders' equity - Group	221.2	49.1	210.3	49.1	193.8	42.1
TOTAL	449.9	100.0	428.5	100.0	459.8	100.0

## CONSOLIDATED CASH FLOW STATEMENT

(in million euros)	<i>1st half 2005</i>	<i>1st half 2004</i>	<i>Fiscal year 2004</i>
SELF-FINANCING	49.4	37.5	88.5
Changes in net working capital	(29.3)	(24.5)	(0.3)
Other medium and long-term assets/liabilities	(1.6)	(2.0)	(2.7)
CASH FLOW GENERATED BY OPERATIONS	18.5	11.0	85.5
Sale of equity investments	-	1.4	1.4
Net decrease from sale of assets	0.1	0.2	1.5
TOTAL SOURCES	18.6	12.6	88.4
Increase in intangible fixed assets	3.8	3.4	8.0
Addition to tangible fixed assets	11.2	22.2	44.5
Acquisition of equity investments	-	-	-
TOTAL APPLICATION OF FUNDS	15.0	25.6	52.5
Net financial position of subsidiaries purchased/sold in the period	-	-	(0.2)
Exchange difference in medium and long-term assets/liabilities and equity	2.2	2.3	1.1
FREE CASH FLOW	5.8	(10.7)	36.8
Capital increase of Parent Company	1.4	1.3	2.6
Capital increase in subsidiaries	-	0.2	0.2
Dividends paid by Parent Company	(17.6)	(15.8)	(15.8)
Dividends paid by subsidiaries to minority interests	-	-	(1.1)
CHANGES IN SHAREHOLDERS' EQUITY	(16.2)	(14.3)	(14.1)
Change in net financial position	(10.4)	(25.0)	22.7
Net financial position at the beginning of period	(204.0)	(226.7)	(226.7)
NET FINANCIAL POSITION AT THE END OF PERIOD	(214.4)	(251.7)	(204.0)

## CONSOLIDATED RECLASSIFIED STATEMENT OF INCOME FOR SECOND QUARTER

(in million euros)	<i>Period</i> <i>1.4 - 30.6.2005</i>		<i>Period</i> <i>1.4 – 30.6.2004</i>		<i>Change</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
Sales revenues	282.3	100.0	254.8	100.0	27.5	10.8
Variable cost of sales	184.9	65.5	162.3	63.7	22.6	13.9
CONTRIBUTION MARGIN	97.4	34.5	92.5	36.3	4.9	5.3
Manufacturing and R&D overheads	30.4	10.8	29.6	11.6	0.8	2.8
Depreciation and Amortization	12.7	4.5	12.2	4.8	0.5	4.2
Distribution. marketing. sales fixed expenses	10.4	3.7	10.1	4.0	0.3	2.9
Administrative and general expenses	15.8	5.6	15.7	6.1	0.1	0.5
OPERATING INCOME	28.1	9.9	24.9	9.8	3.2	12.8
Restructuring costs	4.9	1.7	5.4	2.1	(0.5)	(10.4)
Exchange differences (gain) losses	(0.3)	(0.1)	0.2	0.1	(0.5)	(292.9)
Other non-operating expenses (income)	3.1	1.1	2.7	1.1	0.4	15.7
EBIT	20.4	7.2	16.6	6.5	3.8	23.2
Financial expenses (income) - net	2.8	1.0	3.2	1.2	(0.4)	(10.3)
Losses (gain) from equity investments	0.1	-	(0.1)	-	0.2	167.4
INCOME BEFORE TAXES AND MINORITY INTERESTS	17.5	6.2	13.5	5.3	4.0	29.3
Income taxes	5.7	2.0	7.9	3.1	(2.2)	(27.7)
INCOME BEFORE MINORITY INTERESTS	11.8	4.2	5.6	2.2	6.2	108.1
Loss (income) attributable to minority interests	0.4	0.1	(0.5)	(0.2)	0.9	183.5
NET INCOME - GROUP	12.2	4.3	5.1	2.0	7.1	138.4

## **SOGEFI S.p.A.**

### **RECLASSIFIED STATEMENT OF INCOME FOR FIRST HALF 2005 – KEY FIGURES**

(in million euros)	<i>1st half 2005</i>	<i>1st half 2004</i>	<i>Fiscal year 2004</i>
Financial income, expenses and dividends	25.0	30.5	29.8
Adjustments to the value of financial assets	-	-	-
Other operating revenues	5.1	3.4	7.9
Management costs	(6.7)	(6.0)	(11.8)
Other non operating expenses (income)	-	3.2	(3.4)
<b>INCOME BEFORE TAXES</b>	<b>23.4</b>	<b>31.1</b>	<b>22.5</b>
Passive (active) income taxes	(1.8)	1.0	0.3
<b>NET INCOME</b>	<b>25.2</b>	<b>30.1</b>	<b>22.2</b>

### **BALANCE SHEET – KEY FIGURES**

(in million euros)	<i>30 June 2005</i>	<i>31 December 2004</i>	<i>30 June 2004</i>
Short term assets	3.8	9.8	9.0
Short term liabilities	(4.9)	(4.6)	(4.8)
Net working capital	(1.1)	5.2	4.2
Equity investments	222.0	181.2	198.9
Other fixed assets	10.7	10.5	10.6
<b>CAPITAL INVESTED</b>	<b>231.6</b>	<b>196.9</b>	<b>213.7</b>
Other medium and long-term liabilities	(1.4)	(1.4)	(1.8)
<b>CAPITAL INVESTED - NET</b>	<b>230.2</b>	<b>195.5</b>	<b>211.9</b>
Financial indebtedness - net	53.7	23.8	33.5
Shareholders' equity	176.5	171.7	178.4
<b>TOTAL</b>	<b>230.2</b>	<b>195.5</b>	<b>211.9</b>

### **CASH FLOW STATEMENT**

(in million euros)	<i>1st half 2005</i>	<i>1st half 2004</i>	<i>Fiscal year 2004</i>
<b>SELF-FINANCING</b>	<b>25.1</b>	<b>30.5</b>	<b>22.8</b>
Changes in net working capital	6.5	1.4	-
Other medium and long-term assets/liabilities	(0.7)	(0.2)	(0.5)
<b>CASH FLOW GENERATED BY OPERATIONS</b>	<b>30.9</b>	<b>31.7</b>	<b>22.3</b>
Sale of equity investments	-	57.7	75.5
<b>TOTAL SOURCES</b>	<b>30.9</b>	<b>89.4</b>	<b>97.8</b>
Addition to tangible fixed assets	-	0.2	0.2
Acquisition of equity investments	44.6	28.7	28.7
<b>TOTAL APPLICATION OF FUNDS</b>	<b>44.6</b>	<b>28.9</b>	<b>28.9</b>
<b>FREE CASH FLOW</b>	<b>(13.7)</b>	<b>60.5</b>	<b>68.9</b>
Capital increase of Parent Company	1.4	1.3	2.6
Dividends paid by Parent Company	(17.6)	(15.8)	(15.8)
<b>CHANGES IN SHAREHOLDERS' EQUITY</b>	<b>(16.2)</b>	<b>(14.5)</b>	<b>(13.2)</b>
Change in net financial position	(29.9)	46.0	55.7
Net financial position at the beginning of period	(23.8)	(79.5)	(79.5)
<b>NET FINANCIAL POSITION AT THE END OF PERIOD</b>	<b>(53.7)</b>	<b>(33.5)</b>	<b>(23.8)</b>