IFI
Istituto Finanziario Industriale

investments IFIL

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JOINT PRESS RELEASE

IFI and IFIL approved the Merger Project

- **Boards unanimously approve the Merger Project aiming at the simplification of the Group structure**
- **Transaction to be executed through a merger by incorporation of the controlled company IFIL into controlling company IFI and listing of IFI's ordinary shares and savings shares. Following the transaction, all classes of shares to be listed (savings shares, preference shares and ordinary shares)**
- **Exchange ratios confirmed:**

  - 0.265 of a new IFI ordinary share for each IFIL ordinary share

  - 0.265 of a new IFI savings share for each IFIL savings share
- **Closing of the transaction expected to take place in early 2009**
- **Following the transaction, surviving entity to be renamed EXOR S.p.A.**
- **EXOR corporate governance will be based upon IFIL's current governance**

As anticipated in the press releases dated September 8 and 10, 2008, the Boards of Directors of IFI S.p.A. and IFIL S.p.A., meeting in succession today in Turin under the Chairmanship of John Elkann, unanimously approved the Merger Project for the merger by incorporation of the controlled company IFIL into the controlling company IFI, and mandated the respective Chairmen and/or CEOs to call the respective Extraordinary Shareholders' Meetings which will be asked to approve the Merger Project. The Extraordinary Shareholders' Meetings are expected to take place in November 2008.

The Boards of Directors have also approved the reference balance sheets of the two companies at June 30, 2008, pursuant to art. 2501-quarter c.c..

The Experts' Reports on the fairness of the exchange ratios pursuant to art. 2501-sexies c.c. will be delivered for IFI by the audit firm KPMG and for IFIL by the audit firm Reconta Ernst & Young, both appointed by the Turin Court on September 17, 2008.

The Merger Project (which is going to include the bylaws of the surviving entity), the Directors' Reports pursuant to art. 2501-quinquies c.c., the Experts' Reports and any other documentation related to the transaction will be made publicly available within the timeframe set by the applicable law. No later than 10 days prior to the shareholders' meetings, the information document (*Documento Informativo*) concerning the merger will be made publicly available in accordance with *Regolamento Emittenti*.

The closing of the transaction is expected to take place in early 2009.

Rationale

The merger by incorporation of the controlled company IFIL into the controlling company IFI aims at simplifying the control structure of IFIL's current investment portfolio. This simplification is supposed to generate benefits for shareholders and for perspective investors, guarantee more market clarity, create a single company with a larger free float and will allow for further efficiency, control and focus.

The merger is expected to have substantially neutral consequences on the income statement, balance sheet and cash flow profiles of the resulting entity. In particular:

- The merger does not entail changes to the investment policy and management of IFIL's current investment portfolio;

- The merger's effects on the net financial debt of the resulting entity are not expected to alter IFIL's current investment ability. The post-merger consolidated net financial position of the "holding system" for both IFI and IFIL will be equal to the sum of their net financial debts (as of August 31, 2008 approximately equal to Euro 351 million of net financial debt for IFI and approximately equal to Euro 314 million of net financial cash for IFIL);

- The income statement of the resulting entity will not be affected by the merger, as it will reflect IFIL's current profile, with reduced net interest income (or increased net interest expenses), due to the post-merger net financial position.

Exchange ratios

The Boards of Directors in today's meetings confirmed the exchange ratios approved in the merger guidelines on September 8, 2008: 0.265 of a new IFI ordinary share for each IFIL ordinary share and 0.265 of a new IFI savings share for each IFIL savings share. The Boards of Directors have been supported by their respective financial advisors, consistently with the governance of the two companies. In relation to the financial advisors, IFI has been assisted by Leonardo & Co., while IFIL has been assisted by Goldman Sachs International.

The financial advisors, consistently with the fairness opinion released on September 8, 2008, confirmed the fairness from a financial standpoint with respect to the exchange ratios approved by the Boards of Directors. The financial advisors also presented to their respective Board of Directors their valuation of the exchange ratio in connection with the merger.

In determining the exchange ratio, the advisors have taken into account valuation indications provided by the market prices of IFIL ordinary shares and IFI preference shares, as well as fundamental valuations of the investment portfolio of IFIL and IFI, as estimated with the Net Asset

Value (“NAV”) methodology. In particular, the exchange ratio is equal to the arithmetic average between:

(i) the ratio between the average market prices of IFIL ordinary shares and IFI preference shares over the 6 month period prior to August 25, 2008;

(ii) the ratio between the IFIL’s NAV and the IFI’s NAV.

IFIL’s NAV has been calculated: i) for the listed investments based upon their market value, referring to the 6-month averages of market prices prior to August 25, 2008; ii) for the non listed investments and for the other assets and liabilities by reference to independent third party appraisals (where available) or using the book value on IFIL’s balance sheet. The NAV of IFI has been calculated valuing IFIL’s stake at its NAV in addition to the other assets and liabilities of IFI. Leonardo & Co. has valued IFIL’s NAV at € 7,517 million and IFI’s NAV at € 4,909 million; Goldman Sachs International has valued IFIL’s NAV at € 7,576 million and IFI’s NAV at € 4,963 million.

The advisors deemed as appropriate:

(a) to refer to the arithmetic average between the results of the methodologies indicated under (i) and (ii) in order to take equally into account both the valuation indications implied by the market prices of IFIL ordinary shares and of IFI preference shares, and the indications of the fundamental valuation based on NAV and typically adopted to value holding companies such as IFI and IFIL;

(b) to refer to the 6-month averages of market prices, as sufficiently long not to be affected by short-lived volatility but at the same time representative of market conditions. On August 25, 2008 Giovanni Agnelli e C. S.a.p.az. issued the press release announcing the purchase of IFI preference shares and that the company was evaluating options and alternatives in connection with such purchase. On February 18, 2008 IFIL announced the start of an own shares purchase (buy back) programme, subsequently suspended on August 25, 2008. During the programme period, IFIL purchased a total number of 20,783,200 IFIL ordinary shares and 917,000 IFIL savings shares, equal to approximately 2% of the total number of IFIL shares. The purchases were carried out on Italian regulated markets and the maximum number of shares purchased daily has never exceeded 25% of the daily average market trading volume, in accordance with European Commission EC Regulation N. 2273/2003. The choice for the reference time period for the valuation methodologies (Market Prices methodology and NAV methodology) used for the determination of the exchange ratios was not affected by the aforementioned purchases;

(c) to align the valuation of IFI preference shares with that of IFI ordinary shares when determining the exchange ratio, in absence of adequate market benchmarks. IFI ordinary shares are not traded on regulated stock markets. Consequently, financial markets do not offer direct evidence of the value of IFI ordinary shares compared to that of IFI preference shares, which are listed on the Italian Stock Exchange (*Borsa Italiana*). Moreover, admission to trading of IFI ordinary shares will be asked to the Italian Stock Exchange, and completion of the merger will be subject to such admission.

The application of the selected valuation methodologies has been affected by certain difficulties and limitations:

- the use of the Market Prices Methodology presents difficulties and limitations originating from the underlying assumption that the financial market on which the company's shares are traded is adequately efficient and liquid. Furthermore, volatility may significantly impact market prices, especially in the short term. As indicated above, potential volatility of market prices has been mitigated by taking into consideration the 6-month period prior to August 25, 2008;

- with reference to the NAV methodology, the main difficulties concern the valuation of the participations in non-listed companies, although the impact of such issue on IFIL is limited (85% of IFIL's NAV is related to listed investments) and practically non meaningful for IFI (whose NAV depends almost entirely on IFIL's one). As indicated above, IFIL's non-listed investments have been valued by reference to appraisals (where available) or using the book value on IFIL's balance sheet at June 30, 2008;

- always with respect to the NAV methodology, it exhibits the same difficulties and limitations of the Market Prices methodology when participations in listed companies are valued;

- for the purpose of determining the exchange ratio for IFIL savings shares in the context of the merger, it has been taken into account that the newly issued IFI savings shares will have the same features as those of the existing IFIL saving shares (with dividend privileges adjusted for the exchange ratio) and that the Italian Stock Exchange will be asked to admit the newly issued IFI savings shares to public trading, with transaction completion subject to such admission; consequently, the same exchange ratio determined for IFIL ordinary shares has been applied also to IFIL savings shares.

The illustration of the exchange ratios and of the methodologies used for the definition are included in the Director's Reports pursuant to art. 2501-quinquies c.c. that will be filed according to the law.

The Boards of Directors, having considered (also taking into account that the merger is a related-party transaction) the work of the advisors, the relevant fairness opinions and the valuation reports of the exchange ratios in connection with the merger provided by each advisor, having shared the performed analyses as well as the adopted methodologies and the obtained results, approved the exchange ratios that will be included in the Merger Project. All the Directors of the two companies participated to the Board of Directors meetings and the resolutions were unanimously approved, thus including the positive votes of the independent directors, four at IFIL and one at IFI.

Pursuant to the applicable laws, the exchange ratios will be reviewed for the each of the companies by a specific independent expert appointed by the Turin Court (the audit firm KPMG for IFI and the audit firm Reconta Ernst & Young for IFIL), who will prepare the report on the fairness of the exchange ratios pursuant to art. 2501-sexies c.c..

Effects and conditions

The IFI ordinary and savings shares issued in exchange of the IFIL ordinary and savings shares will be entitled to the same dividends of the outstanding IFIL shares as of the effective date of the merger.

The effective date of the merger will be determined in the merger deed. The effective date of the merger could be subsequent to the last filing of the merger deed pursuant to art. 2504 c.c..

With reference to art. 2501-ter, number 6, c.c., the transactions effected by IFIL will be recorded in IFI's accounts as of 1 January of the year in which the merger becomes effective. The same date will apply to the tax effects.

The completion of the merger is subject to the admission to trading on the Italian Stock Exchange (*Mercato Telematico di Borsa Italiana*) of the IFI ordinary and savings shares.

Ownership structure

As a result of the merger, on the basis of the current holdings in IFI (including treasury shares) and IFIL and the approved exchange ratios, Giovanni Agnelli e C. S.a.p.az. will hold 59.2% of the ordinary shares, 45.2% of the voting capital (ordinary plus preference shares) and 43.5% of the total equity capital of the surviving entity.

Corporate governance

Following the transaction, the surviving entity will be renamed EXOR S.p.A.. The choice of the name reflects the intention to expand the future development programs on an international basis, leveraging on the experience accumulated by Exor over many years of international investments. Moreover, such name simplifies further the market perception of the Group, defining a single focus for the whole investment activity of the Agnelli Family.

EXOR corporate governance will be in line with IFIL's current governance and will be achieved as follows.

The Extraordinary Shareholders' Meeting of the surviving entity approving the merger will also amend the company bylaws, increasing the maximum numbers of directors to 19. The Ordinary Shareholders' Meeting of the surviving entity, to be held immediately after the Extraordinary Shareholders' Meeting, will appoint as directors certain IFIL's directors (Carlo Sant'Albano and others independent directors). The integration will be effective starting from the effective date of the merger. The Board of Directors of the surviving entity will be in charge until its natural expiry date, i.e. that of the Shareholders' Meeting approving the 2008 annual report.

The Board of Directors of EXOR, in its first meeting following the merger, is expected to appoint Carlo Sant'Albano as new CEO of EXOR. John Elkann will be Chairman.

The IFI Ordinary Shareholders' Meeting, pursuant to the law, will integrate the Statutory Auditors (*Collegio Sindacale*), by confirming the two new auditors replacing the auditors suspended on May 15 2008 due to incompatibility, and will also appoint the two alternate auditors; IFI Statutory Auditors (two members of which are in common with IFIL) will be in charge until their natural expiry date (the approval of the 2008 annual report).

EXOR Shareholders' Meeting approving the 2008 annual report will appoint the new Board of Directors through a slate voting system and therefore with a member appointed by minority shareholders, the Statutory Auditors, with one member appointed by minority shareholders as Chairman pursuant to applicable laws.

Furthermore, the surviving entity will set up the committees (audit committee and compensation and nominating committee) already existing in IFIL and will make all the necessary amendments to the Corporate Governance Code already adopted by in IFIL but not yet by IFI.

Potential conflicts of interests of related parties interested by the merger

Within the simplification of its Group structure, the parent company Giovanni Agnelli e C. S.a.p.az. has interests as:

- controlling shareholder of IFI, directly holding 100% of the ordinary capital and 13,021% of the preference capital (in addition to treasury shares held by IFI representing 6,979% of the preference capital);

- controlling shareholder of IFIL, holding 72,988% of the ordinary capital and 4,993% of the savings capital (of which 69,988% of the ordinary capital and 4,993% of the savings capital indirectly through IFI and directly 3% of the ordinary capital), in addition to treasury shares held by IFIL representing 2,453% of the savings capital and, jointly with subsidiary SOIEM S.p.A., 3,273% of the ordinary capital.

The surviving entity IFI has interests as controlling shareholder of IFIL, holding 69,988% of the ordinary capital and 4,993% of the savings capital, in addition to treasury shares held by IFIL, as stated above.

Some of IFI and IFIL's directors have interests pursuant to art. 2391 cod. civ. as shareholders of the parent company Giovanni Agnelli e C. S.a.p.az. and/or as directors of both companies involved and/or as shareholders of one or both the companies involved. To this extent, within the Board of Directors of September 8 such directors made relevant statements according to applicable laws and in line with corporate governance regulations of their respective companies.

Withdrawal rights

The shareholders of both companies will not be entitled to withdrawal rights for the following reasons:

- as far as the corporate object is concerned, IFI's corporate object is substantially the same of IFIL, no change is envisaged and therefore the merger will not result in any material change of the group business (both companies are investment holdings and IFI controls IFIL);

- as far as art. 2437-quinquies c.c. is concerned, newly issued IFI ordinary and savings shares assigned to IFIL ordinary and savings shareholders respectively will be listed (merger completion is subject to the condition precedent of the admission to listing of the IFI ordinary and savings shares) and thus there is no entitlement to withdrawal rights pursuant to art. 2437-quinquies c.c.;

- as far as art. 2437 lett. g) c.c. is concerned, there is no entitlement to withdrawal rights as voting rights and dividend rights of each category of shares will not be affected and remain the same of the existing ones (the privileges of the savings shares will be adjusted to reflect the exchange ratio). In relation to the IFI preference shares, the preference dividend will be maintained as per current IFI bylaws, with an extra dividend vis-à-vis ordinary shares equal to 5.17% of par value, not cumulative over subsequent fiscal years.

According to IFI bylaws, resolutions for issues of savings shares do not require the vote of a special meeting of the IFI preference shareholders.

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