IFI

Istituto Finanziario Industriale

Quarterly Report
September 30, 2006

QUARTERLY REPORT AT SEPTEMBER 30, 2006

This is an English translation of the Italian original document "Relazione trimestrale al 30 settembre 2006" approved by the IFI board of directors on November 14, 2006, which has been prepared solely for the convenience of the reader. The version in Italian takes precedence. For complete information about IFI S.p.A. and the Group, reference should be made to the full original report in Italian.

IFI
Istituto Finanziario Industriale

Società per Azioni
Capital stock € 163,251,460, fully paid-in
Registered office in Turin - Corso Matteotti 26
Turin Company Register No. 00470400011

External Relations and Press Office
Tel. +39.011.5090320
Fax +39.011.5090386
relazioni.esterne@gruppoifi.com

Institutional Investors and Financial Analysts Relations
Tel. +39.011.5090360
Fax +39.011.535600
relazioni.investitori@gruppoifi.com

Stocks and Bonds Service
Tel. +39.011.5090323
Tel. +39.011.5090305
Fax +39.011.5090321
servizio.titoli@gruppoifi.com

IFI
Istituto Finanziario Industriale

Board of Directors

Chairman	Gianluigi Gabetti
Vice Chairman	Pio Teodorani-Fabbri
Chief Executive Officer and General Manager	Virgilio Marrone
Directors	Carlo Acutis
	Andrea Agnelli
	Tiberto Brandolini d'Adda
	Oddone Camerana
	John Elkann
	Luca Ferrero Ventimiglia
	Franzo Grande Stevens
	Francesco Marini Clarelli
	Andrea Nasi
	Lupo Rattazzi
Secretary to the Board	Pierluigi Bernasconi

Board of Statutory Auditors

Chairman	Gianluca Ferrero
Standing auditors	Giorgio Giorgi
	Lionello Jona Celesia
Alternate auditors	Giorgio Ferrino
	Paolo Piccatti

Independent Auditors

Deloitte & Touche S.p.A.

Expiry of the terms of office
The three-year terms of office of the board of directors and the board of statutory auditors, elected by the stockholders' meeting held on May 25, 2006, will expire on the date of the stockholders' meeting that will be held to approve the statutory financial statements for the year ending December 31, 2008.
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.

Corporate Governance
The chairman, according to the bylaws (art. 21), may represent the company, also before a court of law, and has signature powers.
Specific operating powers have been conferred to the vice chairman and the chief executive officer and general manager.

IFI GROUP PROFILE

THE INVESTMENT PORTFOLIO

IFI – Istituto Finanziario Industriale S.p.A. is the controlling financial holding company of the Group headed by Giovanni Agnelli e C. S.a.p.az.. The Company's assets are represented by the investment in IFIL Investments S.p.A., equal to 65% of ordinary capital stock.

IFIL Investments S.p.A. (IFIL), of which Giovanni Agnelli e C. directly holds another 3% of ordinary capital stock, is the investment company of the Group. It commands two distinctive areas of operations: the active management of the investment in Fiat and the dynamic management of the other holdings.

Fiat, in which IFIL has a holding of more than 30% of ordinary and preferred capital stock, operates in the national and international automotive market as a manufacturer and distributor of automobiles (Fiat, Lancia, Alfa Romeo, Ferrari and Maserati), agricultural and construction equipment (CNH Global), trucks and commercial vehicles (Iveco), automotive components and production systems (Fiat Powertrain Technologies, Magneti Marelli, Teksid and Comau), as well as publishing and communications (Itedi) and services (Business Solutions).

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

Sequana Capital (52.68% holding), a French-listed company, which recently resolved to place the focus of its operations on the paper sector where it operates through:

- Arjowiggins (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 (100% holding), the leading European group in the distribution of paper products for printing and writing.

The Public Exchange Offering for 54.31% of Sequana Capital's capital stock for 23.8% of SGS' capital stock held by the same Sequana Capital is currently underway. At the conclusion of the offering, IFIL will hold more than 12% of the capital stock of SGS, a company listed on the Swiss stock exchange and leader in the verification, inspection and certification of product and service quality.

Sanpaolo IMI (5.85% holding of ordinary capital stock) is a leading national banking group with over 3,000 branches throughout Italy. On October 12, 2006, the board of directors of Sanpaolo IMI approved the plan for the merger by incorporation of Sanpaolo IMI into Banca Intesa which will be submitted for approval to the next special stockholders' meeting. The purpose of the plan is to create a group that will be one of the leaders of the banking system in Europe.

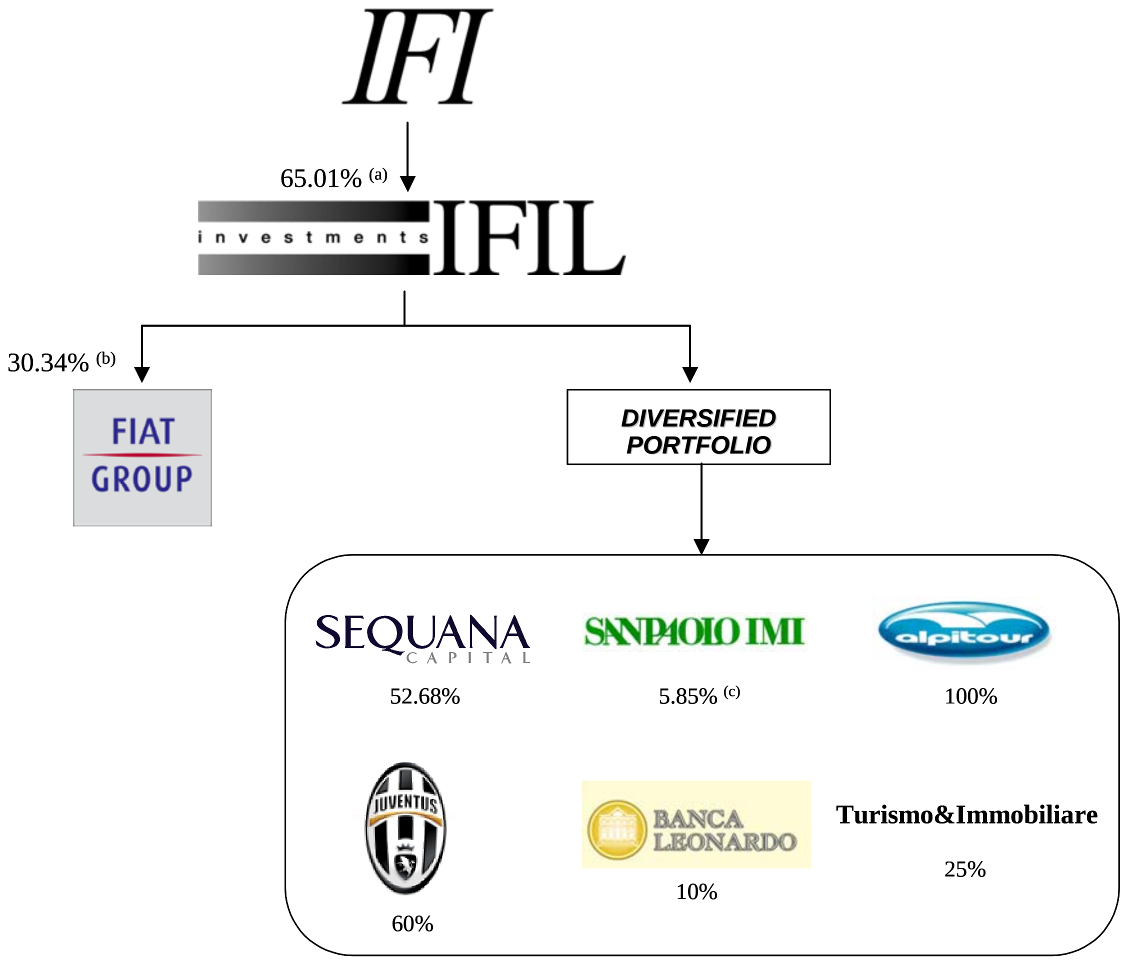
Banca Leonardo (10% holding) is an independent investment bank offering corporate finance advisory and asset management services, in addition to private equity services, under a joint venture with a leading European group.

Alpitour (100% holding) is the leading group in the tourist sector in Italy.

Juventus Football Club (60% holding) is a company with more than one hundred years of history and an enviable record gained at various national and international sports events.

Turismo&Immobiliare (25% holding) is a company with a 49% stake in Italia Turismo, the largest Italian real estate company for tourist and hotel properties with important investments in Apulia, Calabria, Basilicata, Sicily and Sardinia.

The following chart is updated to November 2006 and presents the simplified structure of the investment portfolio. Percentage holdings refer to ordinary capital stock.



(a) IFI also holds 4.99% of IFIL savings capital stock. Giovanni Agnelli e C. S.a.p.az. also holds 3% of IFIL ordinary capital stock.
(b) IFIL also holds 30.09% of preferred capital stock.
(c) Equal to 4.96% of capital stock.

MAJOR EVENTS

Increase in the investment in IFIL

In October 2006, IFI purchased 260,284 IFIL ordinary shares (0.03% of the class of stock) on the market for an investment of € 1.5 million. IFI currently holds 675,200,000 IFIL ordinary shares, equal to 65.01% of the class of stock, and 1,866,420 IFIL savings shares, equal to 4.99% of the class of stock. The investment represents 62.93% of capital stock.

ACCOUNTING PRINCIPLES ADOPTED IN THE PREPARATION OF QUARTERLY REPORTS

The consolidated quarterly report of the IFI Group at September 30, 2006 has been prepared in accordance with Article 82 of the "Regulations for the Implementation of Legislative Decree No. 58 of February 24, 1998 on the Activities of Issuers of Securities", as amended by Consob Resolution No. 14990 of April 14, 2005, in compliance with Annex 3D of the Regulation.

In order to facilitate the analysis of the financial position and results of operations of the Group, it is IFI'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 investment in IFIL is accounted for by the equity method in the financial statements and in accounting data drawn up by IFI S.p.A. in accordance with IFRS.

Finally, it should be noted that certain valuation procedures, i.e. particularly complex procedures such as the determination of possible impairment losses on fixed assets, are generally completed only at the time of preparation of the annual consolidated financial statements, when all the necessary information is available, except those cases in which impairment indicators require a prompt assessment of possible impairments.

The consolidated quarterly report of the IFI Group at September 30, 2006 is unaudited.

REVIEW OF THE CONDENSED INTERIM CONSOLIDATED RESULTS

RESULTS FOR THE NINE MONTHS TO SEPTEMBER 30, 2006

The **consolidated profit of the IFI Group** for the nine months to September 30, 2006 amounts to € 179.7 million. This is a decrease of € 400.3 million from the profit for the first nine months of 2005 (€ 580 million) which, however, included significant net nonrecurring income realized by the IFIL Group.

The **Group's share of the earnings (losses) of companies accounted for by the equity method** is an earnings figure of € 177.9 million (€ 590.5 million for the nine months to September 30, 2005). The negative change of € 412.6 million is mainly due to the lower profit contribution by the IFIL Group (-€ 398.7 million) which, as mentioned above, in 2005, included significant net nonrecurring income.

The **net financial position of IFI S.p.A.** is a net debt position of € 94 million. The positive change of € 183.7 million from the end of 2005 (a net debt position of € 277.7 million) is due to the sale of the investment in Exor Group (+€ 206.6 million), dividends received (+€ 54.3 million), purchases of IFIL stock (-€ 65.5 million) and other net changes (-€ 11.7 million).

The **consolidated equity of the Group** at September 30, 2006 amounts to € 3,362.8 million (€ 3,084 million at the end of 2005). The increase of € 278.8 million is due to the consolidated profit of the Group for the period (+€ 179.7 million), IFI's share of negative translation differences (-€ 83.9 million) and other net changes (+€ 181.7 million) shown by the IFIL Group, as well as other changes (+€ 1.3 million).

The carrying amount of **investments accounted for by the equity method** at September 30, 2006 is € 3,440.2 million. The increase of € 87.8 million from the end of 2005 (€ 3,352.4 million) is due to purchases of IFIL shares in the first half of 2006 (+€ 65.5 million), and IFI's share (+€ 221.6 million) of the changes in the equity of the IFIL Group and the sale of the investment in Exor Group (-€ 199.3 million).

RESULTS FOR THE THIRD QUARTER OF 2006

The **consolidated profit of the Group** for the third quarter of 2006 is € 50 million (€ 192.4 million in the corresponding period of 2005). The negative change of € 142.4 million is mainly due to the lower profit contribution by the IFIL Group which, in the third quarter of 2005, included significant net nonrecurring income.
In fact, the **Group's share of the earnings (losses) of companies** accounted for by the equity method for the third quarter of 2006 is an earnings figure of € 52 million (earnings of € 195.7 million for the third quarter of 2005) with a decrease of € 143.7 million.

The **condensed interim consolidated income statement** and **balance sheet** and notes on the most significant items are presented on the following pages.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

IFI GROUP - CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

Year 2005	€ in millions	Note	9 months to September 30 **2006**	2005	Change	III Quarter **2006**	2005	Change
693.0	Group's share of the earnings (losses) of companies accounted for by the equity method	1	**177.9**	590.5	(412.6)	**52.0**	195.7	(143.7)
0.0	Gain on the sale of the investment in Exor Group		**7.3**	0.0	7.3	**0.0**	0.0	0.0
0.1	Dividends from other holdings		**0.1**	0.1	0.0	**0.0**	0.0	0.0
(9.1)	Net other financial expenses		**(4.6)**	(7.4)	2.8	**(1.0)**	(2.1)	1.1
(4.1)	Net general expenses		**(3.3)**	(3.1)	(0.2)	**(1.0)**	(0.9)	(0.1)
(5.6)	Net other nonrecurring expenses		**0.0**	0.0	0.0	**0.0**	0.0	0.0
1.3	Income taxes		**2.3**	(0.1)	2.4	**0.0**	(0.3)	0.3
675.6	**Profit - Group**		**179.7**	580.0	(400.3)	**50.0**	192.4	(142.4)

1. Group's share of the earnings (losses) of companies accounted for by the equity method

Year 2005	€ in millions	9 months to September 30 **2006**	2005	Change	III Quarter **2006**	2005	Change
680.2	IFIL Group	**172.8**	571.5	(398.7)	**52.0**	182.1	(130.1)
10.6	Exor Group (a)	**-**	14.7	(14.7)	**-**	13.6	(13.6)
690.8		**172.8**	586.2	(413.4)	**52.0**	195.7	(143.7)
2.2	Consolidation adjustments (b)	**5.1**	4.3	0.8	**0.0**	0.0	0.0
693.0	**Total**	**177.9**	590.5	(412.6)	**52.0**	195.7	(143.7)

(a) The investment was sold on April 7, 2006.
(b) These represent the excess of the increase in IFI's share of the consolidated equity of the IFIL Group over the cost of IFIL stock purchased during the periods under examination.

For a review of the performance of the IFIL Group, reference should be made to the specific section of the report.

IFI GROUP - CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

€ in millions	Note	9/30/2006	12/31/2005	Change
Non-current assets				
Investments accounted for by the equity method	2	**3,440.2**	3,352.4	87.8
Other financial assets		**0.6**	0.6	0.0
Total non-current assets		**3,440.8**	3,353.0	87.8
Current assets				
Other financial assets		**3.3**	2.0	1.3
Trade receivables and other receivables		**19.0**	19.1	(0.1)
Cash and cash equivalents		**65.1**	0.1	65.0
Total current assets		**87.4**	21.2	66.2
TOTAL ASSETS		**3,528.2**	3,374.2	154.0
Equity - Group				
Capital and reserves		**3,433.3**	3,154.5	278.8
Treasury stock		**(70.5)**	(70.5)	0.0
Total equity - Group	3	**3,362.8**	3,084.0	278.8
Non-current liabilities				
Provisions for employee benefits		**1.8**	1.6	0.2
Debt		**150.0**	160.0	(10.0)
Deferred tax liabilities and other liabilities		**0.1**	2.4	(2.3)
Total non-current liabilities		**151.9**	164.0	(12.1)
Current liabilities				
Debt		**12.6**	119.9	(107.3)
Trade payables and other liabilities		**0.9**	6.3	(5.4)
Total current liabilities		**13.5**	126.2	(112.7)
TOTAL EQUITY AND LIABILITIES		**3,528.2**	3,374.2	154.0

2. Investments accounted for by the equity method

Details are as follows:

	9/30/2006		12/31/2005		
€ in millions	**per share**	**total**	per share	total	Change
IFIL S.p.A., ordinary shares	**5.083**	**3,430.7**	4.76	3,144.2	286.5
IFIL S.p.A., savings shares	**5.083**	**9.5**	4.76	8.9	0.6
		3,440.2		3,153.1	287.1
Exor Group S.A.		**-**	58.30	199.3	(199.3)
Total investments		**3,440.2**		3,352.4	87.8

Based on stock market prices at September 30, 2006 (€ 5.334 per ordinary share and € 4.925 per savings share), the value of the investment in IFIL is € 3,609.3 million.

3. **Equity - Group**

An analysis of the changes during the period is as follows:

€ in millions	
Equity - Group at December 31, 2005	**3,084.0**
Share of translation differences (-€ 83.9 million) and other net changes (+€ 181.7 million) shown in the equity of the subsidiary IFIL	97.8
Other net changes	1.3
Profit - Group	179.7
Net change during the period	**278.8**
Equity - Group at September 30, 2006	**3,362.8**

4. **Net financial position of IFI S.p.A.**

The composition of the net financial position is as follows.

6/30/2006				**9/30/2006**			12/31/2005		
Current	Non-current	Total	€ in millions	**Current**	**Non-current**	**Total**	Current	Non-current	Total
3.6	0.2	3.8	Financial assets	**3.3**	**0.2**	**3.5**	2.0	0.1	2.1
66.7		66.7	Cash and cash equivalents	**65.1**		**65.1**	0.1		0.1
70.3	0.2	70.5	**Total financial assets**	**68.4**	**0.2**	**68.6**	2.1	0.1	2.2
(11.7)	(150.0)	(161.7)	Other debt and bank debt	**(12.6)**	**(150.0)**	**(162.6)**	(106.0)	(160.0)	(266.0)
			Debt payable to Giovanni Agnelli e C.				(13.9)		(13.9)
(11.7)	(150.0)	(161.7)	**Total financial liabilities**	**(12.6)**	**(150.0)**	**(162.6)**	(119.9)	(160.0)	(279.9)
58.6	(149.8)	(91.2)	**Net financial position**	**55.8**	**(149.8)**	**(94.0)**	(117.8)	(159.9)	(277.7)

The change of € 183.7 million from the end of 2005 is due to the following cash flows:

€ in millions		
IFI S.p.A. - Net financial position at December 31, 2005	**(277.7)**	
Sale of investment in Exor Group	206.6	(a)
Dividends received from holdings	54.3	
Purchases of IFIL ordinary shares (1.39% of the class of stock)	(65.5)	
Net financial expenses	(4.6)	
Net general expenses	(3.3)	
Change in the measurement of interest rate hedge instruments	1.3	
Other net changes	(5.1)	
Net change during the period	**183.7**	
IFI S.p.A. - Net financial position at September 30, 2006	**(94.0)**	

(a) Net of incidental sales expenses of € 0.2 million.

At September 30, 2006, IFI S.p.A. has irrevocable credit lines for € 335 million due beyond September 30, 2007. Moreover, the company has irrevocable credit lines for € 160 million expiring prior to that date.

BUSINESS OUTLOOK

The forecast for IFI S.p.A. is a profit for the year 2006 which will be much higher than that of 2005.

On the basis of the indications formulated by the IFIL Group, for 2006, the IFI Group is expected to show a consolidated profit, although lower than the profit reported in 2005, which included significant nonrecurring income.

REVIEW OF THE OPERATING PERFORMANCE OF THE SUBSIDIARY IFIL INVESTMENTS S.p.A.

(65.01% of ordinary capital stock)

The consolidated data of the IFIL Group at September 30, 2006, commented below, is taken from the condensed interim consolidated balance sheet and income statement.

This data has been prepared by consolidating the holdings and services companies which constitute the “Holdings System” on a line-by-line basis and accounting for the operating subsidiaries and associates (Fiat, Sequana Capital, Alpitour, Juventus Football Club and Turismo&Immobiliare) by the equity method.

Results for the nine months to September 30, 2006

The **consolidated profit of the IFIL Group** for the nine months to September 30, 2006 amounts to € 271 million. This is a decrease of € 644.8 million from the profit for the first nine months of 2005 (€ 915.8 million) which, however, included significant net nonrecurring income realized directly (the gain of € 459.1 million on the sale of the investment in La Rinascente) and through the Fiat Group (€ 507.9 million at the IFIL level).

The **consolidated net financial position of the “Holdings System”** at September 30, 2006 is a positive € 433.5 million, with an increase of € 85.2 million from the end of 2005 (€ 348.3 million). The change is due to the receipt of dividends from holdings (+€ 237.6 million), the investment made in Banca Leonardo S.p.A. (-€ 47 million), dividends paid out by IFIL (-€ 85.6 million) and other net changes (-€ 19.8 million).

The **consolidated equity of the Group** at September 30, 2006 amounts to € 5,524.9 million (€ 5,186 million at the end of 2005). The increase of € 338.9 million is due to the fair value adjustment of the investment in Sanpaolo IMI (+€ 282 million, net of deferred taxes), consolidated profit of the Group for the period (+€ 271 million), translation differences (-€ 131.6 million), dividends paid out by IFIL (-€ 85.6 million) and other net changes (+€ 3.1 million).

The carrying amount of **investments accounted for by the equity method** at September 30, 2006 is € 3,484.2 million. The decrease of € 92.6 million from the end of 2005 (€ 3,576.8 million) is due to IFIL’s share of the change in the equity of the operating subsidiaries and associates.

Results for the third quarter of 2006

The **consolidated profit of the Group** for the third quarter of 2006 is € 81.5 million (€ 291.7 million in the corresponding period of 2005). The negative change of € 210.2 million is mainly due to the lower profit contribution by the Fiat Group which, in the third quarter of 2005, included significant net nonrecurring income.
In fact, the **Group's share of the earnings (losses) of operating subsidiaries and associates** accounted for by the equity method for the third quarter of 2006 is an earnings figure of € 75 million (earnings of € 294.4 million for the third quarter of 2005) with a decrease of € 219.4 million.

The condensed interim consolidated income statement and balance sheet and notes on the most significant items are presented on the following pages.

Condensed interim consolidated income statement

Year		9 months to September 30			III Quarter		
2005	€ in millions	**2006**	2005	Change	**2006**	2005	Change
622.0	Group's share of earnings (losses) of operating subsidiaries and associates accounted for by the equity method	**218.9**	439.8	(220.9)	**75.0**	294.4	(219.4)
	Net financial income:						
43.7	- Dividends	**53.1**	43.7	9.4	**0.0**	0.0	0.0
1.8	- Gains	**0.0**	1.8	(1.8)	**0.0**	0.0	0.0
3.4	- Impairment (losses)/reversals on investments and securities	**(0.6)**	2.1	(2.7)	**0.6**	1.1	(0.5)
2.9	- Other financial income (expenses)	**5.3**	2.5	2.8	**1.6**	1.3	0.3
51.8	Net financial income	**57.8**	50.1	7.7	**2.2**	2.4	(0.2)
459.1	Gain on the sale of the investment in La Rinascente	**0.0**	459.1	(459.1)	**0.0**	0.0	0.0
(1.7)	(Accruals) uses of provisions	**7.8**	(1.1)	8.9	**7.8**	(0.3)	8.1
(41.1)	Net general expenses	**(13.4)**	(32.2)	18.8	**(3.5)**	(4.8)	1.3
(0.1)	Income taxes	**(0.1)**	0.1	(0.2)	**0.0**	0.0	0.0
1,090.0	**Profit - Group**	**271.0**	915.8	(644.8)	**81.5**	291.7	(210.2)

Group's share of the earnings (losses) of operating subsidiaries and associates accounted for by the equity method

Year		9 months to September 30			III Quarter		
2005	€ in millions	**2006**	2005	Change	**2006**	2005	Change
373.8	Fiat Group	**173.2**	363.2	(190.0)	**55.1**	231.4	(176.3)
183.7	Sequana Capital Group	**66.3**	54.1	12.2	**10.1**	15.2	(5.1)
(10.7)	Alpitour Group	**(11.6)** (a)	(24.1) (a)	12.5	**5.9**	(0.2)	6.1
(10.0)	Juventus Football Club S.p.A.	**(11.0)** (b)	(12.3) (b)	1.3	**3.3**	(10.9)	14.2
(0.4)	Turismo&Immobiliare S.p.A.	**(0.3)**	0.0	(0.3)	**0.0**	0.0	0.0
536.4		**216.6**	380.9	(164.3)	**74.4**	235.5	(161.1)
85.6	Consolidation adjustments	**2.3**	58.9	(56.6)	**0.6**	58.9	(58.3)
622.0	**Total**	**218.9**	439.8	(220.9)	**75.0**	294.4	(219.4)

(a) Data for the period November 1 – July 31.
(b) Data for the period January 1 – September 30 prepared for purposes of consolidation in IFIL.

Condensed interim consolidated balance sheet

€ in millions	**9/30/2006**	12/31/2005	Change
Non-current assets			
Property, plant and equipment	**13.3**	13.5	(0.2)
Investments accounted for by the equity method	**3,484.2**	3,576.8	(92.6)
Other financial assets	**1,609.7**	1,238.3	371.4
Total non-current assets	**5,107.2**	4,828.6	278.6
Current assets			
Trade receivables and other receivables	**44.0**	43.7	0.3
Financial assets	**741.0**	793.5	(52.5)
Cash and cash equivalents	**4.5**	4.2	0.3
Total current assets	**789.5**	841.4	(51.9)
TOTAL ASSETS	**5,896.7**	5,670.0	226.7
Equity - Group	**5,524.9**	5,186.0	338.9
Non-current liabilities			
Provisions for employee benefits and provisions for other liabilities and charges	**2.4**	2.2	0.2
Bonds and other debt	**200.0**	0.0	200.0
Deferred tax liabilities and other liabilities	**44.9**	1.2	43.7
Total non-current liabilities	**247.3**	3.4	243.9
Current liabilities			
Provisions for employee benefits and provisions for other liabilities and charges	**0.0**	7.8	(7.8)
Bonds and other debt	**112.9**	449.7	(336.8)
Trade payables and other liabilities	**11.6**	23.1	(11.5)
Total current liabilities	**124.5**	480.6	(356.1)
TOTAL EQUITY AND LIABILITIES	**5,896.7**	5,670.0	226.7

Investments accounted for by the equity method

	Carrying amount at		
€ in millions	**9/30/2006**	12/31/2005	Change
Investments in operating subsidiaries and associates accounted for by the equity method			
Fiat Group	**2,404.3**	2,335.7	68.6
Sequana Capital Group	**1,002.1**	1,140.9	(138.8)
Alpitour Group	**58.8**	69.9	(11.1)
Juventus Football Club S.p.A.	**15.6**	26.6	(11.0)
Turismo&Immobiliare S.p.A.	**3.4**	3.7	(0.3)
Total	**3,484.2**	3,576.8	(92.6)

Other non-current financial assets

€ in millions	Carrying amount at 9/30/2006	Carrying amount at 12/31/2005	Change
Other investments - available-for-sale			
Sanpaolo IMI S.p.A. (a)	**1,554.4**	1,228.6	325.8
Banca Leonardo S.p.A.	**47.0**	0.0	47.0
Other investments - sundry			
Subsidiaries of the "Holdings System" in liquidation and others	**0.1**	1.1	(1.0)
Securities			
Ocean Club Méditerranée bonds	**5.0**	4.8	0.2
Fiat ordinary share warrants 2007 (a)	**2.3**	3.5	(1.2)
Sundry	**0.9**	0.3	0.6
Total other financial assets	**1,609.7**	1,238.3	371.4

(a) Measured at fair value on the basis of the market price on the last day of the period with recognition of the unrealized gains or losses in equity (Sanpaolo IMI) or in the income statement (Fiat ordinary share warrants).

Based on stock market prices at September 30, 2006, the value of investments and other listed financial assets is € 7,373 million and is € 2,389 million higher than their carrying amount (€ 4,984 million).

Major events regarding the IFIL Group during the period July to November 2006 are presented below.

Public Exchange Offering approved 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 approved the Public Exchange Offering of a maximum of 57,646,980 Sequana Capital shares (54.31% of capital stock at August 1, 2006) 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 may opt to receive the price of € 21 in cash for each Sequana Capital share sold to the company.

The offering period, approved by the French securities and exchange commission and by the special stockholders’ meeting held on October 30, 2006, opened on November 7, 2006 and will end on November 28, 2006.

The IFIL Group participated in the Offering exchanging a part of the Sequana Capital shares it currently holds for SGS shares. The stake in SGS will be higher than 12%.

Sanpaolo IMI and Banca Intesa merger plan

On October 12, 2006, the board of directors of Sanpaolo IMI approved the plan for the merger by incorporation of Sanpaolo IMI into Banca Intesa which will be submitted for approval to the next special stockholders’ meeting. The purpose of the plan is to create a group that will be one of the leaders of the banking system in Europe.

Increase in the stake in Fiat
On November 9 and 10, 2006, IFIL purchased 3,000,000 Fiat ordinary shares (0.28% of the class of stock) on the market for an investment of € 44.6 million. This follows the incentive plan announced by the Fiat board of directors and the anticipated capital stock increase to service the relative stock options. The purchase, which confirms IFIL's confidence in the positive prospects of its major holding and in the exceptional capacity of its management, will allow IFIL to retain a more-than-30% stake in Fiat even after the issue of the new shares estimated to service the plan.

IFIL currently holds 331,333,447 Fiat ordinary shares, equal to 30.34% of the class of stock, and 31,082,500 Fiat preferred shares, equal to 30.09% of the class of stock. The investment represents 28.415% of Fiat issued capital stock.

Update on the disputes surrounding the sale of La Rinascente
On February 14, 2006, the buyer of the investment in La Rinascente filed for arbitration action against Ifil Investissements seeking compensation for an amount of approximately € 37.6 million (in addition to interest, monetary revaluation, court expenses and legal fees) for extraordinary expenses relating to certain points of sale.
Ifil Investissements is submitting to the arbitration proceedings and is taking exception to the claims which it believes are invalid and unacceptable and, in any case, completely unfounded. Moreover, the question that is raised regards aspects that have either been excluded or are not covered by guarantees in the contract.
Furthermore, on September 5, 2006, the buyer filed another arbitration claim against Ifil Investissements seeking a total of approximately € 14.8 million in compensation principally in connection with the accounting treatments used in the financial statements at December 31, 2004.
Ifil Investissements has agreed to submit to arbitration maintaining that such claims are invalid and groundless. In any case, according to Ifil Investissements, such requests nevertheless remain covered by exclusions or limitations regarding the obligations for compensation as stated in the contract.

Update on the investigations by Consob and the Judicial Authorities
The administrative proceedings relating to the objections under art. 187-septies of Legislative Decree No. 58/1998 notified by Consob last February 21, 2006 in relation to the content of the press release dated August 24, 2005, as well as the preliminary investigations by the Turin District Attorney's Office regarding the same objections raised by Consob are currently in progress.

With regard to the outlook for the year 2006, IFIL S.p.A. is expected to report a profit.

As for the consolidated financial statements, taking into account the forecasts formulated by the major holdings, for 2006, the IFIL Group expects to show a profit, although lower than the profit reported in 2005, which included significant nonrecurring income and was the highest in the Group's history.

Turin, November 14, 2006

On behalf of the Board of Directors
The Chairman
Gianluigi Gabetti