



IFIL GROUP IN 2006

DIRECTORS' REPORT ON OPERATIONS



Società per Azioni
Capital Stock € 1,075,995,737 fully paid-in
Registered office in Turin - Corso Matteotti 26 – Turin Company Register No. 00914230016

IFIL GROUP IN 2006 DIRECTORS' REPORT ON OPERATIONS

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This is an English translation of the Italian original document “Relazione sulla gestione” approved by the IFIL S.p.A. board of directors on March 30, 2007 which has been prepared solely for the convenience of the reader.

The version in Italian takes precedence and for complete information about IFIL S.p.A. and the Group, reference should be made to the full original report in Italian “Il Gruppo IFIL nel 2006” containing the Directors' Report on Operations and the Separate and Consolidated Financial Statements also available on the corporate website: <http://www.ifil.it>

Board of Directors

<i>Chairman</i>	Gianluigi Gabetti
<i>Vice Chairman ("Vicario")</i>	John Elkann
<i>Vice Chairman</i>	Tiberto Brandolini d'Adda
<i>Chief Executive Officer and General Manager</i>	Carlo Barel di Sant'Albano
<i>Non-independent directors</i>	Edoardo Ferrero Ventimiglia, Franzo Grande Stevens, Pio Teodorani-Fabbri, Daniel John Winteler
<i>Independent directors</i>	Giancarlo Lombardi, Antonio Maria Marocco, Giuseppe Recchi, Claudio Saracco

Secretary to the Board Fernando Massara

Executive Committee

<i>Chairman</i>	Gianluigi Gabetti
<i>Members</i>	Tiberto Brandolini d'Adda, John Elkann, Carlo Barel di Sant'Albano

Audit Committee

<i>Chairman</i>	Antonio Maria Marocco
<i>Members</i>	Giancarlo Lombardi, Claudio Saracco

Compensation and Nominating Committee

<i>Chairman</i>	John Elkann
<i>Members</i>	Gianluigi Gabetti, Giuseppe Recchi

Board of Statutory Auditors

<i>Standing Auditors</i>	Cesare Ferrero (<i>Chairman</i>), Giorgio Giorgi, Paolo Piccatti
<i>Alternate Auditors</i>	Lionello Jona Celesia, Ruggero Tabone

Independent Auditors

Deloitte & Touche S.p.A.

Data updated to April 17, 2007.

Expiry of the terms of office

The terms of office of the board of directors and the board of statutory auditors, elected by the stockholders' meeting held on June 27, 2005, will expire concurrently with the stockholders' meeting that will be held to approve the separate financial statements for the year ending December 31, 2007.

The appointment of the independent auditors will expire concurrently with the stockholders' meeting that will be held to approve the financial statements for the year ending December 31, 2011.

LETTER TO THE STOCKHOLDERS

To our Stockholders,

The reading of IFIL's 2006 financial statements offers numerous reasons for satisfaction, since, as well as reflecting the positive results achieved during the year, it suggests that there are also good prospects for the future performance of the company.

The financial statements show a profit of € 341 million in the consolidated financial statements and a profit of € 625 million in the separate financial statements. Between the month of January 2006 and today, the NAV of the corporate portfolio grew by 82% and is now at more than € 10 billion. This progress has also been confirmed by the stock market where, during the same period, IFIL's stock doubled in value. Your company has now reached a capitalization of € 7.5 billion, one of the highest in its sector in Europe.

Much of the increase in the value of the company can be attributed to the extraordinary performance of its main holding, the Fiat Group, which, in 2006, successfully completed the intensive phase of restructuring started in the prior months, achieving remarkable progress in all sectors of activity.

In the Auto segment, internal restructuring and an innovative policy of creating alliances with other leading world carmakers led to a radical transformation in terms of operations, which soon produced results. The launch of new Fiat models generated an enthusiastic response from the market, rewarding Fiat with significant gains in market share: the percentage of new car registrations, taking all the brands of the Group into account, in 2006, rose to 30.8% in Italy and 7.6% in Europe.

Other sectors – particularly trucks and commercial vehicles, agricultural and construction equipment – also benefited both from internal restructuring measures and from the numerous industrial and commercial agreements on a global scale, which rapidly translated into substantial growth in terms of sales and a noticeable increase in profitability margins.

Thanks to the exceptional ability of top management and the constant commitment of all its employees, Fiat was able to effect a turnaround of historical importance, so that it has become one of the strongest symbols of the comeback of Italian industry. Its success has reopened excellent prospects for a new phase of growth and repays, in the best possible way, the loyalty of the people who have always believed in its potential by sustaining its relaunching program and ensuring the stability it needs to succeed.

Confident that the way in which IFIL succeeded in maintaining its role as Fiat's main stockholder in 2005 will be definitively judged to be entirely proper, the fact that Italy's leading industrial group has bounced back to health is for us an indisputable source of great satisfaction and pride.

2006 was also an important year for IFIL's activities in France. The Public Exchange Offering for SGS shares promoted by Sequana Capital received the full consensus of the market and made it possible to achieve many positive results. If, on the one hand, the operation led to a company that concentrates its business in the paper sector, paving the way for more effective industrial management of its assets, on the other, it eliminated the investment that had weighed heavily on Sequana's portfolio, allowing its true value to emerge and delivering to its stockholders a direct investment in SGS, the largest company in the world in the field of verification, certification and control services. Thanks to the success of the Public Exchange Offering, the value of IFIL's portfolio increased as a result of the acquisition of a significant stake in the capital of SGS, more than 13%, making the IFIL its second-largest stockholder. SGS, which is

quoted on the Zurich stock exchange, currently employs 48,000 people and has a worldwide network of analysis laboratories.

In the area of financial services, the most important event of the year was the merger between Sanpaolo IMI and Banca Intesa, resulting in the creation of Italy's largest banking group with interesting development potential at the national and European level. The merger constitutes a further step in the ten-year long process of appreciating the value of the investment in Sanpaolo, which now has a current value of approximately € 1.7 billion.

Furthermore, the acquisition of a stake equal to 9.43% of the capital of Gruppo Banca Leonardo was particularly important. This acquisition, which strengthens the collaboration with Gerardo Braggiotti in investment banking activities, will help to accelerate IFIL's development programs, especially with reference to new investments.

The acquisition of the control of Cushman & Wakefield, the largest private company operating in real estate services, founded in New York in 1917 and now represented in 55 countries with 197 offices and 11,500 employees, fits precisely into this area of new investments. The investment marks IFIL's entry into a growing market, through a renowned company, with a well-known trademark and excellent development prospects throughout the world and especially in Asia. Through this transaction, which was financed primarily with available resources, IFIL has also at last seized an opportunity to start a new phase of investment diversification, in terms of business sectors, currencies and geographical areas.

Special attention was also dedicated to the two companies in the sector of leisure time: Juventus and Alpitour.

Following the disciplinary measures with which we are all familiar, the football club incurred heavy sanctions, including relegation to a lower league and the revocation of its last two last championship titles. On the initiative of IFIL, Juventus reacted by completely renewing its board of directors and compiling a Code of Ethics which, together with a strict system of internal control, has brought the company in line with the best international standards. In the months to come, the cardinal points which will guide Juventus towards its first target of promotion to Serie A will include a firm upholding of sporting values, the wish to encourage the participation of families and children in sports events, and making the team stronger by promoting young talented players.

With regard to Alpitour, the internal reorganization process which began with new management from IFIL focused on containing structural costs and reformulating its commercial offering. The current development program – which has already produced results in terms of higher profitability – also involves a large increase in investments in hotel facilities and making better use of Italian tourist destinations both among the Italian and foreign clientele.

Having filed away the positive results of 2006, today, IFIL is focusing on new targets. The commitment of its management to seek out new investment opportunities will continue in months to come, with the aim of ensuring that the company has steady, solid growth.

Before concluding, I would like to devote a few words to Gianluigi Gabetti, who usually signs this letter every year. While we confidently await the outcome of the appeal against the measure which has temporarily prevented him from occupying the highest position in the company, on behalf of the board of directors and all the company's employees, I would like to thank him for all his hard work, and especially for the decision he made in 2005. To Dr. Gabetti goes the credit for having refused a destiny which many thought was already settled, working with patience and in full respect of the law to create the conditions of stability needed for the plan to relaunch Fiat. A decision which, as the months go by, appears increasingly to have been the right one. He deserves our applause, and the honor – as soon as this becomes possible – of returning to guide our company as its Chairman.

Finally, in the name of the board of directors I would like to thank our stockholders for the trust they have placed in us, the statutory auditors and independent auditors, and the managers and all the Group's employees for what they have achieved so far and for their continuous commitment during the current year.

Turin, March 30, 2007

John Elkann

An update

Following the ruling handed down by the Turin Court of Appeals, which has suspended the effectiveness of the additional administrative sanctions imposed by Consob, I have resumed my duties in the Company.

I would like to voluntarily take this occasion to express my full agreement with this Letter to the Stockholders, as well as the Directors' Report on Operations and the financial statements for the year 2006, placing my signature on these documents.

Turin, April 17, 2007

Gianluigi Gabetti

IFIL GROUP PROFILE

IFIL Investments S.p.A. (abbreviated in **IFIL S.p.A.**) is a corporation organized under the laws of the Republic of Italy. The head office is located in Turin, Italy, Corso Matteotti 26.

IFIL S.p.A. is the investment company of the Group headed by **Giovanni Agnelli e C. S.a.p.az.** which holds 3% of its ordinary capital stock directly and 66.23% of its ordinary capital stock through **IFI – Istituto Finanziario Industriale S.p.A.**

IFIL's shares (ordinary and non-convertible savings shares) are listed on the Electronic Share Market (MTA) of the Italian stock exchange (Blue Chip segment).

The company commands two distinctive areas of operations: the active management of the investment in Fiat S.p.A. and the dynamic management of its other holdings.

Fiat S.p.A., in which IFIL S.p.A. has a holding of more than 30% of ordinary and preferred capital stock, is listed on the Electronic Share Market of the Italian stock exchange (Blue Chip segment). Founded in 1899, for more than a century the Fiat Group has been operating in the automotive field, designing, manufacturing and selling automobiles (Fiat, Lancia, Alfa Romeo, Ferrari, Maserati and Fiat Light Commercial), agricultural and construction equipment (Case and New Holland), trucks and commercial vehicles, buses and special-purpose vehicles (Iveco, Irisbus, Astra and Magirus), components and production systems (Fiat Powertrain Technologies, Magneti Marelli, Teksid and Comau); it is also active in publishing and communications (Itedi). Other sectors also offer financial services to the sales networks and clientele in addition to rental services to customers.

The other holdings which comprise the dynamically managed diversified portfolio are listed below.

Sequana Capital S.A. (48.88% holding by the subsidiary Ifil Investissements S.A.) is a French company listed on the Euronext market which in 2006 decided to focus its operations on the paper sector where it operates through:

- Arjowiggins S.A. (100% holding), the world leader in the manufacture of high value-added paper products and, in Europe, leader in the manufacture of carbonless paper;
- Antalis S.A. (100% holding), the leading European group in the distribution of paper products for printing and writing.

SGS S.A. (13.74% holding by Ifil Investissements S.A.) is a Swiss company listed on the Virt-x market. Founded in 1878, the company is today the global leader in verification, inspection, control and certification activities with 48,000 employees and a network of more than 1,000 offices and laboratories throughout the world.

Intesa Sanpaolo S.p.A. (2.45% holding of ordinary capital stock by IFIL S.p.A.) is listed on the Electronic Share Market of the Italian stock exchange (Blue Chip segment). It is one of the most important banking groups in Europe and is the foremost bank in Italy with a market share of 20% on average in all segments of business (retail, corporate and wealth management). With its network of 5,500 branches, the group offers its services to 12 million customers. It also operates in 13 Central-East European countries and in the Mediterranean basin with 1,650 branches and 7.7 million customers in the retail and commercial banking sectors. It also has an international network specialized in corporate customer support covering 35 nations including the United States, Russia, China and India.

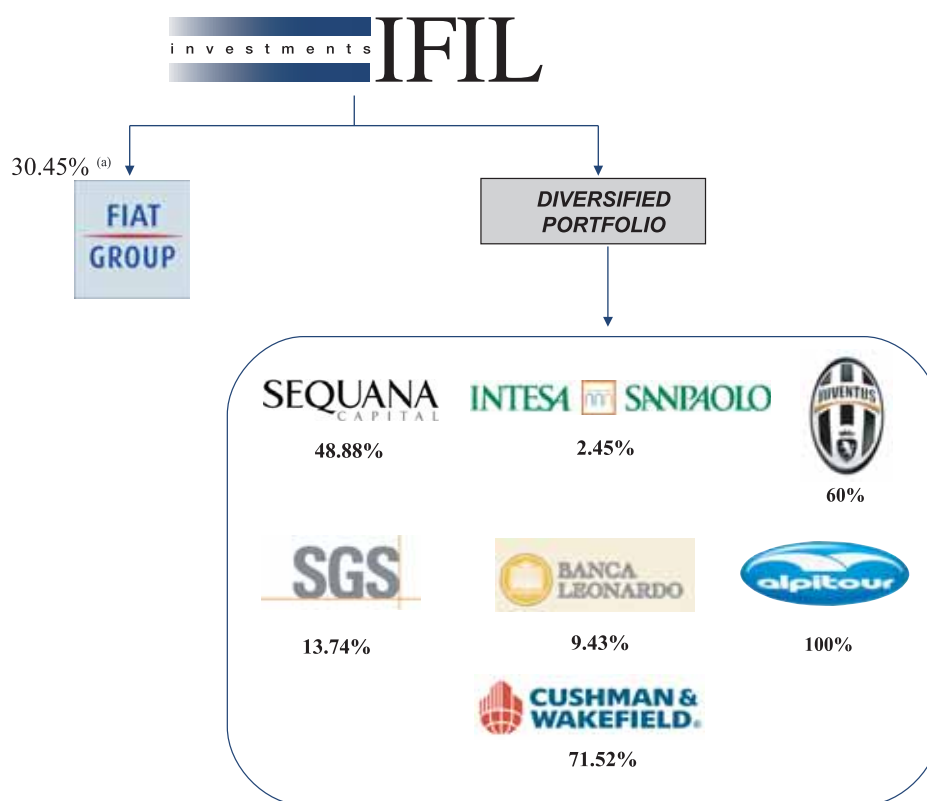
Gruppo Banca Leonardo S.p.A. (9.43% holding by Ifil Investissements S.A.) is an independent investment bank offering corporate finance advisory and asset management services, in addition to private equity services, under a joint venture with a leading European group.

Alpitour S.p.A. (100% holding by IFIL S.p.A.) is the leading group in the tourist sector in Italy. It operates with a vast range of integrated services (tour operating, hotel, aviation, distribution, incoming and Incentive e Grandi Eventi). In 2006, the Alpitour Group managed the accommodations of the Olympic Family at Turin Winter Olympics 2006.

Juventus Football Club S.p.A. (60% holding by IFIL S.p.A.) is listed on the Electronic Share Market of the Italian stock exchange (Star segment). Founded in 1897, it is one of the most important professional soccer teams in the world and boasts the largest number of fans in Italy and the highest number of total sports victories of all the Italian soccer teams, in both national and international competition.

At the end of March 2007, Ifil Investissements purchased control (71.52%) of the **Cushman & Wakefield (C&W) Group** which is the largest private company for real estate services. The C&W Group has its headquarters in New York, where it was founded in 1917, and now has 197 offices and 11,500 employees in 55 countries.

The following chart is updated to the end of March 2007 and presents the simplified structure of the investment portfolio. Percentage holdings refer to ordinary capital stock.



(a) IFIL also holds 30.09% of Fiat preferred capital stock.

The following charts show the composition of the Net Asset Value (NAV) at current values and the change in the current value of the investment portfolio over the last 10 years.

Net Asset Value

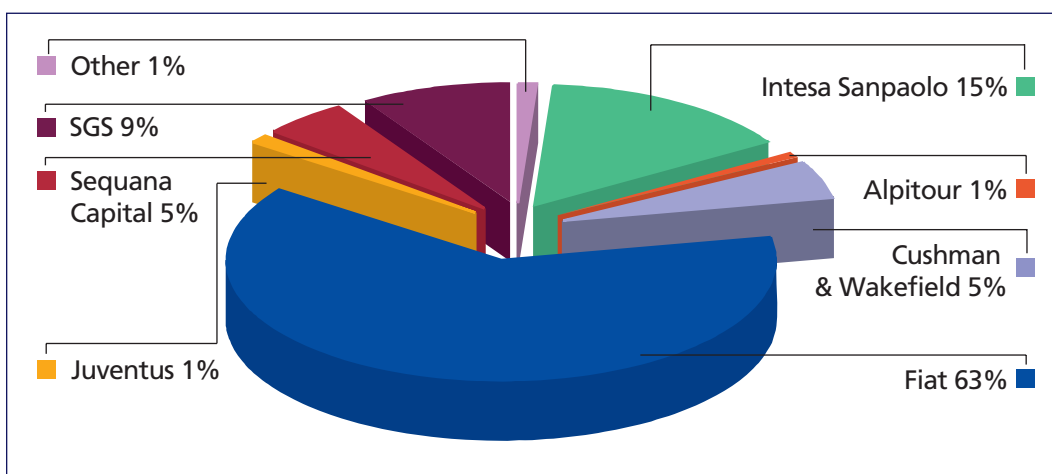
At the end of March 2007 the Net Asset Value is equal to € 10,663 million and is composed as follows:

€ in millions	
Current value of the investment portfolio	10,786
Consolidated net financial position – Holdings System	(123)
Total	10,663

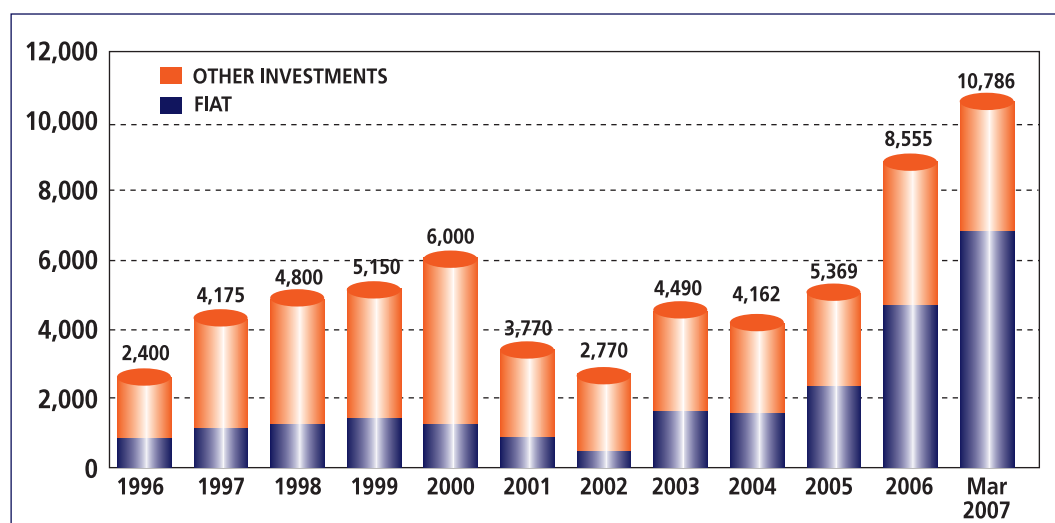
The listed equity holdings in the investment portfolio are valued at the closing stock market prices as of March 23, 2007.

NAV is formulated with the aim of aiding analysts and investors who in any case put together their own valuations.

Investment portfolio at current values



Change in the investment portfolio at current values ^(a)



(a) The current value of the investment portfolio is calculated consistently with the change in accounting representation.

KEY OPERATING AND FINANCIAL DATA

IFIL GROUP

Condensed consolidated figures (a)			
€ in millions	2006	2005	Change
Profit attributable to the equity holders of the company	341	1,090	(749)
Share of earnings (losses) of holdings and dividends	346	666	(320)
Investments	5,850	4,806	1,044
Equity attributable to the equity holders of the company	6,222	5,186	1,036
Consolidated net financial position - Holdings System	386	348	38

Earnings per share (€) (b)			
	2006	2005	Change
Profit attributable to the equity holders of the company			
- ordinary shares	0.32	1.03	(0.71)
- savings shares	0.34	1.05	(0.71)
Equity attributable to the equity holders of the company	5.86	4.89	0.97

(a) The basis of preparation is presented in the section "IFIL Group – Review of the condensed consolidated results".

(b) Details of the calculation are presented in Note 22 to the consolidated financial statements.

IFIL S.p.A.

€ in millions	2006	2005 (a)	Change
Profit	625	101	524
Equity	4,587	3,678	909
Net financial position	(682)	(448)	(234)

(a) Prepared in accordance with IFRS.

	Per share (€)			Total (€ ml)		Change	
	2006	2005	Change %	2006	2005	Amount	%
Dividends paid out by IFIL S.p.A.							
Ordinary shares	0.10	0.08	25.0	102.5	82.0	20.5	25.0
Savings shares	0.1207	0.1007	19.9	4.5	3.8	0.7	18.4
Total				107.0	85.8	21.2	24.7

A motion for dividends relating to the year 2006 will be proposed to the stockholders' meeting called for the approval of the separate financial statements for the year ended December 31, 2006. The total amounts are calculated on the basis of the shares outstanding as of March 30, 2007.

STOCKHOLDERS AND THE STOCK MARKET

Capital stock

IFIL S.p.A.'s capital stock, fully subscribed to and paid-in, amounts to € 1,075,995,737 and consists of 1,038,612,717 ordinary shares and 37,383,020 non-convertible savings shares with a par value of € 1 each.

Pursuant to art. 25 of the bylaws, the savings shares carry the right to a preference dividend, cumulative according to law, of 8.27% of their par value and to a total dividend higher than that of ordinary shares by 2.07% of the same par value. When, in any one year, the dividends assigned to the savings shares are below the percentages indicated above, the difference will be added to the preference dividend of the next two years.

The savings shares carry no voting rights and can either be registered or bearer shares, as elected by the stockholders.

In the event of exclusion of the ordinary shares and/or savings shares from trading, the preference dividend and the dividend higher than that of the ordinary shares to which the savings shares are entitled, will be automatically increased to the extent that they are equal, respectively, to 8.52% and 2.32%.

In accordance with art. 6 of the bylaws, the directors have been vested with the power, for a period of five years from the resolution passed by the special stockholders' meeting held on May 14, 2003, to increase, at one or more times, also in divisible form, the capital stock up to an amount of € 1,500 million and to issue convertible bonds, at one or more times, up to the same figure but for amounts which, each time, shall not exceed those established by law.

Stockholders

IFIL S.p.A. has approximately 30,000 stockholders.

At the end of March 2007, IFI – Istituto Finanziario Industriale S.p.A. and Giovanni Agnelli e C. S.a.p.az. hold respectively 66.23% and 3% of ordinary capital stock.

The other ten major stockholders, indicated below, represent 13.25% of ordinary capital stock.

Stockholders	%	Ordinary shares
Mackenzie Cundill Group	4.99	51,802,186
Deutsche Bank AG	1.12	11,682,717
Azimut Group	1.10	11,383,846
Banca d'Italia	1.01	10,446,584
K Capital Partners LLC Group	0.97	10,100,000
Bear Stearns Securities	0.90	9,340,624
Euromobiliare SGR Group	0.88	9,115,279
Sanpaolo Fiduciaria S.p.A.	0.82	8,536,990
CAAM Società di Gestione del Risparmio	0.75	7,795,000
Banca Profilo	0.71	7,372,260
	13.25	137,575,486

Source: Stockholders' Book supplemented with Consob communications received up to March 23, 2007.

Treasury stock

IFIL S.p.A. currently holds 13,213,260 ordinary shares of treasury stock (1.27% of the class of stock), including the 810,262 shares held through the subsidiary Soiem S.p.A..

On May 24, 2006, the ordinary stockholders' meeting renewed, for 18 months, the authorization for the purchase of treasury stock for a maximum of 90 million IFIL ordinary and/or savings shares for a total amount of € 450 million.

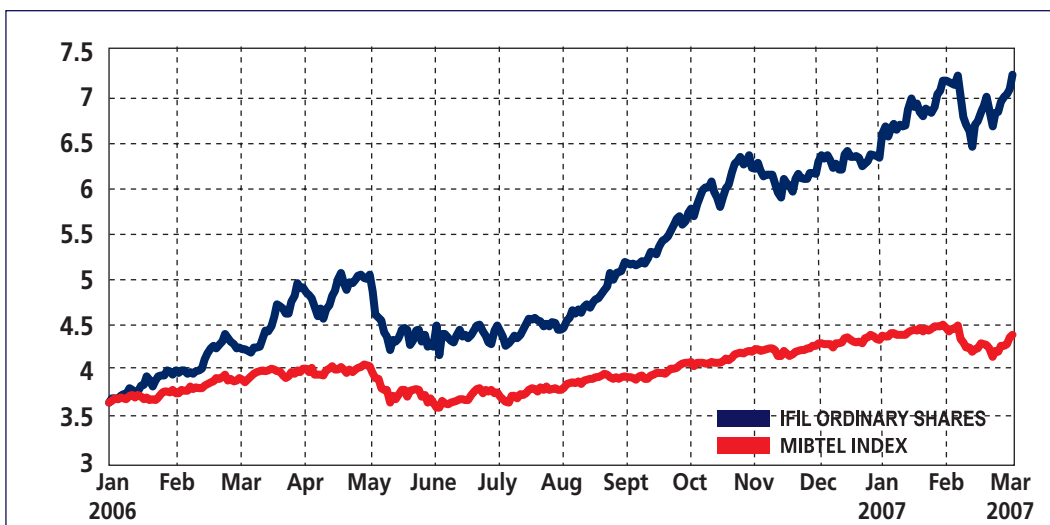
Stock market performance

Performance by IFIL ordinary stock, which is listed on the MIBEX Index of mid-cap companies and was recently included in the MIB30, was positive in 2006 and decisively better than the performance of the Mibtel Index. The stock's performance is primarily due to the price gains by Fiat and Intesa Sanpaolo stocks and the revised investment strategy.

In 2006, IFIL ordinary stock gained 75% (including dividends paid out) against a positive 23.6% performance by the Mibtel Index.

The growth pattern continued into the first part of 2007 with price gains that again caused the stock to outperform the Mibtel Index.

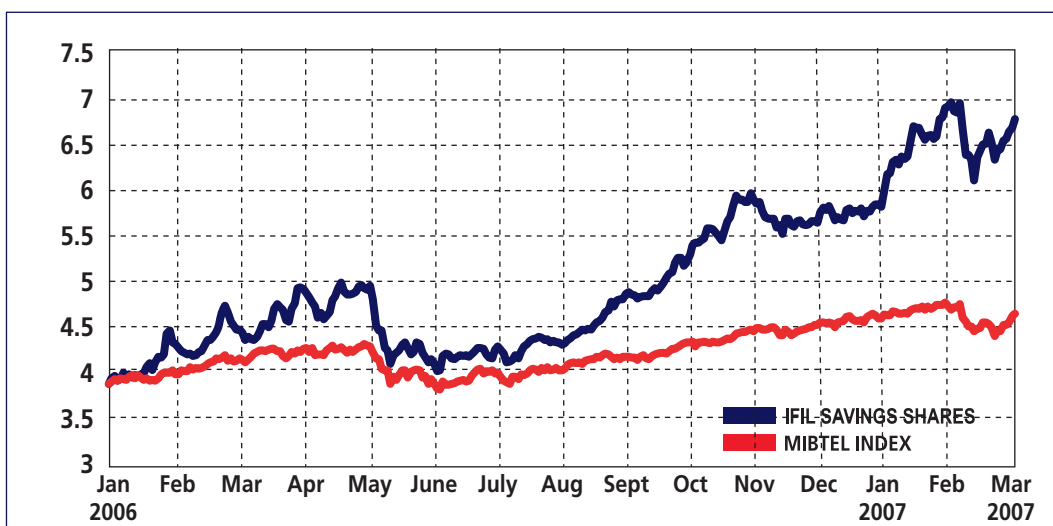
Performance by IFIL ordinary stock against the Mibtel index ^(a)



During 2006, IFIL savings stock gained 52.7% and performed on average below IFIL ordinary stock but better than the Mibtel Index.

During the first part of 2007, IFIL savings stock recorded a further gain, widening the performance gap against the Mibtel Index.

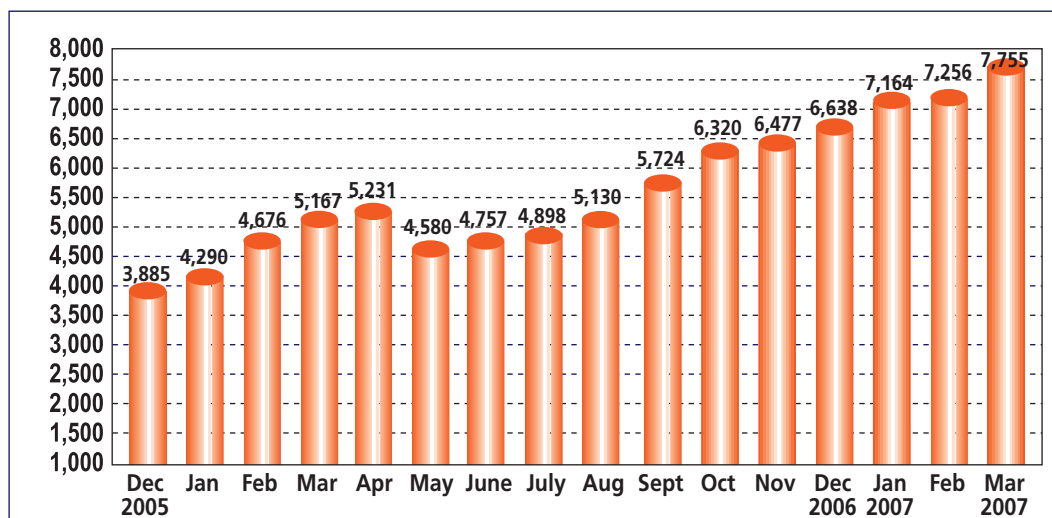
Performance by IFIL savings stock against the Mibtel index ^(a)



(a) The charts are based on stock market data. Mibtel base 100 on IFIL stock.

The above performance positively influenced IFIL's capitalization which, in 2006, grew from € 3,885 million to € 6,638 million. During the first few months of 2007, there was a further increase to € 7,755 million.

IFIL Capitalization (€ in millions)



During 2006, the value and volumes of IFIL stock traded grew still further. The increment in the volumes of both ordinary and savings stocks traded (liquidity) particularly confirms the market's increasingly greater interest in IFIL stocks.

Market information	2007 (a)	2006	2005	2004
Market price per ordinary share (€):				
. year-end	7.222	6.19	3.61	3.29
. high	7.222	6.34	3.83	3.29
. low	6.215	3.63	3.15	2.43
Market price per savings share (€):				
. year-end	6.808	5.67	3.78	3.19
. high	6.991	5.97	3.89	3.19
. low	5.718	3.84	3.16	2.33
Trading volumes during the year:				
. ordinary stock (in millions of shares)	164	695	757	613
. savings stock (in millions of shares)	14	36	28	24
Value of trading volumes during the year (€ in millions):				
. ordinary stock	1,107	3,424	2,609	1,729
. savings stock	89	179	97	66

(a) From January 1, to March 23, 2007.

FINANCIAL COMMUNICATIONS AND INVESTOR RELATIONS

In 2006, IFIL devoted special attention to relations with stockholders, financial analysts and institutional investors and the national and international financial Press.

In particular:

- approximately 1,000 copies (in Italian and English) of the annual report, the first-half report and the quarterly reports have been distributed. These reports are sent, on request, to stockholders, and are also available on the corporate website at www.ifil.it;
- besides numerous individual meetings arranged with institutional investors and financial analysts, a telephone conference call was organized in December 2006 to announce the agreement for the purchase of the controlling interest in the Cushman & Wakefield Group;
- continuous information was circulated through the Italian and foreign economic and financial Press, and also on the corporate website, in addition to the organization of press meetings concerning specific events.

The corporate functions in charge of communications, external relations and investor relations are:

External Relations and Media Relations

Tel. + 39.011.5090320
Fax + 39.011.5090386
e-mail: relazioni.esterne@ifil.it

Institutional Investors and Financial Analysts Relations

Tel. + 39.011.5090360
Fax + 39.011.535600
e-mail: relazioni.investitori@ifil.it

Stocks and Bonds Service

Tel. + 39.011.5090323
Tel. + 39.011.5090205
Fax + 39.011.5090321
e-mail: servizio.titoli@ifil.it

MAJOR EVENTS IN 2006 AND IN THE FIRST QUARTER OF 2007

Investment in Gruppo Banca Leonardo S.p.A.

On April 24, 2006, after receiving authorization from the competent authority, the subsidiary Ifil Investissements purchased 14,200,000 Gruppo Banca Leonardo S.p.A. Class A shares, equal to 9.43% of the current capital stock of the bank, for an investment of € 47 million, including transaction costs of € 0.4 million.

Non-convertible bond issue

On June 9, 2006, following the resolution passed by the board of directors' meeting on May 12, 2006, IFIL S.p.A. issued non-convertible bonds for a face value of € 200 million maturing June 9, 2011. The issue price was 99.9% of face value and interest is quarterly at the 3-month Euribor plus a spread of 68 basis points. Standard & Poor's rated the bonds BBB+, which is also the current rating of IFIL S.p.A.'s long-term debt. The bonds were admitted to trading on the Luxembourg stock exchange. The sole Lead Manager was Rasfin SIM S.p.A..

Increase of the investment in Fiat S.p.A.

In November and December 2006, IFIL S.p.A. purchased 4,254,000 Fiat ordinary shares (0.39% of the class of stock) on the market for an investment of € 62.3 million. IFIL S.p.A. now holds 332,587,447 Fiat ordinary shares equal to 30.45% of the class of stock and 31,082,500 Fiat preferred shares equal to 30.09% of the class of stock. The investment represents 28.513% of current Fiat capital stock.

Public Exchange and Purchase Offer launched by the subsidiary Sequana Capital

On September 6, 2006, the board of directors of the subsidiary Sequana Capital approved the project to place Sequana Capital's focus on the paper sector (in which it operates through the wholly-owned subsidiaries Arjowiggins and Antalis). Consequently, it launched the Public Exchange Offering for a maximum of 57,646,980 Sequana Capital shares (54.31% of capital stock at August 1, 2006) in exchange for a maximum of 1,859,580 SGS shares (23.8% of capital stock) held by Sequana Capital itself, in a ratio of 1 SGS share for every 31 Sequana Capital shares tendered in the Offering. Alternatively, the stockholders could have chosen to tender their shares to the Public Purchase Offering and receive the price of € 21 in cash for each Sequana Capital share sold to the company.

The offering period, approved by the French stock exchange authority and the special stockholders' meeting held on October 30, 2006, ended on November 28, 2006 with 100,548,993 Sequana Capital shares tendered (equal to 94.2% of the shares outstanding), of which 100,330,857 were tendered in the Exchange Offering and 218,136 in the Purchase Offering.

After the allocation, 57,521,414 shares were accepted for the Exchange Offering and 125,566 shares for Purchase Offering.

Finally, on December 14, 2006, the board of directors of Sequana Capital reduced capital stock to € 73,679,608.5 (represented by 49,119,739 shares of par value € 1.5 each) by canceling 57,646,980 shares tendered in the offerings.

Under the offer which was finalized on December 18, 2006, the subsidiary Ifil Investissements tendered 31,913,141 Sequana Capital shares obtaining in exchange 1,029,456 SGS shares (13.16% of capital stock).

The investment in Sequana Capital (represented by 24,009,482 shares) decreased from 52.68% to 48.88%.

Agreement for the acquisition of the controlling interest in the Cushman & Wakefield Group

On December 19, 2006, the subsidiary Ifil Investissements reached an agreement for the purchase of the controlling interest in Cushman & Wakefield (C&W), replacing Rockefeller Group International Inc., an international investment and property development company.

On March 30, 2007, after receiving the authorizations from the competent authorities, Ifil Investissements finalized this agreement by purchasing 71.52% of the capital stock of Cushman & Wakefield for an investment of \$ 625 million (€ 474 million), in addition to transaction costs. The remaining 28.48% stake is held by C&W management and employees.

The acquisition was financed by Ifil Investissements' cash resources with no additional leverage assumed by C&W, ensuring that it retains complete financial flexibility with respect to its future growth objectives. For the IFIL Group, the investment represents a unique opportunity to acquire a majority position in what is widely regarded as the commercial real estate sector's foremost brand. C&W is led by one of the sector's most experienced management teams and operates in a growing, fragmented and consolidating services sector that presents excellent prospects for growth, both organically and through acquisitions. This transaction represents an important step in the IFIL Group's plans to continue diversifying its assets across a range of sectors, geographies and currencies.

The investment provides C&W with a new long-term stockholder with a proven track record of supporting the management teams of its portfolio as they define and implement successful growth and development plans. The transaction provides C&W with continuity of both management and strategy.

The C&W board of directors will consist of Carlo Sant'Albano, Alessandro Potestà, Michael Bartolotta and Pierre Martinet from the IFIL Group and Bruce Mosler, John Cushman and John Santora, managers from C&W.

C&W is headquartered in New York, where it was founded in 1917, and is the world's pre-eminent privately held services firm. It is present in 55 countries across the globe with 197 offices and 11,500 employees. In 2006, consolidated revenues totaled \$ 1.5 billion, an increase of 23% over the prior year, an EBITDA of \$ 119 million and a consolidated profit of \$ 40 million.

C&W provides real estate services to 75% of the Fortune 500 and has a diverse customer base. C&W offers a complete range of services for the real estate sector, split into four main areas of activity: Transaction Services – tenant and landlord representation in office, industrial and retail estate; Capital Markets – property sales, investment management of properties, investment banking and valuation services; Client Solutions – real estate strategies and related services to large corporations and property owners and Consulting Services – business and real estate consulting.

In 2006, C&W negotiated more than \$ 32 billion in leasing transactions and approximately \$ 50 billion in property sales. C&W has valued over \$ 500 billion of property in 2006 and is the most important Group in the world. The firm has more than 430 million square feet of property under management, making it one of the largest global property managers. In 2005, C&W launched its "Fast Forward" growth strategy to restructure its business, diversify its services and expand its geographic reach. Its strategy is focused on extending C&W's business in Europe and in the Asia-Pacific region with the aim of generating 50% of its revenues from outside the United States by 2011, and on increasing its presence in the investment services sector.

In the past two years C&W has consolidated its position in Mexico by taking full control of its operation there, acquired its Russian and Canadian market leader affiliates, respectively Stiles & Riabokobylko and Royal LePage, and announced plans to open an office in Finland. The company is also continuing to expand in India, China and throughout Asia.

The United States remains a core market and continues to present opportunities: the top five real estate service providers, including C&W, control only 14% of the \$ 23 billion United States commercial property services market affording plenty of scope for growth.

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Merger of Sanpaolo IMI S.p.A. in Banca Intesa S.p.A.

On December 28, 2006, the deed of merger of Sanpaolo IMI S.p.A. in Banca Intesa S.p.A. was signed and became effective for legal purposes on January 1, 2007.

At December 31, 2006, IFIL S.p.A. held 93,071,000 Sanpaolo IMI ordinary shares (5.85% of ordinary capital stock and 4.96% of capital stock); IFIL S.p.A. received for those shares a total of 289,916,165 Intesa Sanpaolo S.p.A. ordinary shares (2.45% of ordinary capital stock and 2.27% of capital stock).

Effective January 1, 2007, the capital stock of Intesa Sanpaolo S.p.A. is € 6,646,436,318.6 and is composed of 11,849,117,744 ordinary shares and 932,490,561 non-convertible savings shares, all with a par value of € 0.52.

Consob sanctionary measure

On February 13, 2007, the Consob sanctionary measure (Resolution 15760) was notified with regard to the contents of the press releases issued by IFIL S.p.A. and by Giovanni Agnelli e C. S.a.p.az. on August 24, 2005 and applies the following pecuniary administrative sanctions:

- to Gianluigi Gabetti (chairman of IFIL S.p.A. and chairman of Giovanni Agnelli e C. S.a.p.az.) € 2.5 million in reference to the diffusion of the press release dated August 24, 2005 by the company IFIL S.p.A. and € 2.5 million in reference to the diffusion of the press release dated August 24, 2005 by the company Giovanni Agnelli e C. S.a.p.az;
- to Franzo Grande Stevens (director of IFIL S.p.A.) € 2 million in reference to the diffusion of the press release dated August 24, 2005 by the company IFIL S.p.A. and € 1 million in reference to the diffusion of the press release dated August 24, 2005 by the company Giovanni Agnelli e C. S.a.p.az;
- to Virgilio Marrone (chief executive officer and general manager of IFI S.p.A.) € 500 thousand in reference to the diffusion of the press release dated August 24, 2005 by the company Giovanni Agnelli e C. S.a.p.az;
- to IFIL S.p.A. € 4.5 million;
- to Giovanni Agnelli e C. S.a.p.az. € 3 million;

and the additional following administrative sanctions: temporary inability to assume positions of administration, direction and control in listed companies or in companies that are part of the same group of listed companies:

- to Gianluigi Gabetti: for six months
- to Franzo Grande Stevens: for four months
- to Virgilio Marrone: for two months

On the same date, the board of directors, presided over by the vice chairman ("Vicario") John Elkann, took note of the sanctionary measure with surprise and disappointment and declared that Gianluigi Gabetti, Franzo Grande Stevens and Virgilio Marrone had its full support.

The individuals and companies mentioned in the sanctionary measure filed an appeal with the Turin Court of Appeals on February 28, 2007 together with a request for the suspension of the measure on serious grounds.

IFIL S.p.A. has accrued the pecuniary sanction of € 4.5 million in the separate and consolidated financial statements for the year ended December 31, 2006.

A preliminary investigation by the Turin District Attorney's office is currently underway concerning the same facts as the Consob sanctionary measure.

Juventus Football Club S.p.A. capital increase

On March 14, 2007, the board of directors of Juventus Football Club S.p.A. examined and unanimously approved the medium term development plan aimed at relaunching the company from the standpoint of sports excellence, developing commercial activities and strengthening the financial and equity positions.

In order to finance the development plan, the board of directors voted to put forward a motion to the stockholders' meeting called for April 20, 2007 to increase the capital stock by approximately € 104.8 million through the issue of 80,621,332 shares (to be offered to the stockholders as option rights in a ratio of 2 new shares for every 3 shares held) at the issue price of € 1.30 per share (of which € 1.20 is the share premium).

IFIL Investment S.p.A., in agreeing with the objectives of the medium term development plan, will subscribe to its share, equal to € 62.9 million.

Gruppo Banca Leonardo S.p.A. capital increase

In February 2007, the subsidiary Ifil Investissements S.A. declared its irrevocable intention to exercise the right to subscribe to its share of the Gruppo Banca Leonardo capital increase, equal to 11,055,537 shares for an investment of € 36.3 million. The new shares will be issued, subscribed to and fully paid-in on April 30, 2007.

Increase in the investment in SGS S.A.

In March 2007, the subsidiary Ifil Investissements S.A. purchased 45,364 SGS shares on the market for an investment of € 39.5 million, increasing its stake from 13.16% to 13.74%.

Sale of the investment in Turismo&Immobiliare

On March 26, 2007, the subsidiary Ifil Investissements reached an agreement for the sale of the investment in Turismo&Immobiliare, the company which holds a 49% stake in Italia Turismo, the largest real estate operator in the tourism-incoming sector in Italy which has significant investments in the south of Italy.

Pursuant to the agreement, Ifil Investissements will sell its 25% holding in Turismo&Immobiliare to the Marcegaglia Group, Pirelli RE and Gabetti Property Solutions for € 5.2 million.

The closing of the transaction, which is subject to approval by the competent authorities, is expected to take place in June 2007.

BUSINESS OUTLOOK

For the year 2007, IFIL S.p.A. is expected to report a profit.

Taking into account the forecasts formulated by the major holdings (discussed later in the report), a profit is forecast in the IFIL Group consolidated financial statements for 2007.

Fiat Group

In 2007, the Fiat Group confirmed its target of realizing a net income of between € 1.6 billion and € 1.8 billion.

Sequana Capital Group

Compared to the first half of 2006, Arjowiggins expects the results for the first half of 2007 to be higher for the Communications, Safety and Technology divisions and lower for the Graphic Arts division.

As regards Antalis, the first half of 2007 should show an improvement owing to a more favorable market for office products and the gain in market share in some geographical areas.

Alpitour Group

The first months of the year 2006/2007 have confirmed the signs of a recovery in demand that were seen during the previous year.

The year 2006/2007 should show a further improvement in the operating result over the prior year, even though investments and development initiatives will be significant.

Juventus Football Club

The year 2006/2007 is influenced by the team's relegation to Serie B in the Italian championship and its absence from playing in the UEFA Champions League games which significantly reduced revenues.

The company has therefore implemented a strong cost reduction plan aimed particularly at salaries and the amortization of players' rights which led to the sale of important players with the aim of closing the year 2006/2007 with a breakeven.

IFIL S.p.A. – REVIEW OF THE RESULTS OF THE SEPARATE FINANCIAL STATEMENTS

Introduction

Following the coming into force of European Regulation 1606 dated July 19, 2002 and the national laws implementing that Regulation, pursuant to article 4 of Legislative Decree 38 dated February 28, 2005, starting from January 1, 2006 IFIL S.p.A. has adopted International Financial Reporting Standards (IFRS) in the preparation of its separate financial statements (previously referred to as statutory financial statements).

Consequently, the figures in the separate financial statements for the year ended December 31, 2005, prepared in accordance with Italian accounting principles (Italian GAAP), have been adjusted and reclassified on the basis of IFRS for purposes of comparison with the year 2006.

Additional information on the adoption of IFRS and on the effects of their adoption on the published 2005 statutory financial statements are presented in Note 2 to the separate financial statements at December 31, 2006 and in the specific Appendix – Transition to International Financial Reporting Standards (IFRS) by IFIL S.p.A..

The condensed income statement and balance sheet and comments on the most important items are presented below.

IFIL S.p.A. - Condensed income statement

€ in millions	Note	2006	2005 (a)	Change
Dividends from investments	1	53.0	154.4	(101.4)
Gains (losses) on sales of investments and securities		(0.7)	2.6	(3.3)
Impairment reversals on investments	2	645.3	0.0	645.3
Net financial expenses	3	(19.4)	(21.5)	2.1
Net general expenses	4	(20.1)	(15.8)	(4.3)
Other non-current expenses	5	(7.6)	(18.8)	11.2
Profit before income taxes		650.5	100.9	549.6
Income taxes	2	(25.2)	0.0	(25.2)
Profit		625.3	100.9	524.4

(a) Prepared in accordance with IFRS.

IFIL S.p.A. - Condensed balance sheet

€ in millions	Note	12/31/2006		12/31/2005 (a)		Change
		Amount	%	Amount	%	
Investments	6	5,321.9	99.1	4,102.6	98.8	1,219.3
Other non-current financial assets	8	0.1	0.0	3.7	0.1	(3.6)
Current financial assets	8	2.5	0.1	0.8	0.0	1.7
Other current assets		44.5	0.8	43.4	1.1	1.1
Total Assets		5,369.0	100.0	4,150.5	100.0	1,218.5
Equity	7	4,587.5	85.4	3,678.5	88.7	909.0
Financial liabilities						
- current	8	485.0	9.1	449.6	10.8	35.4
- non-current	8	199.2	3.7	0.0	0.0	199.2
		684.2	12.8	449.6	10.8	234.6
Other current and non-current liabilities		97.3	1.8	22.4	0.5	74.9
Total Equity and liabilities		5,369.0	100.0	4,150.5	100.0	1,218.5

(a) Prepared in accordance with IFRS.

The year 2006 shows a profit of € 625.3 million, € 620.1 million of which is the net amount deriving from the impairment reversal on the investment held in Fiat (€ 645.3 million) and the accrual for the related deferred taxes (-€ 25.2 million).

The result of the prior year, adjusted in accordance with IFRS, amounted to € 100.9 million.

1. Dividends from investments

Dividends from investments in 2006 amount to € 53 million and are entirely collected from Sanpaolo IMI. In 2005, the amount of € 154.4 million included dividends collected from Sanpaolo IMI (€ 43.7 million) and from the subsidiaries Ifil Investment Holding and Ifil Investissements (€ 110.7 million in total).

2. Impairment reversals on investments

Impairment reversals on investments refer exclusively to 240,583,447 Fiat ordinary shares and 31,082,500 Fiat preferred shares which in 2001, 2002 and 2004 had been written down to their market price. The impairment loss on the value of Fiat ordinary shares was totally reversed up to the original purchase cost, for € 537.1 million. The carrying amount of Fiat preferred shares was partially adjusted by the impairment reversal of € 108.2 million

(out of a total impairment loss of € 135.7 million), up to the stock market price on December 29, 2006, which was still below (€ 27.5 million) the original purchase cost.

Deferred taxes were recorded on these impairment reversals for € 25.2 million (5.28% of the impairments deductible in the year 2002).

3. Net financial expenses

Net financial expenses of € 19.4 million decreased by € 2.1 million compared to 2005 (€ 21.5 million) due to a different composition of debt and the consequent reduction in the cost of debt.

4. Net general expenses

Net general expenses amount to € 20.1 million and show an increase of € 4.3 million compared to € 15.8 million in 2005. The increase is due to higher legal fees (+€ 2.1 million), personnel costs (+€ 0.4 million), special compensation to the chief executive officer (+€ 1.1 million), non-deductible VAT (+€ 0.9 million) and travel expenses (+€ 0.2 million), partially compensated by higher revenues and cost recoveries (-€ 0.4 million).

5. Other non-current expenses

Other non-current expenses in 2006 amount to € 7.6 million and include the accrual for pecuniary administrative sanctions of € 4.5 million levied on the company by Consob in relation to the content of the press release dated August 24, 2005, as well as the accrual for the cost of € 3.1 million referring to the current year for the stock option plan approved for management of the subsidiary Alpitour.

In 2005, the amount of € 18.8 million included the extraordinary compensation approved for the chairman (€ 15 million) and the former chief executive officer (€ 3.8 million).

6. Investments

Details are as follows:

€ in millions	12/31/2006	12/31/2005	Change
Accounted for by the equity method			
Fiat S.p.A. (ordinary shares)	2,619.4	2,020.0	599.4
Fiat S.p.A. (preferred shares)	231.1	122.9	108.2
	2,850.5	2,142.9	707.6
Ifil Investissements S.A.	641.5	641.5	0.0
Alpitour S.p.A.	100.0	0.0	100.0
Ifil Investment Holding N.V.	68.3	68.3	0.0
Juventus Football Club S.p.A.	11.3	11.3	0.0
Soiem S.p.A.	10.0	10.0	0.0
Ifil New Business S.r.l.	-	-	-
	3,681.6	2,874.0	807.6
Investments available-for-sale			
Sanpaolo IMI S.p.A. (ordinary shares) (a)	1,640.3	1,228.6	411.7
Total investments	5,321.9	4,102.6	1,219.3

(a) Measured at fair value on the basis of the market price at the end of the year, with recognition of the unrealized gains or losses in equity.

The increase of € 1,219.3 million in the carrying amount of the investments is due to the following movements:

€ in millions	
Investments at December 31, 2005	4,102.6
Purchase of 4,254,000 Fiat ordinary shares (0.39% of the class of stock)	62.3
Purchase of 100% of the capital stock of Alpitour (from Ifil Investissements)	100.0
Impairment reversals on:	
- Fiat ordinary shares	537.1
- Fiat preferred shares	108.2
Fair value adjustment to the investment in Sanpaolo IMI	411.7
Change during the year	1,219.3
Investments at December 31, 2006	5,321.9

The comparison between carrying amounts and market prices of listed investments is as follows:

	Number of shares held	Carrying amount		Market price at			
				December 29, 2006		March 23, 2007	
		Per share (€)	Total (€ ml)	Per share (€)	Total (€ ml)	Per share (€)	Total (€ ml)
Fiat S.p.A. (ordinary shares)	332,587,447	7.88	2,619.4	14.42	4,797.6	19.00	6,320.8
Fiat S.p.A. (preferred shares)	31,082,500	7.44	231.1	12.06	374.8	16.44	510.9
			2,850.5		5,172.4		6,831.7
Sanpaolo IMI S.p.A. (ord. sh.)	93,071,000	17.62	1,640.3	17.62	1,640.3	5.72	1,656.9 (a)
Juventus Football Club S.p.A.	72,560,500	0.16	11.3	1.76	128.0	1.89	137.1
Total			4,502.1		6,940.7		8,625.7

(a) This refers to the valuation of 289,916,165 Intesa Sanpaolo S.p.A. shares.

7. Equity

At December 31, 2006, equity is equal to € 4,587.5 million (€ 3,678.5 million at December 31, 2005). The positive change of € 909 million is due to the following movements:

€ in millions	
Equity at December 31, 2005	3,678.5
Dividends paid out	(85.8)
Change in fair value of investments and securities	362.5
Sale of treasury stock for stock options exercised	5.3
Other net changes	1.7
Profit for the year 2006	625.3
Net change during the year	909.0
Equity at December 31, 2006	4,587.5

8. Net financial position

Details are as follows:

€ in millions	12/31/2006	12/31/2005	Change
Cash and cash equivalents	0.3	0.2	0.1
Other financial assets, current and non-current	2.3	0.9	1.4
Non-convertible bonds	(199.2)	(99.8)	(99.4)
Bank debt	(274.7)	(348.6)	73.9
Debt with related parties	(208.9)	0.0	(208.9)
Current other financial liabilities	(1.4)	(1.2)	(0.2)
Net financial position	(681.6)	(448.5)	(233.1)

The negative change of € 233.1 million in 2006 is due to the following cash flows:

€ in millions	
Net financial position at December 31, 2005	(448.5)
Dividends collected from Sanpaolo IMI	53.0
Dividends paid out	(85.8)
Net financial expenses	(19.4)
Net general expenses	(20.1)
Sale of 1,382,780 ordinary shares of treasury stock for stock options exercised	5.3
Sale of 18,914,511 Fiat ordinary share warrants	1.8
Purchase of 100% of capital stock of Alpitour (from Ifil Investissements)	(100.0)
Purchase of 4,254,000 Fiat ordinary shares	(62.3)
Other net changes	(5.6)
Net change during the year	(233.1)
Net financial position at December 31, 2006	(681.6)

9. Reconciliation between the data of the separate financial statements of IFIL S.p.A. and the consolidated financial statements of the Group

The following reconciliation of the profit for the year and the equity in the separate financial statements of IFIL S.p.A. for the year ended December 31, 2006 and the corresponding figures in the consolidated financial statements of the IFIL Group at the same date are presented as required by Consob Communication 6064293 dated July 28, 2006.

€ in millions	Profit	Equity
Separate financial statements of IFIL S.p.A.	625	4.587
Difference between the carrying amounts of investments and corresponding equity at the end of the prior year		1.508
Net balance between the changes during the year in the equity of consolidated companies and companies accounted for by the equity method (excluding the result)		411
Share of the profit (loss) of consolidated companies and companies accounted for by the equity method, net of consolidation adjustments (a)	514	514
Elimination of dividends collected from consolidated companies and companies accounted for by the equity method	(185)	(185)
Elimination of impairment losses and reversals on consolidated investments and companies accounted for by the equity method	(620)	(620)
Other consolidation adjustments	7	7
Consolidated financial statements of the IFIL Group (attributable to the equity holders of the company)	341	6.222

(a) Consolidation adjustments amount to € 514 million and refer to the elimination of gains generated by intragroup transactions on investments and the diluting effect of the reduction in the stake held in Sequana Capital.

IFIL GROUP – REVIEW OF THE CONDENSED CONSOLIDATED RESULTS

IFIL holds some important investments through Dutch and Luxembourg subsidiaries and controls two companies incorporated under Irish law (operating with the aim of optimizing the management of the financial resources of the Group), Soiem (a service company), as well as two companies contributing to investment activities (Ifil USA and Ifil Asia). The aggregate of these companies constitutes the so-called “Holdings System”.

In order to facilitate the analysis of the equity and financial position and the results of operations of the Group, it is IFIL's practice to present condensed financial statements (balance sheet and income statement) for the period prepared by applying the “condensed” consolidation criteria. Such condensed consolidated financial statements are presented along with the annual consolidated financial statements and the interim consolidated financial statements for the first-half of each year. The quarterly consolidated data is also presented in the condensed format in the quarterly reports at March 31 and September 30 of each year.

In the preparation of the condensed consolidated balance sheet and income statement, the financial statements or accounting data drawn up in accordance with IFRS by the parent and by the subsidiaries in the “Holdings System” are consolidated line-by-line; the investments in the operating subsidiaries and associates (Fiat, Sequana Capital, Alpitour, Juventus Football Club and Turismo&Immobiliare) are accounted for by the equity method, always on the basis of their financial statements or accounting data prepared in accordance with IFRS.

The following table shows the consolidation and valuation methods used for investments.

	% holding in capital stock outstanding	
	12/31/2006	12/31/2005
Subsidiaries of the “Holdings System” consolidated line-by-line		
- IFIL Investments S.p.A.	-	-
- Ifil Investment Holding N.V. (The Netherlands)	100	100
- Ifil Investissements S.A. (Luxembourg)	100	100
- Ifilgroup Finance Ltd (Ireland)	100	100
- Ifil International Finance Ltd (Ireland)	100	100
- Soiem S.p.A. (Italy)	100	100
- Ifil USA Inc	100	100
- Ifil Asia Ltd (Hong Kong)	100	100
- Ifil New Business S.r.l. (Italy) (a)	100	100
- Eufin Investments Unlimited (United Kingdom)	100	100
Operating companies accounted for by the equity method		
- Fiat Group	28.60	28.28
- Sequana Capital Group	48.88	52.78
- Alpitour Group	100	100
- Juventus Football Club S.p.A.	60	60
- Turismo&Immobiliare S.p.A.	25	25
Investments accounted for at fair value (b)		
- Sanpaolo IMI S.p.A.	4.96	4.96
- SGS S.A.	13.16	-
Investments accounted for at cost		
- Gruppo Banca Leonardo S.p.A.	9.43	-
- Subsidiaries of the “Holdings System” in liquidation and others	-	-

(a) Dormant company.

(b) Based on the market price at the end of the year with the unrealized gain or loss recognized in equity.

The following tables present the condensed consolidated income statement and balance sheet and comments on the most important items.

IFIL GROUP – Condensed consolidated income statement

The consolidated profit attributable to the equity holders of the company for the year 2006 is € 341.5 million. This is a reduction of € 748.5 million compared to the profit reported for the year 2005 (€ 1,090 million) which, however, had included significant nonrecurring income realized directly (the gain of € 459.1 million realized on the sale of the investment in La Rinascente) and through the Fiat Group (€ 482.7 million at the IFIL level) and the Sequana Capital Group (€ 266 million at the IFIL level).

€ in millions	Note	2006	2005	Change
Share of the profit (loss) of companies accounted for by the equity method	1	293.2	622.0	(328.8)
Net financial income:				
- Dividends from investments	2	53.0	43.7	9.3
- Impairment (losses) reversals on investments and securities		(0.7)	1.8	(2.5)
- Other financial income		19.2	6.3	12.9
Net financial income		71.5	51.8	19.7
Gain on the sale of the investment in La Rinascente		0.0	459.1	(459.1)
Net general expenses		(23.2)	(22.3)	(0.9)
Other non-current income (expenses)	3	0.2	(20.5)	20.7
Profit before income taxes		341.7	1,090.1	(748.4)
Income taxes		(0.2)	(0.1)	(0.1)
Profit attributable to the equity holders of the company		341.5	1,090.0	(748.5)

IFIL GROUP – Condensed consolidated balance sheet

€ in millions	Note	12/31/2006	12/31/2005	Change
Non-current assets				
Investments accounted for by the equity method	4	3,291.8	3,576.8	(285.0)
Other financial assets	5	2,563.5	1,238.3	1,325.2
Property, plant and equipment		13.2	13.5	(0.3)
Total Non-current assets		5,868.5	4,828.6	1,039.9
Current assets				
Financial assets	8	857.1	793.3	63.8
Cash and cash equivalents	8	5.7	4.2	1.5
Trade receivables and other receivables		47.2	43.7	3.5
Total Current assets		910.0	841.2	68.8
Total Assets		6,778.5	5,669.8	1,108.7
Equity attributable to the equity holders of the company	7	6,222.3	5,186.0	1,036.3
Non-current liabilities				
Provisions for employee benefits and provisions for other liabilities and charges		2.4	2.2	0.2
Bonds and other debt	8	199.2	0.0	199.2
Deferred tax liabilities and other liabilities		52.6	1.2	51.4
Total Non-current liabilities		254.2	3.4	250.8
Current liabilities				
Provisions for employee benefits and provisions for other liabilities and charges		0.0	7.8	(7.8)
Bonds and other debt	8	277.6	449.5	(171.9)
Trade payables and other liabilities		24.4	23.1	1.3
Total Current liabilities		302.0	480.4	(178.4)
Total Equity and liabilities		6,778.5	5,669.8	1,108.7

1. Share of the profit (loss) of companies accounted for by the equity method

The share of the profit (loss) of companies accounted for by the equity method is € 293.2 million (€ 622 million in 2005). The negative change of € 328.8 million is primarily due to lower contributions by the Sequana Capital Group (-€ 199.4 million) and the Fiat Group (-€ 144.4 million) which, as mentioned previously, included significant net nonrecurring income in 2005.

€ in millions	Profit (loss)		IFIL' share		
	2006	2005	2006	2005	Change
Fiat Group	1,065.0	1,331.0	304.6	373.8	(69.2)
Consolidation adjustments			(15.4) (a)	59.8 (b)	(75.2)
Total Fiat Group			289.2	433.6	(144.4)
Sequana Capital Group	958.0	348.1	504.2	183.7	320.5
Consolidation adjustments			(494.1) (c)	25.8 (d)	(519.9)
Total Sequana Capital Group			10.1	209.5	(199.4)
Alpitour Group	3.0 (e)	(10.7) (e)	3.0	(10.7)	13.7
Juventus Football Club S.p.A.	(14.7) (f)	(16.7) (f)	(8.8)	(10.0)	1.2
Other			(0.3)	(0.4)	0.1
Total			293.2	622.0	(328.8)

(a) Mainly for the assignment of preferred dividends for the years 2004, 2005 and 2006 to minority stockholders.

(b) Of which € 54.8 million is due to the excess of the increases of IFIL's share of the consolidated equity of the Fiat Group deriving from the Fiat capital stock increase subscribed to by minority stockholders (+€ 605.4 million) and the increase in the percentage of consolidation, equal to 0.54% (+€ 29.2 million), compared to the costs incurred for the purchase of 87,500,000 Fiat ordinary shares (-€ 580.2 million), net of the sale of the rights on the ordinary and preferred shares (+€ 0.4 million).

(c) For the elimination of the after-tax gain deriving from the Sequana Capital/SGS Exchange and Purchase Offering (-€ 465.8 million) and for the diluting effect of the reduction in the percentage of ownership (-€ 28.3 million).

(d) Adjustment of the gain on the sale of the investment in Permal Group, due to the different carrying amount in IFIL.

(e) Data for the period November 1 – October 31.

(f) Data for the period January 1 – December 31 prepared for the purposes of consolidation in IFIL.

For a review of the performance of the major holdings reference should be made to the specific section of this report.

2. Dividends from investments

Dividends from investments in 2006 amount to € 53 million and were entirely collected from Sanpaolo IMI (€ 43.7 million in 2005).

3. Other non-current income (expenses)

Other non-current income (expenses) include the accrual for the administrative sanction of € 4.5 million levied on the company by Consob in relation to the content of the press release dated August 24, 2005, the cost of € 3.1 million referring to the current year for the stock option plan approved for management of the subsidiary Alpitour, as well as the release of the provision set aside in prior years for the Alpitour stock option plan 2000 which was not exercised by the expiration date of August 31, 2006 (+€ 7.8 million).

In 2005, the amount included extraordinary compensation approved for the chairman (€ 15 million) and former chief executive officer (€ 3.8 million) of IFIL S.p.A. and the expenses for that year (€ 1.7 million) relating to the stock option plans with underlying IFIL stock which expired in 2006.

4. Investments accounted for by the equity method

Details are as follows:

€ in millions	Carrying amount at		Change
	12/31/2006	12/31/2005	
Fiat Group	2,610.6	2,335.7	274.9
Sequana Capital Group	588.8	1,140.9	(552.1)
Alpitour Group	70.4	69.9	0.5
Juventus Football Club S.p.A.	17.7	26.6	(8.9)
Turismo&Immobiliare S.p.A.	4.3	3.7	0.6
Total	3,291.8	3,576.8	(285.0)

The decrease in the investment in the Sequana Capital Group can be ascribed to the Public Exchange and Purchase Offer and the consequent reduction in capital stock carried out in 2006.

5. Other non-current financial assets

Details are as follows:

€ in millions	Carrying amount at		Change
	12/31/2006	12/31/2005	
Other investments			
Sanpaolo IMI S.p.A.	1,640.3	1,228.6	411.7
SGS S.A.	870.0	0.0	870.0
Gruppo Banca Leonardo S.p.A.	47.0	0.0	47.0
Subsidiaries of the "Holdings System" in liquidation and others	1.0	1.1	(0.1)
Securities			
Ocean Club Méditerranée bonds	5.0	4.8	0.2
Fiat ordinary share warrants 2007 ^(a)	0.0	3.5	(3.5)
Sundry	0.2	0.3	(0.1)
Total other non-current financial assets	2,563.5	1,238.3	1,325.2

(a) Sold in 2006.

The investment in SGS S.A. (13.16% of capital stock) was initially recorded at the carrying amount at which the investment had been recognized in the consolidated financial statements of the Sequana Capital Group before the Public Exchange and Purchase Offer, equal to € 361.6 million, and was classified in "investments available-for-sale". At December 31, 2006, the investment was measured at fair value on the basis of the stock market price at the end of the year and the unrealized gain (€ 508.4 million) was recognized in equity.

The original purchase cost of the investment in Sanpaolo IMI is € 883.4 million. In the years 2005 and 2006, the overall fair value adjustment to the investment totals € 756.9 million.

6. Comparison between carrying amounts and market prices of listed investments and other listed financial assets

Details are as follows:

	Number of shares held	Carrying amount		Market price at			
				December 29, 2006		March 23, 2007	
				Per share (€)	Total (€ ml)	Per share (€)	Total (€ ml)
Fiat Group							
- ordinary shares	332,587,447	7.18	2,388.0	14.42	4,797.6	19.00	6,320.8
- preferred shares	31,082,500	7.18	222.6	12.06	374.8	16.44	510.9
			2,610.6		5,172.4		6,831.7
Sequana Capital Group	24,009,482	24.52	588.8	23.34	596.4	23.00	552.2
Sanpaolo IMI S.p.A.	93,071,000	17.62	1,640.3	17.62	1,640.3	5.72	1,656.9 (a)
Juventus Football Club S.p.A.	72,560,500	0.24	17.7	1.76	128.0	1.89	137.1
SGS S.A.	1,029,456	845.11	870.0	845.11	870.0	899.77	926.3
Ocean Club Méditerranée bonds	76,614	65.10	5.0	65.15	5.0	66.18	5.1
Total			5,732.4		8,412.1		10,109.3

(a) This refers to the valuation of 289,916,165 Intesa Sanpaolo S.p.A. shares.

7. Equity attributable to the equity holders of the company

Details are as follows:

€ in millions	12/31/2006	12/31/2005	Change
Capital and reserves	6,270.8	5,238.1	1,032.7
Treasury stock	(48.5)	(52.1)	3.6
Total	6,222.3	5,186.0	1,036.3

The changes during the year are analyzed as follows:

€ in millions	
Equity attributable to the equity holders of the company at December 31, 2005	5,186.0
Fair value adjustment of the investment in Sanpaolo IMI (+€ 411.7 million, net of -€ 48.2 million of deferred taxes) and the investment in SGS (+€ 508.4 million)	871.9
Share of translation differences (-€ 140.7 million) and other net changes (+€ 49.3 million) shown in the equity of the companies accounted for by the equity method	(91.4)
Dividends paid out by IFIL S.p.A.	(85.7) (a)
Profit attributable to the equity holders of the company	341.5
Net change during the year	1,036.3
Equity attributable to the equity holders of the company at December 31, 2006	6,222.3

(a) Net of € 0.1 million of intragroup dividends.

At December 31, 2006, IFIL S.p.A. holds, directly and indirectly, the following treasury stock:

	Number of IFIL ordinary shares	% of class of stock	% of capital stock	Amount	
				Per share (€)	Total (€ ml)
Held by IFIL S.p.A.	12,402,998	1.19	1.15	3.68	45.7
Held by the subsidiary Soiem S.p.A.	810,262	0.08	0.08	3.41	2.8
Balance at December 31, 2006	13,213,260	1.27	1.23	3.67	48.5

As a result of the exercise of the options granted in prior years, in 2006, 1,382,780 IFIL ordinary shares were sold to the grantees of stock option plans for net proceeds of

€ 5.3 million and a gain of € 1.7 million which was recognized directly as an increase in equity.

Additional information is provided in Note 16 to the separate financial statements.

8. Consolidated net financial position of the “Holdings System”

The consolidated net financial position of the “Holdings System” at December 31, 2006 is a cash position of € 386.2 million. This is an increase of € 37.9 million compared to the cash position at the end of 2005 (€ 348.3 million).

The consolidated net financial position of the “Holdings System” is composed as follows:

€ in millions	12/31/2006			12/31/2005		
	Current	Non-current	Total	Current	Non-current	Total
Financial assets	857.1	0.2	857.3	793.3	0.3	793.6
Cash and cash equivalents	5.7	0.0	5.7	4.2	0.0	4.2
Total financial assets	862.8	0.2	863.0	797.5	0.3	797.8
Bonds	0.0	(199.2)	(199.2)	(99.8)	0.0	(99.8)
Bank and other debt	(277.6)	0.0	(277.6)	(349.7)	0.0	(349.7)
Total financial liabilities	(277.6)	(199.2)	(476.8)	(449.5)	0.0	(449.5)
Consolidated net financial position of the “Holdings System”	585.2	(199.0)	386.2	348.0	0.3	348.3

Current financial assets amount to € 857.1 million (€ 793.3 million at the end of 2005) and principally include investments in time deposits, in bonds and in other short-term financial instruments.

The positive change of € 37.9 million during the year is due to the following flows:

€ in millions	
Consolidated net financial position of the “Holdings System” at December 31, 2005	348.3
Dividends collected from:	
- Sequana Capital	184.5
- Sanpaolo IMI	53.0
	237.5
Dividends paid out by IFIL S.p.A.	(85.7) (a)
Investment made in Gruppo Banca Leonardo S.p.A. (9.6% of capital stock)	(47.0) (b)
Investment made in Fiat ordinary shares (0.39% of class of stock)	(62.3)
Other net changes:	
- Other net financial income (expenses)	19.2
- Net general expenses	(23.2)
- Other changes	(0.6)
	(4.6)
Net change during the year	37.9
Consolidated net financial position of the “Holdings System” at December 31, 2006	386.2

(a) Net of € 0.1 million of intragroup dividends.

(b) Includes transaction costs of € 0.4 million.

At December 31, 2006 IFIL S.p.A. has irrevocable credit lines for € 830 million, of which € 420 million is due by December 31, 2007 and € 410 million at later expiration dates.

The rating assigned by Standard & Poor's to IFIL's long-term debt is “BBB+”, whereas the rating on short-term debt is “A-2”, both with a stable outlook.

9. Reconciliation between the consolidated net financial position of the “Holdings System” and under line-by-line consolidation

€ in millions	12/31/2006	12/31/2005	Change
Consolidated net financial position - Holdings System	386	348	38
Net financial debt of the companies consolidated line-by-line:			
- Sequana Capital Group	(380)	(441)	61
- Alpitour Group	(29)	(78)	49
- Juventus Football Club S.p.A.	(75)	(38)	(37)
Consolidated net financial position - line-by-line consolidation	(98)	(209)	111

The composition of the consolidated net financial position – line-by-line consolidation is presented in Note 27 to the consolidated financial statements of the IFIL Group.

10. Reconciliation between the condensed consolidated financial statements and the IFIL Group consolidated financial statements prepared in accordance with IFRS

The following table presents a reconciliation between the condensed consolidated financial statements and the IFIL Group consolidated financial statements prepared in accordance with IFRS.

The first column (“Condensed consolidation”) presents the data that has been commented on in the preceding pages reclassified according to the consolidated financial statement format.

The second column (“Eliminations”) shows the adjustments necessary to reverse the carrying amount of the investments accounted for in the condensed financial statements by the equity method and the share of the results of these investments in order to arrive at the line-by-line consolidation of the respective financial statements, adjusted, if necessary, to conform with Group principles, which are shown in the next columns.

Reconciliation of the consolidated balance sheet

€ in millions	Condensed consolidation	Eliminations	Sequana			IFIL Group consolidation
			Capital Group	Alpitour Group	Juventus F.C.	
Non-current assets						
Goodwill			735	25		760
Other intangible assets			65	36	87	188
Property, plant and equipment	13		684	120	30	847
Investments accounted for by the equity method	3,292	(677)	3	1		2,619
Other financial assets	2,564		104	4		2,672
Deferred tax assets			14	19	16	49
Other assets			18	7	30	55
Total Non-current assets	5,869	(677)	1,623	212	163	7,190
Current assets						
Inventories			538	2		540
Trade receivables			809	117	12	938
Other receivables	47		145	18	52	262
Financial assets	857		198	50	1	1,106
Cash and cash equivalents	6		255	40	1	302
Total Current assets	910	0	1,945	227	66	3,148
Assets held for sale			109		19	128
Total Assets	6,779	(677)	3,677	439	248	10,466
Equity						
Attributable to the equity holders of the compan	6,222	(677)	589	70	18	6,222
Attributable to the minority interest			626	5	12	643
Total Equity	6,222	(677)	1,215	75	30	6,865
Non-current liabilities						
Provisions for employee benefits	3		110	21	1	135
Provisions for other liabilities and charges			165	2	2	169
Bonds and other debt	199		413	23	17	652
Deferred tax liabilities	49		51		2	102
Other liabilities	4		6		47	57
Total Non-current liabilities	255	0	745	46	69	1,115
Current liabilities						
Provisions for employee benefits			7			7
Provisions for other liabilities and charges			280	3		283
Bonds and other debt	278		274	100	59	711
Trade payables	11		717	187	12	927
Other liabilities	13		407	28	78	526
Total Current liabilities	302	0	1,685	318	149	2,454
Liabilities relating to assets held for sale			32			32
Total Equity and liabilities	6,779	(677)	3,677	439	248	10,466

Reconciliation of the consolidated income statement

€ in millions			Sequana			IFIL Group consolidation
	Condensed consolidation	Eliminations	Capital Group	Alpitour Group	Juventus F.C.	
Revenues	1		4,045	1,332	156	5,534
Other revenues from current operations			44	6	61	111
Purchases of raw materials and changes in inventories			(2,653)	(976)	(3)	(3,632)
Personnel costs	(10)		(690)	(100)	(122)	(922)
Costs for external services	(11)		(501)	(201)	(34)	(747)
Taxes and duties	(2)		(37)	(3)		(42)
Depreciation and amortization			(103)	(16)	(38)	(157)
Accruals to provisions and other expenses from current operations	(1)		(9)	(31)	(31)	(72)
Profit (loss) from current operations	(23)	0	96	11	(11)	73
Other nonrecurring income (expenses)			(66)		(1)	(67)
Operating profit (loss)	(23)	0	30	11	(12)	6
Gains (losses) on the sale of investments	(1)		37	15		51
Cost of net debt	8		(27)	(9)	(3)	(31)
Other financial income (expenses)	64		7		1	72
Financial income (expenses)	71	0	17	6	(2)	92
Income taxes			(42)	(11)	(1)	(54)
Profit (loss) of companies consolidated line-by-line	48	0	5	6	(15)	44
Share of the profit (loss) of companies accounted for by the equity method	293	(4)	63			352
Profit from continuing operations	341	(4)	68	6	(15)	396
Profit from discontinued operations and assets held for sale						0
Profit	341	(4)	68	6	(15)	396
Profit attributable to the equity holders of the company	341	(4)	10	3	(9)	341
Profit attributable to the minority interest (A)			58	3	(6)	55
Net gain on the sale of the investment in SGS attributable to the minority interest (B)			396			396
Total profit attributable to the minority interest (A)+(B)			454	3	(6)	451

OTHER INFORMATION

Investments held by directors and statutory auditors

(Art. 79 of Consob resolution 11971 dated May 14, 1999 and subsequent amendments)

Name	Company	Number of shares			
		Held at 12/31/2005	Increase	Decrease	Held at 12/31/2006
Directors					
Gabetti Gianluigi	IFIL ordinary shares (a)	120,000	532,000 (c)		652,000
	Sequana Capital (a)	11			11
Brandolini d'Adda Tiberto	Sequana Capital (a)	88			88
Lombardi Giancarlo	IFIL ordinary shares (a)	12,650			12,650
Marocco Antonio Maria	IFIL ordinary shares (a)	73,369			73,369
Teodorani-Fabbri Pio	IFIL ordinary shares (a)	90,000			90,000
	IFIL ordinary shares (b)	219,000	250,000		469,000
	Fiat ordinary shares (b)	6,583			6,583
	Fiat ordinary share warrants 2007 (b)	825			825
	Fiat savings shares (b)	5,720			5,720
Winteler Daniel John	IFIL ordinary shares (a)	0	72,550 (c)	(60,150)	12,400
Statutory auditors					
Ferrero Cesare	Fiat ordinary shares (a)	1			1
Piccatti Paolo	Juventus F.C. (a)	540			540

(a) Direct holding.

(b) Indirect holding through spouse.

(c) Shares from the exercise of stock options.

There are no key managers with strategic responsibilities in IFIL S.p.A.

Management and coordination

IFIL Investments S.p.A. is not subject to management and coordination on the part of companies or entities.

In accordance with art. 2497 bis of the Italian Civil Code, the subsidiaries Soiem S.p.A. and Ifil New Business S.r.l. have identified IFIL Investments S.p.A. as the company which exercises management and coordination.

Programming document on security

The company has prepared the programming document on security on December 14, 2006 for the year 2006 according to the provisions of Legislative Decree 196 dated June 30, 2003, attachment B – technical specifications regarding minimum safety measures. The document has been drawn up by the person in charge of the treatment of the data.

***REVIEW OF THE OPERATING PERFORMANCE
OF THE MAJOR HOLDINGS***



(30.45% of ordinary capital stock and 30.09% of preferred capital stock)

The consolidated results of the Fiat Group in 2006 can be summarized as follows:

€ in millions	2006	2005	Change	
			Amount	%
Net revenues	51,832	46,544	5,288	11.4
Trading profit	1,951	1,000	951	95.1
Operating result	2,061	2,215	(154)	-7.0
Net result	1,151	1,420	(269)	-18.9
Net result attributable to the equity holders of the parent	1,065	1,331	(266)	-20.0

€ in millions	12/31/2006	12/31/2005	Change
Total Assets	58,303	62,454	(4,151)
Net debt	(11,836)	(18,523)	6,687
Consolidated net financial position	(231)	(2,550)	2,319
Group interest in stockholders' equity	9,362	8,681	681
Employees at year-end (number)	172,012	173,695	(1,683)

The Fiat Group records **Net revenues** of € 51,832 million in 2006, up 11.4% from 2005 (€ 46,544 million). The improvement is largely attributable to Fiat Auto and Iveco. Revenues also rose at CNH and at the Components & Production Systems business area. The following table illustrates the components of net revenues broken down by Sector:

€ in millions	2006	2005	Change %
Automobiles (Fiat Auto, Maserati, Ferrari)	25,577	21,275	20.2
Agricultural and Construction Equipment (CNH)	10,527	10,212	3.1
Trucks and Commercial Vehicles (Iveco)	9,136	8,483	7.7
Components and Production Systems (FPT, Magneti Marelli, Teksid, Comau)	12,366	10,727	n.s.
Other businesses (Services, Publishing and Communications, Holding Companies and other Companies)	1,581	1,618	-2.3
Eliminations	(7,355)	(5,771)	n.s.
Net revenues	51,832	46,544	11.4



In 2006, the **Trading profit** amounts to € 1,951 million nearly doubling the € 1,000 million level recorded in 2005, (3.8% of revenues in 2006 compared to 2.1% in 2005). Significant improvements were achieved in the Automobiles business area (+€ 650 million, of which € 572 million at Fiat Auto) and by Iveco (+€ 214 million). Only the Components & Production Systems business area reports slightly lower trading profit, reflecting a sharp drop at Comau. The following table illustrates the components of trading profit broken down by Sector:

€ in millions	2006	2005	Change Amount
Automobiles (Fiat Auto, Maserati, Ferrari)	441	(209)	650
Agricultural and Construction Equipment (CNH)	737	698	39
Trucks and Commercial Vehicles (Iveco)	546	332	214
Components and Production Systems (FPT, Magneti Marelli, Teksid, Comau)	348	358	(10)
Other businesses (Services, Publishing and Communications, Holding Companies and other Companies)	(121)	(179)	58
Trading profit	1,951	1,000	951



In 2006, the **Operating result** is positive by € 2,061 million compared with an operating income of € 2,215 million in 2005. The € 154 million decrease reflects lower net unusual income (gains on disposals of investments, restructuring charges and other unusual income and expenses) of € 1,105 million (€ 110 million in 2006 and € 1,215 million in 2005) versus an improvement in trading profit of € 951 million.

In 2006, gains on disposal of investments totaled € 607 million and were in part offset by restructuring charges of € 450 million and the unusual expenses of € 47 million.

In 2005, unusual items included the gain on disposal of investments of € 905 million, restructuring charges of € 502 million and unusual income of € 812 million.

The following table illustrates the components of operating result broken down by Sector:

€ in millions	Trading profit		Gains/Losses on the disposal of investments		Restructuring costs		Other unusual income (expenses)		Operating result	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Fiat Auto	291	(281)	461	-	9	162	(16)	(375)	727	(818)
Maserati	(33)	(85)	-	-	-	-	-	-	(33)	(85)
Ferrari	183	157	-	-	-	-	-	-	183	157
Agricultural and Construction Equipment (CNH)	737	698	-	-	145	87	-	-	592	611
Trucks and Commercial Vehicles (Iveco)	546	332	25	(10)	6	99	-	(11)	565	212
Fiat Powertrain Technologies	168	109	-	-	60	20	(6)	(8)	102	81
Components (Magneti Marelli)	190	162	-	-	16	33	1	(2)	175	127
Metallurgical Products (Teksid)	56	45	(29)	5	4	14	3	(9)	26	27
Production Systems (Comau)	(66)	42	(1)	(1)	179	46	(26)	(3)	(272)	(8)
Services (Business Solutions)	37	35	3	9	12	22	-	(15)	28	7
Publishing and Communications (Itedi)	11	16	1	-	-	2	-	(1)	12	13
Holding companies, Other companies and Eliminations	(169)	(230)	147	902	19	17	(3)	1,236	(44)	1,891
Total for the Group	1,951	1,000	607	905	450	502	(47)	812	2,061	2,215

In 2006, Net gains on the disposal of investments, equal to € 607 million, include among others the gain of € 463 million resulting from the sale, within the framework of the agreement with Crédit Agricole, of 50% of Fiat Auto Financial Services, the joint venture that handles Fiat Auto's main financing activities in Europe, as well as the gain on the sale of Banca Unione di Credito – B.U.C. (€ 80 million). The gain of € 905 million recorded in 2005 included the gain (€ 878 million) from the sale of the investment in Italenergia Bis to Electricité de France and the gain realized upon the sale of Palazzo Grassi S.p.A. (€ 23 million).

In 2006, Other unusual income (expenses) is negative by € 47 million, of which € 26 million attributable to the impairment of the goodwill of certain European companies of Comau and € 17 million due to the reorganization and rationalization of relationships with Group suppliers. In 2005, this item was positive by € 812 million and included, among others, the gain from the termination of the Master Agreement with General Motors for € 1,134 million (net of accessory costs).



The **Net Result** is € 1,151 million in 2006, versus € 1,420 million in 2005. Excluding the impact of net unusual items (including unusual financial income of € 858 million resulting from the capital increase of September 20, 2005 with the simultaneous conversion of the Mandatory Convertible Facility with the income representing the difference between the subscription price of the shares and their stock market price at the date of subscription), the Group would have posted a net loss of € 376 million in 2005 and a net income of € 1,041 million in 2006. Therefore, on a comparable basis, net income improved by € 1,417 million.

In 2006, the portion of the **Net result attributable to the equity holders of the parent** is positive by € 1,065 million, against € 1,331 million in 2005.

As for equity and financial aspects:

The **Group interest in stockholders' equity** at December 31, 2006, amounts to € 9,362 million (€ 8,681 million at the end of 2005). The net increase of € 681 million is formed by the consolidated net income attributable to the equity holders of the parent (+€ 1,065 million), the net change in the income and expenses recognized in equity (-€ 385 million) and other net changes (+€ 1 million).

At December 31, 2006, consolidated **Net debt** amounts to € 11,836 million, € 6,687 million less than the € 18,523 million at December 31, 2005. The composition is as follows:

€ in millions	12/31/2006	12/31/2005
Net debt of Industrial Activities	(1,773)	(3,219)
Net debt of Financial Services	(10,063)	(15,304)
Total Net debt	(11,836)	(18,523)

At December 31, 2006, the **consolidated net financial position** is a negative € 231 million (a negative € 2,550 million at December 31, 2005).

The difference between the net debt balance (-€ 11,836 million) and the consolidated net financial position (-€ 231 million) is attributable to the amount of current financial receivables of € 11,605 million.

The most significant transactions completed by the Fiat Group during early 2007 are set out below:

On January 26, 2007, Fitch Ratings announced that it upgraded Fiat's rating to "BB" from "BB-", reaffirming the short-term rating to "B" and maintaining the outlook "positive". Standard & Poor's Ratings Services revised its outlook on Fiat rating to "positive" from "stable", affirming the "BB" long-term and "B" short-term corporate credit ratings. On February 12, 2007, Moody's Investors Service upgraded to Ba2 from Ba3 Fiat rating maintaining the "positive" outlook. The short-term rating remains unchanged.

On February 1, 2007 Fiat Auto changed name to "Fiat Group Automobiles S.p.A.".

Four new companies were formed at the same time, 100% owned by Fiat Group Automobiles S.p.A.: "Fiat Automobiles S.p.A.", "Alfa Romeo Automobiles S.p.A.", "Lancia Automobiles S.p.A." and "Fiat Light Commercial Vehicles S.p.A.".

These changes are consistent with the new corporate culture at the Fiat Group. In particular, they reflect two strategic decisions as to how to approach the business. On the one hand, the Group will exist as a unified whole, and on the other hand, each company will be characterized by the specific nature of the respective operating sectors and individual brands.

Over the next few months, all Group activities will highlight this aspect by pairing the "Fiat Group" mark with the sector or brand trademark.

On February 14, 2007, Fiat and Tata Motors signed an agreement which calls for a Tata license to build a pick-up vehicle bearing the Fiat nameplate at Fiat Group Automobiles' plant in Córdoba, Argentina. The first vehicles will roll off the Córdoba assembly lines during 2008. Annual production is slated at around 20,000 units. Total planned investment in the project is around \$ 80 million. With the production of the pick-up model, the Fiat complex in Córdoba will retake the integral activity of all its productive units, to a greater extent reinitiated with the manufacture of Fiat engines and gearboxes and the recent agreement to produce gearboxes for PSA Peugeot-Citroën. The pick-up, based on the new generation Tata pick-up truck, will be sold in South and Central America and select European markets through Fiat Automobiles' distribution and importer network. This will permit the Fiat brand to aggressively enter the medium pick-up sector, thanks to Tata Motors' specific know-how.

On February 14, 2007, Iveco and Tata Motors announced the signing of a Memorandum of Understanding (MoU) to analyze the feasibility of cooperation, across markets, in the area of Commercial Vehicles. The MoU encompasses a number of potential developments in engineering, manufacturing, sourcing and distribution of products, aggregates and components. Shortly after the MoU signature, Iveco and Tata Motors will set up a joint Steering Committee to determine the feasibility of cooperation, both in the short and over the long term. When found feasible, the two companies will enter into definitive agreements in the course of the coming months.

A meeting was held on February 19, 2007 at the Italian Prime Minister's office, with the participation of the Prime Minister, the Ministers of Labor and Transport, and the Vice Minister for Economic Development, as well as national labor federation and industry representatives. The Chief Executive Officer Sergio Marchionne illustrated the Group's development plans for 2007-2010, with special attention being devoted to the situation in Italy. The meeting concluded with the signing of a transcript in which the Italian Government affirmed its willingness to support

the company's development plans. In particular, this would involve close assessment of initiatives taken in support of investments and research, and recognize the existence of conditions for granting the Fiat Group a quota for "mobilità lunga" (long-term mobility benefit to bridge the period prior to retirement). This amount was defined in the December 18, 2006 labor agreement, which envisages that a maximum of 2,000 Group employees will be laid off. The meeting transcript also envisages setting up a round table with the participation of local institutions to examine the measures necessary to overcome logistical and economic restraints at the Termini Imerese plant in Sicily, so that production of a model can be allocated to it starting from 2009.



SEQUANA CAPITAL

(48.88% of capital stock through Ifil Investissements)

In September 2006, Sequana Capital commenced an in-depth review of its strategy and after concluding the Public Purchase and Exchange Offering on SGS stock, the company became a diversified industrial paper group which operates through two wholly-owned subsidiaries:

- Arjowiggins, the world leader in the manufacture of paper products, present in 82 countries with 7,800 employees, 30 production sites and 3 research centers. Arjowiggins is organized into three divisions: Graphic Arts, Communications and Special Papers.
- Antalis, the most important European group in B to B distribution of paper products for printing and writing, present in 36 countries with 6,000 employees and 73 distribution centers servicing 180,000 customers. Antalis is organized into four divisions: Print & Office, Communications, Industrial Packaging and Promotional Products.

The highlights of the consolidated results of the Sequana Capital Group in 2006 are as follows:

€ in millions	2006	2005	Change	
			Amount	%
Net sales	3,979	3,998	(19)	-0.5
Gross operating profit	187	219	(32)	-14.6
Trading profit	93	112	(19)	-17.0
Profit attributable to the equity holders of the company	958	348	610	175.3
Equity attributable to the equity holders of the company	1,233	2,190	(957)	-43.7
Net indebtedness	380	433	(53)	-12.2

With the scenario of the sector still disappointing owing to the persisting excess production capacity, higher energy and raw material costs and continuous pressure on sales prices, Sequana Capital reports sales in 2006 of € 3,979 million, a figure basically in line with that of 2005 (€ 3,998 million). The group was partially able to compensate the market weakness with an increase in the prices of certain products and with better volumes in high-growth regions or sectors.

The gross operating profit in 2006 amounts to € 187 million (compared to € 219 million in the prior year), equal to a 4.7% margin.

The profit attributable to the equity holders of the company in 2006 rose to € 958 million compared to € 348 million in 2005. This increase is principally due to the net gain of € 889 million realized on the distribution of SGS shares to the stockholders following the Public Purchase and Exchange Offer in the last quarter of 2006. The offer involved a significant reduction in capital stock (54%).

The equity attributable to the equity holders of the company went from € 2,190 million to € 1,233 million at December 31, 2006 while net indebtedness decreased from € 433 million to € 380 million. Despite the distribution of dividends of € 350 million in the first half of 2006, net indebtedness decreased due to a more attentive management of the working capital of the group companies and other transactions including the sale of Legg Mason securities deriving from the sale of Permal in 2005.

With regard to the performance of the subsidiaries:

- Antalis records gross operating profit of € 69 million and operating income of € 53 million which is in line with the prior year. Antalis improved its financial structure as a result of a more efficient management of working capital and the sale of one of its deposits for a total of € 103 million, contributing to a € 62 million reduction in its debt. Finally, the company continues to pursue its focused policy of acquisitions in Chile and in the industrial packaging sector.

- Arjowiggins records gross operating profit of € 142 million and operating income of € 64 million (€ 71 million in 2005): the reduction in margins is mainly due to difficulties at the Graphic Arts division. Arjowiggins has nevertheless generated satisfactory operating cash flows (+€ 106 million) partly as a result of a further effort to bring down net working capital. The company commenced a development plan founded on five main goals: expanding in regions with potential growth, focusing R&D activities on customers' needs, reorganizing sales, setting up new procedures aimed at generating cost savings throughout the group and achieving the leadership position in each of its activities.

The board of directors meeting held on March 21, 2007 voted to put forward a motion to the stockholders' meeting called for May 11, 2007 to pay dividends of € 0.6 per share. Ifil Investissements' share of the dividends will amount to approximately € 14.4 million.

(2.45% of ordinary capital stock)

On December 28, 2006, the deed of merger of Sanpaolo IMI S.p.A. in Banca Intesa S.p.A. was signed and became effective for legal purposes on January 1, 2007.

A summary of the consolidated results of the Sanpaolo IMI Group for 2006 is presented below followed by some of the main indicators of the proforma results for the year 2006 of the Intesa Sanpaolo Group.

The Sanpaolo IMI Group closed the year 2006 with a consolidated net profit of € 2,148 million, up 8.3% compared to 2005.

Total operating income is € 9,098 million, an increase of 10.9% compared to the prior year thanks to the positive trend of all components:

- **net interest income** (€ 4,138 million) rose by 9% compared to € 3,798 million in 2005;
- **net commissions**, equal to € 3,389 million (+3.2%), were mainly driven by the growth in management, dealing and advisory services (+6.1%) and also asset management (+7.5%), which represented nearly 60% of total commissions;
- **dividends and income from other financial assets and liabilities**, up from 2005, total € 889 million due to the gain of € 228 million on the sale of Ixis Asset Management Group and Ixis Corporate & Investment Bank while **profits on equity shareholdings** total € 128 million (+23.1%);
- the good performance of the life insurance branch is reflected on the **income from the insurance business**, referring to the subholding company Eurizon, reaching € 469 million (+8.8%) thanks mainly to the improved results of financial management and the changes in asset allocation and investment strategies.

Net operating income is € 8,585 million (+11.4%), benefiting from the reduction in adjustments to loans and other financial assets.

Doubtful loans decreased on a comparable consolidation basis by 8.5%.

Pre-tax operating profit amounts to € 3,590 million (+21.5%), after the net increase of 5.2% in **operating costs** (€ 4,898 million).

The cost/income ratio is down from 56.8% to 53.8%.

Shareholders' equity of the Group amounts to € 14,338 million at the end of the year (€ 13,483 million at December 31, 2005).

Loans to customers net of adjustments total € 158 billion at December 31, 2006 (+10.2% on a comparable consolidation basis) and **customer financial assets** amount to € 446 billion (+9.2% on a comparable consolidation basis).

A summary of some of the main indicators of the Sanpaolo IMI Group for the year 2006 are as follows.

€ in millions	2006	2005	Change	
			Amount	%
Net interest income	4,138	3,798	340	9.0
Net operating income	8,585	7,708	877	11.4
Pre-tax operating profit	3,590	2,954	636	21.5
Net profit – Group	2,148	1,983	165	8.3
Shareholders' equity – Group	14,338	13,483	855	6.3
Branches and representative offices (Italy and abroad)	3,682	3,308	374	11.3
Employees (number)	49,862	43,666	6,196	14.2

As regards the main proforma aggregate figures for 2006, the **Intesa Sanpaolo Group** registers **net operating income** of € 18,405 million, mainly due to net interest income of € 9,127 million and net fee and commission income of € 6,574 million.

Operating costs amount to € 9,673 million, of which € 5,630 million refers to personnel expenses, € 3,156 million to administrative expenses and € 887 million to adjustments for amortization and depreciation.

The **operating margin** is € 8,732 million, with a cost/income ratio of 52.6%.

Proforma net income amounts to € 4,056 million (€ 4,618 million excluding the integration charges relating to the merger).

At December 31, 2006, the Intesa Sanpaolo Group presents, in proforma terms, **total assets** of € 576,784 million, **loans to customers** of € 327,410 million and **direct customer deposits** of € 343,899 million.

Proforma **shareholders' equity** amounts to € 55,971 million; proforma capital ratios at December 31, 2006 are: Core Tier 1 ratio at 8%, Tier 1 ratio at 8.8% and total capital ratio at 11.9%.

At December 31, 2006 the **operating structure** of the Intesa Sanpaolo Group, in proforma terms, was made up of 6,989 branches – of which 5,789 in Italy and 1,200 abroad – with about 100,000 employees.

The Management Board and the Supervisory Board of Intesa Sanpaolo on April 14, 2007 will approve the 2007-2009 Business Plan and will formulate the motion for the appropriation of the net income for the year to be submitted for approval to the ordinary shareholders' meeting to be held on April 30, 2007 or, in second call, on May 3, 2007.



(13.74% of capital stock through Ifil Investissements)

The highlights of the consolidated results of the SGS Group in 2006 are as follows:

CHF in millions	2006	2005	Change	
			Amount	%
Sales	3,821	3,308	513	15.5
Operating profit	624	502	122	24.3
Profit – Group	443	371	72	19.4
Consolidated net financial position	216	430	(214)	49.8

During 2006, the SGS Group developed its lines of business to serve new markets and new customers, expanded in size and in terms of the services it offers and further stepped up its geographical presence. This result was achieved through investments and initiatives to support its organic growth and through targeted strategic acquisitions.

The SGS Group now has over 48,000 employees and manages more than 1,000 laboratories and installations throughout the world.

The sales of the Group increased in 2006 to CHF 3.8 billion, gaining 15.5% over the prior year (+13.9% at the same exchange rate). This growth is the result of a favorable market context in all sectors and countries in which the Group operates. The organic growth for the year is equal to 10.3% (at the same exchange rate).

The operating profit rose to CHF 624 million, up CHF 122 million (+24.3%). The operating profit before exceptional items increased to CHF 605 million (a 15.8% margin) with significant gains in the results of the divisions of Consumer Testing, Oil, Gas and Chemicals, Systems & Services Certification and Industrial Services which absorbed the slowdown in the Trade Assurance division.

The profit for the year of the Group rose to CHF 443 million, with an increase of 19.4% over the prior year.

The consolidated net financial position shows a cash position of CHF 216 million at December 31, 2006 and was impacted by the extraordinary distribution of dividends of CHF 50 per share in the first part of the year (payout ratio higher than 100%; total amount paid out equal to CHF 381 million).

On November 29, 2006, Dan Kerpelman tendered his resignation as CEO of the SGS Group. The board of directors then appointed Chris Kirk, previously the head of the Minerals and Environmental Services divisions, as the new chief executive officer.

As for market performance in 2006, SGS stock gained 28% (including dividends).

The forecasts for 2007 follow the positive trend recorded in 2006 and support the Group's goal of reaching earning per share of CHF 80 in the year 2008.



(60% of capital stock)

The following data and comments are taken from the first-half report on the financial year 2006/2007 prepared using IFRS.

Since Juventus F.C.'s financial year ends on June 30 of every year, and in view of the highly seasonal nature typical of this sector, the data presented should not be construed as representing the basis for a full-year projection.

€ in millions	I Half 2006	I Half 2005	Change
Operating revenues (a)	101.5	109.0	(7.5)
Operating income (loss)	20.2	(17.2)	37.4
Net income (loss)	15.4	(15.9)	31.3
Shareholders' equity	29.6 (b)	14.2 (b)	15.4
Net financial position	(75.1) (b)	(12.9) (b)	(62.2)

(a) Including income from the management of players' rights.

(b) Data refers to December 31, 2006.

In the first half of the year 2006/2007, Juventus recorded operating revenues of € 101.5 million, down € 7.5 million (-6.9%) compared to the same period of 2005.

This reduction is mainly due to higher income from the management of players' rights for € 34 million net of lower sundry operating revenues (revenues from games, radio and television rights, media income, income from the Champions League and revenues from sponsorships and publicity) for a total of € 46 million.

In view of the above, Juventus commenced a decisive plan to reduce costs, particularly those relating to salaries and amortization of players' rights, which led to the sale of important players (which took place during the first stage of the Transfer Campaign), who hold starting positions on various National Teams. In the first half of 2006, operating costs therefore amounted to € 71.2 million (expenses for the management of players' rights included), with a reduction of € 27.7 million compared to the corresponding period of the prior year. The amortization charge and the writedown of players' rights, instead, totaled € 10 million, a decrease of € 16.5 million compared to the first half of 2005 due to the above-mentioned transactions effected during the 2006/2007 transfer campaign and the early renewal of the contracts of some players.

In addition to the above changes, the net result for the period was affected by net financial expenses of € 2.6 million (+€ 0.4 million compared to the same period of 2005) and the accrual for income taxes for a total of € 3.5 million, of which € 1.6 million is for deferred taxes.

Shareholders' equity at December 31, 2006 amounted to € 29.6 million.

The net financial position at the end of December 2006 is a borrowings position of € 75.1 million (a borrowings position of € 12.9 million at December 31, 2005) and included € 19.1 million relating to the finance lease to cover the investment in the Vinovo Sports Center which was completed in the second quarter of 2006.

On December 15, 2006, at the Vinovo Sports Center, a tragic accident occurred in which two youths on the Berretti youth team lost their lives, Alessio Ferramosca and Riccardo Neri.

In reference to the sports proceedings against Juventus, the ruling issued by the C.O.N.I. Conciliation and Arbitration Board on October 27, 2006 reduced the penalty points imposed on the company from 17 points to 9 points for the current Serie B championship.

The ruling also upheld the revocation of Juventus' title as champion of Italy 2004/2005, the non-recognition of Juventus' title as champion of Italy 2005/2006 and the fine of € 120,000. It also converted the sanction disqualifying the home stadium into the obligation of donating the proceeds from the first three home games of the current season to FIGC, a total of € 194,450.

During September, the negotiations were concluded for the contracts with Sky Italia S.r.l.. The parties modified the payments indicated in the original contracts to take into account the situation which arose as a result of the team's relegation to Serie B, reducing the total payments for the current year from € 94.5 million to € 80.2 million.

Finally, as regards the principal contracts with sponsoring companies, the following should be noted:

- Juventus and Oilinvest B.V. did not come to an agreement over a new sponsorship contract although they came to an amicable understanding that the team would continue to wear the Tamoil brand on their jerseys until the end of the 2006/2007 season; the impact will be lower revenues of € 8 million for the year.
- Nike confirmed its willingness to continue the long-term technical sponsorship contract with Juventus until the original expiration date at the end of 2014/2015 soccer season, renegotiating some clauses in the contract, including the sums involved. This will result in lower revenues of approximately € 4.5 million for the current financial year and another approximate € 4.5 million to be spread over the following eight years of the contract.
- H3G and Juventus renegotiated some clauses of the existing contract until the end of the current season. The negative economic effect of the renegotiation is approximately € 2 million.





(100% of capital stock)

Signs of a recovery in demand marked the year 2005/2006 as the general economy gained strength. This enabled the charter travel market to grow by approximately 1%.

The market, however, is still negatively influenced by an uncertain geopolitical picture, especially in the countries of the Middle East and throughout the Islamic world, which has affected the trend in the demand for Egypt and Tunisia as destinations. Added to this is the effect of Hurricane Wilma at the end of October 2005 which devastated the Gulf of Mexico, particularly the Mayan Riviera, hurting tourist demand in winter 2006 everywhere in the Caribbean area. Demand has also been penalized by air travel costs as a result of the trend in fuel prices.

Highlights of the consolidated financial statements for the year ended October 31, 2006 of the Alpitour Group can be summarized as follows:

€ in millions	2005/2006	2004/2005	Change	
			Amount	%
Sales	1,332.2	1,146.8	185.4	16.2
Contribution margin	206.2	152.6	53.6	35.1
Profit (loss) from ordinary operations	21.4	(0.5)	21.9	n.s.
Profit (loss) attributable to the equity holders of the company	3.0	(10.7)	13.7	n.s.
Equity attributable to the equity holders of the company	71.2	70.2	1.0	1.4
Consolidated net financial position	(29.1)	(77.4)	48.3	62.4

Consolidated sales for the year 2005/2006 amount to € 1,332 million with an increase of approximately 16.2% over the prior year. Details of the individual divisions of the Group are presented in the next section.

The contribution margin shows an improvement of € 53.6 million in terms of amount (increasing from € 152.6 million in 2004/2005 to € 206.2 million in 2005/2006) and represents 15.5% of sales (13.3% in the prior year). This positive performance was considerably impacted by lower costs for services as a result of pursuing policies to rationalize direct costs and render them more flexible (reduction of commitments for guarantees) and putting into place sales policies that favor margins partly at the expense of volumes.

The result from ordinary operations is a profit of € 21.4 million from a loss of € 0.5 million in 2004/2005. The improvement is due to the combined effect of a better contribution margin net of higher labor and lease costs relating to the development of the hotel structures and Neos' fleet of aircraft.

The result is a profit attributable to the equity holders of the company of € 3 million, compared to a loss of € 10.7 million reported in the prior year.

Equity attributable to the equity holders of the company went from € 70.2 million last year to € 71.2 million at the end of the year 2005/2006 as a result of the combined effect of economic performance net of translation differences generated on the basis of the exchange rate in effect at the closing date.

The consolidated net financial position is a net borrowings position of € 29.1 million compared to a net borrowings position of € 77.4 million at October 31, 2005. The improvement of € 48.3 million reflects both cash flows generated by operating activities and better working capital, besides the financial effect of the collection of the proceeds of more than € 38 million on the sale of the "El Mandarin" resort.

Consolidated sales by business activity of the Alpitour Group are as follows:

€ in millions	2005/2006	2004/2005	Change	
			Amount	%
Tour operating	900.9	883.0	17.9	2.0
Incoming	260.6	229.3	31.3	13.7
Hotel	112.4	96.1	16.3	17.0
Aviation	155.8	103.7	52.1	50.2
Distribution	31.1	30.2	0.9	3.0
Incentive e Grandi Eventi	172.1	45.4	126.7	n.s.
Total	1,632.9	1,387.7	245.2	17.7
Elimination of intragroup transactions	(300.7)	(240.9)	(59.8)	24.8
Total	1,332.2	1,146.8	185.4	16.2



The Tour Operating business in the year 2005/2006 recorded a considerable increase in sales (approximately +2%) and a contraction in volumes (-4.3%). Revenues in 2005/2006, which also comprise the sales volumes of Alpitour Reinsurance, in fact, total € 901 million (€ 883 million in 2004/2005), while volumes declined from 997 thousand passengers in the prior year to 954 thousand this year. Such performance was sharply impacted by sales policies targeting destinations aimed at favoring margins while seeking to offer customers a service with the right quality-price ratio.



The Incoming sector, headed by the Jumbo Tours Group reported sales of approximately € 260.6 million in 2005/2006 (€ 229.3 million in 2004/2005). The increase in sales, equal to approximately 13.7%, is principally due to the growth of the sales contributed by third-party operators and a slight decline in those by the Group (equal to € 108.7 million).

As regards third-party operators, the Incoming sector has further consolidated the growth of sales relations with other markets in Europe. In fact, the traffic brought by third-party operators during the current year totaled approximately 873 thousand passengers (736 thousand in 2004/2005), equal to about 68% of volumes managed by the division. As for volumes from tour operators of the Group, about 411 thousand passengers were recorded, a figure in line with the prior year.



The Hotel sector posted higher sales which amount to € 112.4 million (€ 96.1 million in the prior year), including € 51.7 million reported by tour operators of the Group. The increase in sales (about +17%) is mainly due to the Italian market expansion of the activities of Alpitour World Hotels & Resorts S.p.A. (the company resulting from the merger of the companies Blumarini Hotels Sardegna S.r.l. and Altamarea International S.p.A. in Altamarea V&H Compagnia Alberghiera S.p.A.), as well as the considerable gain reported by the hotels in The Maldives which, in the previous year, were severely hurt by the December 26, 2004 tsunami.

The foreign hotel resorts owned or operated by the Group reported a presence of 737,700 in 2005/2006 (966 thousand in 2004/2005).

The Italian hotel resorts operated by Alpitour World Hotels & Resorts S.p.A. registered a presence of more than one million, up 5.5% compared to 954 thousand in 2004/2005. This gain can principally be ascribed to the positive performance of three 4-star hotels in Rome, the Hotel Ritz and the Hotel Regent (open since June 2005) and the Hotel Cicerone (open since June 2006).



The Aviation division, headed by the Neos airline company, reported sales of € 155.8 million in 2005/2006 (€ 103.7 million in 2004/2005), including € 122.3 million referring to Group companies. The increase in sales over the prior year (about +50.2%) is mainly due to the addition of a second B767 aircraft to the fleet in December 2005, making it possible to considerably step-up long-haul travel operations.



The Distribution sector operates through the Welcome Travel Group's network which manages 501 agencies: 39 owned, 422 affiliates, 28 partnerships and 12 full franchisings.

During the year 2005/2006, Welcome Travel Group reported sales of approximately € 31.1 million through its direct network, up from € 30.2 million in the prior year.

The Incentive e Grandi Eventi sector's most important event in 2005/2006 was the "Turin Winter Olympics 2006" run by Jumbo Grandi Eventi, which provided accommodation services to the entire Olympic family.

As a result of this event, Jumbo Grandi Eventi reported sales of € 142.6 million (€ 11.4 million in the same period of 2004/2005).

Sales of Francorosso Incentive (now FRI M.I.C.E.) were € 29.5 million and sharply affected by a persisting general weakness in demand. The number of passengers/customers totaled approximately 24,700.



Ifil Investissements (Luxembourg)
(100% of capital stock directly and through Ifil Investment Holding)

The highlights of the separate financial statements at December 31, 2006, prepared on the basis of Luxembourg law, are as follows:

€ in millions	2006	2005	Change
Profit	675.8	491.4	184.4
Equity	2,332.9	1,657.1	675.8
Non-current financial assets	2,289.6	1,604.7	684.9
Net financial position	46.6	54.9	(8.3)

The most important transactions which took place in 2006 and the first quarter of 2007 are described in a specific section of this report.

At December 31, 2006, non-current financial assets included the following investments and bonds:

€ in millions	Number of shares	12/31/2006			
		% of capital stock	Carrying amount	12/31/2005	Change
Sequana Capital S.A.	24,009,482	48.88	332.9	775.5	(442.6)
SGS S.A.	1,029,456	13.16	894.9	0.0	894.9
Ifil International Finance Ltd	4,000,000	100.00	999.0	734.0	265.0
Ifilgroup Finance Ltd	4,000,000	100.00	4.0	4.0	0.0
Sadco S.A. (in a wind-up)	300	100.00	1.0	1.0	0.0
Ifil USA Inc	100	100.00	0.5	0.5	0.0
Turismo & Immobiliare S.p.A.	30,000	25.00	5.0	4.1	0.9
Gruppo Banca Leonardo S.p.A.	14,200,000	9.43	47.0	0.0	47.0
Other	-	-	0.3	1.2	(0.9)
NHT – New Holding for Tourism B.V. (wound up)			0.0	79.5	(79.5)
Total investments			2,284.6	1,599.8	684.8
Ocean Club Méditerranée convertible bonds	76,614	-	5.0	4.9	0.1
Total non-current financial assets			2,289.6	1,604.7	684.9

A comparison between the carrying amounts and the market prices of listed financial fixed assets shows the following unrealized gains:

€ in millions	Ocean Club			Total
	Sequana Capital	SGS	Med bonds	
Market prices at December 29, 2006	227.5	(24.9)	0.0	202.6
Market prices at March 23, 2007, update	219.3	31.4	0.1	250.8

Ifil International Finance Ltd (Ireland)
(100% of capital stock through Ifil Investissements)

The highlights of the separate financial statements at December 31, 2006, prepared on the basis of Irish law, are as follows:

€ in millions	2006	2005	Change
Profit	n.s.	n.s.	0.0
Equity	999.8	734.8	265.0
Non-current financial receivables from Ifil Investissements S.A. (a)	995.0	730.0	265.0
Net financial position	999.9	734.8	265.1

(a) Due in 2010.

Ifil Investment Holding (The Netherlands)
(100% of capital stock)

The highlights of the separate financial statements at December 31, 2006, prepared on the basis of Dutch law, are as follows:

€ in millions	2006	2005	Change
Profit (loss)	(0.1)	10.5	(10.6)
Equity	104.8	104.9	(0.1)
Investment in Ifil Investissements (20.18% of capital stock)	104.5	104.5	0.0
Net financial position	0.4	0.4	0.0

Ifil Usa Inc. (United States)
(100% of capital stock through Ifil Investissements)

The highlights of the separate financial statements at December 31, 2006, prepared on the basis of United States law, are as follows:

U.S. \$ in thousands	2006	2005	Change
Profit (loss)	26	(3,322)	3,348
Equity	785	759	26
Net financial position	249	580	(331)

Ifil Asia Ltd (Hong Kong)
(100% of capital stock through Ifil Investissements)

The highlights of the separate financial statements at December 31, 2006, prepared on the basis of local law, are as follows:

HK \$ in thousands	2006	2005	Change
Profit	212	337	(125)
Equity	715	503	212
Net financial position	2,658	1,631	1,027

MOTION FOR THE APPROVAL OF THE SEPARATE FINANCIAL STATEMENTS AND THE APPROPRIATION OF THE PROFIT FOR THE YEAR

To our stockholders,

We invite you to approve the separate financial statements for the year ended December 31, 2006 and, in view of the fact that the legal reserve is equal to one-fifth of capital stock, we propose the appropriation of the profit for the year of € 625,320,513 as follows:

To the ordinary shares, dividends of € 0.1, for a maximum	€ 103,861,271.70
To the savings shares, dividends of € 0.1207, for a maximum	€ 4,512,130.52
Proposed dividends are payable to the shares that will be outstanding, thus excluding the shares held by the company at the ex dividend date, for a total maximum	€ 108,373,402.22
To the extraordinary reserve, the remaining amount, for a minimum	€ 516,947,110.78
Profit for the year 2006	€ 625,320,513.00

Turin, March 30, 2007

For the Board of Directors
Vice Chairman ("Vicario")
John Elkann

Turin, April 17, 2007

The Chairman
Gianluigi Gabetti

