

PRESS RELEASE

SOGEFI GROUP: FURTHER IMPROVEMENTS IN PROFITABILITY IN A STAGNANT MARKET

Consolidated revenues for the first half of 2006

Revenues € 532.9 million (-0.5%)

EBITDA € 70.3 million (+9.5%)

EBIT € 45.8 million (+15.8%)

Net income € 27.5 million (+24.6%)N

Net financial position € 156.2 million (-27.2% compared with 214.4 million as at 30/06/2005)

The Board of Directors of SOGEFI SpA met today under the chairmanship of Mr. Rodolfo De Benedetti and considered and approved the six-monthly report on the Group's business trend as at 30 June 2006.

In the first half of the financial and accounting year 2006, the Sogefi Group has shown signs of further progress in profitability, even if revenues remained largely stable.

Consolidated revenues for the first six months of 2006 were 532.9 million euros, stable as against 535.4 million for the same period in 2005 (-0.5%). In the first half of 2006, in the European market for parts for new vehicles the growth of business with our customers Toyota, Volkswagen and Ford has counterbalanced the continuing decline in demand from French motor constructors. The volume of sales in South America and in the industrial vehicles sector has seen further improvement, whereas there has been a downturn in the aftermarket both in Europe and in Brazil.

Consolidated operating profit reached 54.6 million euros (10.2% of turnover), an increase of 9% compared with 50.1 million (9.4% of turnover) in the first half of 2005. This improvement, which was achieved despite considerable increases in the costs of energy and certain raw materials, is the result of a management policy of continually aiming at greater efficiency.

Consolidated EBITDA (earnings before interest, tax, depreciation and amortization) was 70.3 million euros, an increase of 9.5% compared with 64.2 million in the same period for 2005: an increased percentage of turnover, up from 12% to 13.2%.

Consolidated EBIT (earnings before interest and tax) is showing at 45.8 million euros (8.6% of turnover), a 15.8% improvement compared with 39.5 million in the first half of 2005 (7.4% of turnover).

These results have been influenced by a capital gain of 3.6 million euros, obtained on the sale for 4.5 million euros of a manufacturing plant in Spain that was no longer being used, and also by a provision of 3.1 million for restructuring and by non-recurring costs of 1.3 million (in the first six months of 2005, 5.1 million euros were allocated against industrial reorganisation costs).

In the first half of 2006, **income before tax and minority interests** amounted to 42.4 million euros, an increase of 25.3% because of the reduction in financial charges and after the addition of a capital gain of 0.7 million euros from the sale for 3.7 million of the 50% shareholding in KS Automotive Suspensions Asia Private Ltd of Singapore to ThyssenKrupp Federn.

In the first six months of 2006, **consolidated net income**, which benefited from the reduction in liability to tax following the company reorganisation of 2005 was 27.5 million euros, an increase of 24.6% as against 22 million in the first half of 2005, with percentage of turnover increasing from 4.1% to 5.2%.

Net financial position as at 30 June 2006 was 156.2 million euros, significantly reduced both from 214.4 million as at 30 June 2005 (-27.2%) and from 167.3 million as at 31 December 2005.

Total shareholders' equity as at 30 June 2006, including minority interests, was 270.6 million euros as against 235.5 million as at 30 June 2005 and 261.3 million as at 31 December 2005.

Consolidated shareholders' equity as at 30 June 2006 amounted to 255.5 million euros, compared with 221.2 million as at 30 June 2005 and 246.9 million as at 31 December 2005.

FILTRATION DIVISION

Business in the filtration division was largely stable because of poor demand in the aftermarket. Consolidated turnover was 268.5 million euros, in line with the 269.9 million for the first six months of 2005 (-0.5%). EBITDA showed at 36.3 million (+8.3%) compared with 33.5 million in the corresponding period of 2005, thanks to the aforesaid capital gain made in Spain. Percentage of turnover increased from 12.4% to 13.5%. EBIT rose to 26.9 million euros (10% of turnover) as against 24 million (8.9% of turnover) in the first six months of 2005.

Having been present in China in the suspensions business for ten years, Sogefi will start in 2007 to operate also in the filtration business, following an agreement with a Chinese partner initialled in May for the set-up of a joint venture in Shanghai, with Sogefi owning a 70% controlling interest.

SUSPENSION COMPONENTS DIVISION

Revenues in this division of the business have also remained substantially unchanged, having been affected by reduced volumes of sales to French car constructors. Turnover for the six months was 264.4 million euros compared with 265.5 million in the first six months of 2005 (-0.4%). The continuing positive trend in business for Mercosur and in the industrial vehicles sector, in addition to constant improvements in manufacturing efficiency, have led to a 10% rise in EBITDA compared with the first six months of 2005: 35.8 million euros (13.5% of turnover) compared with 32.5 million (12.3% of turnover) in the first half of 2005. EBIT also improved significantly, rising from 17.7 million euros in the first half of 2005 to 21 million as at 30 June 2006, with percentage of turnover up from 6.7% to 8%.

In the first six months of 2006 **the parent company Sogefi SpA** achieved a net income of 22.9 million euros, compared with 25.3 million in the same period for 2005. The decline is mainly due to higher taxes.

Business trend in the second quarter of 2006

In line with the business trend in the six-month period, the second quarter of 2006 likewise shows a noticeable improvement in profitability, despite a reduction in turnover compared with the corresponding period for 2005, which had benefited from a recovery in prices and a higher number of working days.

Consolidated turnover for the period April-June 2006 was 268.6 million euros, compared with 282.3 million in the second quarter of 2005 (-4.8%).

Consolidated EBITDA was 36.9 million euros (13.7% of turnover), compared with 33.1 million (11.7% of turnover), while consolidated EBIT showed at 24.7 million (9.2% of turnover) compared with 20.4 million (7.2% of turnover).

Net income for the quarter amounts to 15.8 million euros (5.9% of turnover), an improvement of 29.4% compared with the corresponding period of the previous financial and accounting year (12.2 million, 4.3% of turnover).

Since market trend, the competition and the main cost factors are not expected to change significantly in the second half of the year, we can expect an increase in profits for the whole financial and accounting year 2006 over those achieved in 2005.

Milan, 25 July 2006

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THE SOGEFI GROUP

CONSOLIDATED RECLASSIFIED INCOME STATEMENT FOR THE FIRST HALF

(in millions of euro)	<i>1st half 2006</i>		<i>1st half 2005</i>		<i>Year 2005</i>	
	Amount	%	Amount	%	Amount	%
Revenues from sales	532,9	100,0	535,4	100,0	1.023,4	100,0
Variable cost of sales	341,3	64,1	349,2	65,2	657,6	64,3
CONTRIBUTION MARGIN	191,6	35,9	186,2	34,8	365,8	35,7
Manufacturing and R&D overheads	60,5	11,4	59,9	11,2	115,7	11,3
Depreciations and amortizations	24,5	4,6	24,7	4,6	45,9	4,5
Distribution, marketing and sales fixed expenses	19,7	3,7	20,1	3,8	39,4	3,8
Administrative and general expenses	32,3	6,0	31,4	5,8	59,2	5,8
OPERATING INCOME	54,6	10,2	50,1	9,4	105,6	10,3
Restructuring costs	3,1	0,6	5,1	1,0	12,6	1,2
Losses (gains) on disposal	(3,8)	(0,7)	-	-	(0,1)	-
Exchange (gains) losses	0,4	0,1	(0,7)	(0,1)	(0,1)	-
Other non-operating charges (income)	9,1	1,6	6,2	1,1	12,2	1,2
EBIT	45,8	8,6	39,5	7,4	81,0	7,9
Financial charges (income), net	5,1	1,0	5,6	1,1	11,6	1,1
Losses (gains) from equity investments	(1,7)	(0,4)	0,1	-	2,3	0,2
INCOME BEFORE TAXES AND MINORITY INTERESTS	42,4	8,0	33,8	6,3	67,1	6,6
Income taxes	14,2	2,7	11,9	2,2	21,2	2,1
INCOME BEFORE MINORITY INTERESTS	28,2	5,3	21,9	4,1	45,9	4,5
Loss (income) attributable to minority interests	(0,7)	(0,1)	0,1	-	(1,2)	(0,1)
GROUP NET INCOME	27,5	5,2	22,0	4,1	44,7	4,4

CONSOLIDATED BALANCE SHEET

(in millions of euro)	30 June 2006		31 December 2005		30 June 2005	
	Amount	%	Amount	%	Amount	%
Current assets	387,5		361,1		406,2	
Current liabilities	(258,3)		(234,5)		(246,8)	
Net working capital	129,2	30,2	126,6	29,5	159,4	35,4
Equity investments	0,7	0,2	3,8	0,9	5,6	1,2
Intangible, tangible and other non-current assets	397,6	93,2	404,1	94,3	385,4	85,7
CAPITAL INVESTED	527,5	123,6	534,5	124,7	550,4	122,3
Other non-current liabilities	(100,7)	(23,6)	(105,9)	(24,7)	(100,5)	(22,3)
CAPITAL INVESTED, NET	426,8	100,0	428,6	100,0	449,9	100,0
Net financial position	156,2	36,6	167,3	39,0	214,4	47,7
Shareholder's equity - minority interests	15,1	3,5	14,4	3,4	14,3	3,2
Consolidated shareholder's equity - Group	255,5	59,9	246,9	57,6	221,2	49,1
TOTAL	426,8	100,0	428,6	100,0	449,9	100,0

CONSOLIDATED FINANCIAL STATEMENT

(in millions of euro)	<i>1st Half 2006</i>	<i>1st Half 2005</i>	<i>Year 2005</i>
SELF-FINANCING	51,5	49,4	91,9
Change in net working capital	(3,5)	(29,3)	8,0
Other non-current assets/liabilities	(0,6)	(1,6)	0,9
CASH FLOW GENERATED BY OPERATIONS	47,4	18,5	100,8
Sale of equity investment	3,0	-	-
Net decrease from sale of fixed assets	1,3	0,1	0,4
TOTAL SOURCES	51,7	18,6	101,2
Increase in intangible assets	5,4	3,8	8,9
Purchase of tangible assets	19,3	11,2	36,0
TOTAL APPLICATION OF FUNDS	24,7	15,0	44,9
Net financial position of subsidiaries purchased/sold during the year	-	-	0,1
Exchange differences on non-current assets / liabilities and equity	1,6	2,2	(3,2)
FREE CASH FLOW	28,6	5,8	53,2
Parent company increases in share capital	2,0	1,4	2,4
Increases in share capital of consolidated subsidiaries	-	-	-
Dividends paid by parent company to shareholders	(19,5)	(17,6)	(17,6)
Dividends paid by subsidiaries to minority interests	-	-	(1,3)
CHANGE IN EQUITY	(17,5)	(16,2)	(16,5)
Change in net financial position	11,1	(10,4)	36,7
Net financial position at beginning of period	(167,3)	(204,0)	(204,0)
NET FINANCIAL POSITION AT END OF PERIOD	(156,2)	(214,4)	(167,3)

RECLASSIFIED CONSOLIDATED STATEMENT OF THE SECOND QUARTER

(in millions of euro)	<i>Period 1.4 - 30.6.2006</i>		<i>Period 1.4 - 30.6.2005</i>		<i>Change</i>	
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>
Sales revenues	268,6	100,0	282,3	100,0	(13,7)	(4,8)
Variable cost of sales	171,1	63,7	184,9	65,5	(13,8)	(7,5)
CONTRIBUTION MARGIN	97,5	36,3	97,4	34,5	0,1	0,2
Manufacturing and R&D overheads	30,1	11,2	30,4	10,8	(0,3)	(1,1)
Depreciations and amortizations	12,2	4,5	12,7	4,5	(0,5)	(3,9)
Distribution, marketing and sales fixed expenses	9,9	3,7	10,4	3,7	(0,5)	(5,7)
Administrative and general expenses	15,4	5,8	15,8	5,6	(0,4)	(1,9)
OPERATING INCOME	29,9	11,1	28,1	9,9	1,8	6,4
Restructuring costs	2,7	1,0	4,9	1,7	(2,2)	(44,0)
Losses (gains) on disposals	(3,7)	(1,4)	-	-	(3,7)	-
Exchange differences (gains) losses	0,3	0,1	(0,3)	(0,1)	0,6	203,7
Other non-operating charges (income)	5,9	2,2	3,1	1,1	2,8	88,6
EBIT	24,7	9,2	20,4	7,2	4,3	20,9
Financial expenses (income), net	2,8	1,0	2,8	1,0	-	-
Losses (gain) from equity investments	(1,7)	(0,6)	0,1	-	(1,8)	-
INCOME BEFORE TAXES AND MINORITY INTERESTS	23,6	8,8	17,5	6,2	6,1	35,2
Income taxes	7,5	2,8	5,7	2,0	1,8	32,2
INCOME BEFORE MINORITY INTERESTS	16,1	6,0	11,8	4,2	4,3	36,7
Loss (income) attributable to minority interests	(0,3)	(0,1)	0,4	0,1	(0,7)	(164,0)
GROUP NET INCOME	15,8	5,9	12,2	4,3	3,6	29,4

SOGEFI S.p.A.

RECLASSIFIED INCOME STATEMENT FOR THE FIRST HALF

(in millions of euro)	<i>1st half 2006</i>	<i>1st half 2005</i>	<i>Year 2005</i>
Financial income/charges and dividends	25,3	25,0	24,2
Adjustments to the value of financial assets	-	-	(7,0)
Other operating revenues	5,4	5,1	10,5
Operating costs	(6,3)	(6,2)	(11,7)
Other non-operating expenses (income)	(1,0)	(0,4)	61,6
INCOME BEFORE TAXES	23,4	23,5	77,6
Income taxes	0,5	(1,8)	(1,9)
NET INCOME	22,9	25,3	79,5

BALANCE SHEET

(in millions of euro)	<i>30 June 2006</i>	<i>31 December 2005</i>	<i>30 June 2005</i>
Current assets	2,8	3,0	3,8
Current liabilities	(4,6)	(6,1)	(4,9)
Net working capital	(1,8)	(3,1)	(1,1)
Equity investments	257,0	257,0	222,0
Other fixed assets	28,6	28,8	27,8
CAPITAL INVESTED	283,8	282,7	248,7
Other non-current liabilities	(6,2)	(6,3)	(8,0)
CAPITAL INVESTED NET	277,6	276,4	240,7
Financial indebtedness, net	27,8	33,2	53,7
Shareholders' equity	249,8	243,2	187,0
TOTAL	277,6	276,4	240,7

FINANCIAL STATEMENT

(in millions of euro)	<i>1st Half 2006</i>	<i>1st Half 2005</i>	<i>Year 2005</i>
SELF-FINANCING	24,1	25,0	84,6
Change in net working capital	(1,3)	6,5	8,4
Other non-current assets/liabilities	0,1	(0,6)	(0,6)
CASH FLOW GENERATED BY OPERATIONS	22,9	30,9	92,4
Sale of equity investment	-	-	6,0
TOTAL SOURCES	22,9	30,9	98,4
Increase in tangible fixed assets	-	-	0,1
Purchase of shares	-	44,6	92,5
TOTAL APPLICATION OF FUNDS	-	44,6	92,6
FREE CASH FLOW	22,9	(13,7)	5,8
Parent company increases in share capital	2,0	1,4	2,4
Dividends paid by parent company to shareholders	(19,5)	(17,6)	(17,6)
CHANGES IN EQUITY	(17,5)	(16,2)	(15,2)
Change in net financial position	5,4	(29,9)	(9,4)
Net financial position at beginning of period	(33,2)	(23,8)	(23,8)
NET FINANCIAL POSITION AT END OF PERIOD	(27,8)	(53,7)	(33,2)