



## **EXTRAORDINARY AND ORDINARY STOCKHOLDERS' MEETING**

### **IFI S.p.A.**

#### **Items on the Agenda and related Reports and Motions**

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**EXTRAORDINARY AND ORDINARY STOCKHOLDERS' MEETING****IFI S.p.A.****Fiat Historical Center – Turin, Via Chiabrera 20****December 1, 2008****Agenda of the Extraordinary session**

1. Approval of the plan for the merger by incorporation of IFIL S.p.A. into IFI S.p.A., with the amendment to articles 1, 5, 6, 7, 10, 16, 27, 30 and 31 of bylaws; pertinent and related resolutions; delegations of powers.

**Agenda of the Ordinary session**

1. Amendment to article 6.3 of the set of rules applicable to the stockholders' meetings of the company (the "Code").
2. Resolutions as regards the board of statutory auditors subsequent to vacations.

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The notice has been published in the newspapers "La Stampa" and "Il Sole24Ore" on October 28, 2008.

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**EXTRAORDINARY SESSION**

**APPROVAL OF THE PLAN FOR THE MERGER BY INCORPORATION OF IFIL S.p.A. INTO IFI S.p.A. WITH THE AMENDMENT TO ARTICLES 1, 5, 6, 7, 10, 16, 27, 30 AND 31 OF BYLAWS; PERTINENT AND RELATED RESOLUTIONS; DELEGATIONS OF POWERS.**

**Report of the Board of Directors of**

**Società per Azioni Istituto Finanziario Industriale – IFI S.p.A.**

**on the Plan for the Merger by incorporation**

**of**

**IFIL Investments S.p.A.**

**into**

**Società per Azioni Istituto Finanziario Industriale – IFI S.p.A.**

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**LEGAL NOTICE**

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#### Disclaimer

The IFI securities referred to herein that will be issued in connection with the Merger described herein have not been, and are not intended to be, registered under the United States Securities Act of 1933 and may not be offered or sold, directly or indirectly, into the United States except pursuant to an applicable exemption.

#### Forward-looking statements

This report contains forward-looking information and statements about IFIL Investments S.p.A. and IFI S.p.A. and their combined businesses after completion of the Merger. Forward-looking statements are statements that are not historical facts. These statements are based on the current expectations and projections of the companies taking part in the Merger about future events and, by their nature, are subject to inherent risks and uncertainties. They relate to events and depend on circumstances that may or may not occur or exist in the future, and, as such, undue reliance should not be placed on them. Actual results may differ materially from those expressed in such statements as a result of a variety of factors, including changes in commodity prices, changes in general economic conditions, economic growth and other changes in business conditions, changes in regulations (in each case, in Italy or abroad), and many other factors, most of which are outside of the control of the companies taking part in the Merger.

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**Report of the board of directors of Società per Azioni Istituto Finanziario Industriale – IFI S.p.A. on the Plan for the Merger by incorporation of IFIL Investments S.p.A. into Società per Azioni Istituto Finanziario Industriale – IFI S.p.A. pursuant to art. 2501, of the Italian Civil Code and art. 70, paragraph 2, of the Issuers Regulation adopted by Consob resolution 11971 dated May 14, 1999 and subsequent amendments.**

Dear Shareholders,

The Shareholders' Meeting has been convened in extraordinary session to resolve upon the Plan for the Merger by incorporation (the "Merger") of IFIL Investments S.p.A. ("IFIL" or the "Company to be Merged") into the parent, Società per Azioni Istituto Finanziario Industriale ("IFI" or the "Surviving Company" and, starting from the effective date of the merger, also "EXOR") as well as certain amendments to be made to the bylaws of the Surviving Company.

This report prepared, pursuant to art. 2501-*quinquies* of the Italian Civil Code and art. 70, paragraph 2, of the Issuers Regulation adopted by Consob resolution 11971 dated May 14, 1999 and subsequent amendments (the "Issuers Regulation"), aims at providing with a description and rationale, from an economic and legal standpoint, of the Plan for the Merger and, in particular, the criteria used for the determination of the exchange ratio, and the amendments to be made to the bylaws of the Surviving Company.

## **1. Description and rationale of the Merger**

### **1.1 The Merger**

The Merger, whose guidelines have been approved by the boards of directors of IFIL and IFI on September 8, 2008, will lead to an optimization of the current Group governance structure by making it simpler and clearer for Shareholders as well as in line with the evolution in both statutory and market standards. After completion of the Merger, the Surviving Company will be renamed EXOR S.p.A..

The Merger aims, in particular, at simplifying the control structure of the Group's, through the concentration upon EXOR, and the prosecution through EXOR, of the investment activity of IFIL. In fact, EXOR, upon the Merger by incorporation of IFIL, will directly hold IFIL's investment portfolio. This simplification of the control structure is intended to generate benefits for Shareholders and for perspective investors also through:

- a simpler and clearer Group's structure without reducing IFIL's investment capability, with entrepreneurial vision and solid financial backing;
- the admission to trading of the ordinary shares (currently not listed) and, more generally, a larger free float of the Surviving Company's securities;
- further efficiency, control and focus.

The completion of the Merger, with the admission to trading of the ordinary and savings shares of the Surviving Company, is expected to take place in early 2009. After the Merger, IFI shares will be renamed EXOR shares.

The following charts show the Group structure of Giovanni Agnelli e C. S.p.A.'s current investment portfolio, as of the date hereof (Chart A) and that after completion of the Merger (Chart B).

**Chart A**



Note: Percentage holdings refer to ordinary share capital updated to September 23, 2008.

- (a) Giovanni Agnelli e C S.p.A. also holds 13.02% of IFI preference share capital.
- (b) IFI also holds 4.99% of IFIL savings share capital.
- (c) IFIL also holds 30.09% of Fiat preference share capital.
- (d) Post-conversion of convertible bonds.
- (e) Percentage interest held in the NoCo A LP limited partnership.



Chart B



Note: Percentage holdings refer to ordinary share capital updated to September 23, 2008. The aforementioned percentage holdings of Giovanni Agnelli e C. S.p.A. have been calculated on the basis of the proposed exchange ratio and assuming that the current ownership structure of IFI and IFIL remains unaltered until the effective date of the Merger.

- (a) Equal to 59.2% of ordinary shares outstanding. Giovanni Agnelli e C S.p.A. will continue to hold also 13.02% of EXOR preference share capital.
- (b) EXOR will also hold 30.09% of Fiat preference share capital.
- (c) Post-conversion of convertible bonds.
- (d) Percentage interest held in the NoCo A LP limited partnership.
- (e) EXOR Group is expected to be renamed.

### Description of the major impacts on income statement, balance sheet and cash flows

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 and management policy of IFIL's current investment portfolio;
- the Merger's effects on the net financial debt of the resulting entity are not expected to alter significantly IFIL's current investment ability. The post-Merger consolidated net financial position of the "Holdings System" for both IFI and IFIL will be substantially 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 S.p.A. and approximately equal to Euro 314 million of net financial cash for the companies in the "Holdings System" of IFIL);

- the income statement profile of the resulting entity will not be significantly 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.

For additional information regarding the accounting impacts of the Merger, reference should be made to paragraph 7 herein.

On September 9, 2008, Standard & Poor's has declared that the rating and outlook of IFIL's debt (BBB+/Stable/A-2) remain unaltered subsequent to the announcement of the guidelines to simplify the corporate structure and when the Merger is approved, the same ratings are expected to be assigned to the Surviving Company. Standard & Poor's has also given a favorable opinion with regard to the simplification of the Group structure resulting from the Merger.

## **1.2 *Legal aspects of the Merger. Characteristics of the newly-issued savings shares to service the share exchange***

From a legal standpoint, the Merger will be executed in pursuance of article 2501 and subsequent articles of the Italian Civil Code as well as according to the manner and conditions set forth in the Plan for the Merger (the "Plan for the Merger") publicly available at the places indicated in paragraph 13.

On September 23, 2008, the boards of directors of IFIL and IFI approved the Plan for the Merger, which will be submitted for approval to the Extraordinary Shareholders' Meeting of IFI and the Extraordinary Shareholders' Meeting of IFIL.

The proposed Merger will entail the universal succession of the Surviving Company to IFIL, as a result of which the Surviving Company will assume, starting from the effective date of the Merger, all assets and liabilities, rights and obligations of IFIL.

Furthermore, the Surviving Company will assume the rights and obligations of IFIL as the issuer of non-convertible bonds "2006/2011" and "2007/2017", both admitted to trading on the Luxembourg stock exchange.

The reference financial statements, in accordance with art. 2501-quater of the Italian Civil Code, are for both companies referred to as at June 30, 2008 and have been approved by the respective boards of directors on September 23, 2008.

On September 12, 2008, both IFI and IFIL filed applications to the Turin Court, pursuant to art. 2501-*quinquies* of the Italian Civil Code, for the appointment of the experts who shall provide the reports on the fairness of the exchange ratio of the shares. On September 17, 2008, the Turin Court appointed the audit firm, KPMG S.p.A., for IFI, and the audit firm, Reconta Ernst & Young S.p.A., for IFIL.

According to art. 2504-*ter* of the Italian Civil Code, the Merger will entail the cancellation without any share exchange of the stake held in IFIL by IFI and the cancellation of treasury shares held by IFIL at the effective date of the Merger.

On the basis of the exchange ratio described below (see paragraph 3), the Surviving Company will issue in favor of IFIL ordinary Shareholders, other than IFI and IFIL, newly-issued IFI ordinary shares and of IFIL savings Shareholders, other than IFI and IFIL, newly-issued IFI savings shares.

The Electronic Share Market of the Italian stock exchange ("Mercato Telematico Azionario di Borsa Italiana S.p.A.") will be asked for admission to trading of the ordinary and savings shares of the Surviving Company, to which the Merger is subject.

Upon the aforesaid condition, after completion of the Merger, all shares of the Surviving Company of all three classes of shares (ordinary, preference and savings) will be listed on the Electronic Share Market of the Italian stock exchange (“Mercato Telematico Azionario di Borsa Italiana S.p.A.”) and will be renamed EXOR shares.

#### Savings shares

The new savings shares, which will be issued to service the exchange with IFIL saving shares, will have the same characteristics as the non-convertible savings shares currently outstanding of IFIL.

The bylaws of the Surviving Company will be amended in order to maintain unaltered the rights and characteristics of the privileges of IFIL savings shares and maintain the same rights to IFIL savings Shareholders.

According to the existing bylaws of IFIL:

- the savings shares are entitled to a preference dividend cumulative by law equal to 8.27% of their par value (equal to Euro 0.0827) and to a dividend higher than that of ordinary shares, equal to 2.07% of the same par value (equal to Euro 0.0207) (art. 25, paragraph 2 of the bylaws);
- If, in any financial period, a dividend lower than the above has been distributed to the savings shares, the said difference is calculated as an increase to be added to the preference dividend during the following two financial years (art. 25, paragraph 3 of the bylaws);
- In case of exclusion of the ordinary shares and/or savings shares from trading, the preference dividend and the higher dividend due to the savings shares will be automatically increased in order to reach, respectively, 8.52% and 2.32% (art. 25, paragraph 4 of the bylaws);
- In the event of the distribution of reserves, the savings shares have the same rights as the other shares (art. 30, paragraph 1 of the bylaws);
- In the event of the dissolution of the company, the savings shares have a pre-emptive right in the allocation of the corporate assets up to the total amount of the par value of their shares (art. 30, paragraph 2 of the bylaws);
- The reduction of share capital due to losses does not cause a reduction in the par value of the savings shares, except for the part of the loss which exceeds the overall par value of the other shares (art. 31, paragraph 2 of the bylaws).

The amendments to the bylaws of the Surviving Company will take into account that, upon the share exchange, 0.265 newly-issued non-convertible savings share of the Surviving Company of par value Euro 1 each will be assigned for each IFIL non-convertible savings share of par value Euro 1 each and, in particular:

- as regards the apportionment of profit, the bylaws of the Surviving Company will set forth that the savings shares are in any case entitled to a preference dividend cumulative pursuant to the following second paragraph, equal to 31.21% of their par value (equal to 8.27% : 0.265) (Euro 0.3121, corresponding to the amount of the preference dividend to IFIL savings shares outstanding of Euro 0.0827 : 0.265) and to a dividend higher than that of the ordinary shares equal to 7.81% of the same par value (equal to 2.07% : 0.265) (corresponding to Euro 0.0781);

- in case of exclusion from trading of the ordinary shares and/or savings shares, the bylaws of the Surviving Company will provide that the preference dividend and the dividend higher than that of the ordinary shares due to the savings shares will be automatically increased in order to result equal to, respectively, 32.15% (equal to 8.52% : 0.265) and 8.75% (equal to 2.32% : 0.265);
- as for the event of the dissolution of the company, the bylaws of the Surviving Company will provide that the savings shares have a right of pre-emption for the apportionment of corporate assets up to Euro 3.78 per each savings share.

The bylaws of the Surviving Company will maintain unaltered the other provisions of bylaws relating to the savings shares currently contained in the bylaws of IFIL.

#### Stock Option plan with underlying IFIL shares

The Shareholders' meeting of IFIL held on May 13, 2008 approved a stock option plan for the Chief Executive Officer, Carlo Barel di Sant' Albano, for 3,000,000 stock options corresponding to the same number of IFIL ordinary shares and to the employees of the IFIL Group (IFIL S.p.A. and the companies in the "Holdings System") who are or will be regarded as key people in the organization on the basis of the positions held or activities performed, for a maximum of 12,000,000 stock options. At June 30, 2008, a total of 6,525,000 options had been granted to 17 key employees. The plan does not provide the issue of new shares and has therefore no dilution effects on the share capital. Additional information on the stock option plan is disclosed in the Half-Yearly Report 2008 approved by the board of directors of IFIL on August 29, 2008 and the Directors' report prepared for the Shareholders' meeting held on May 13, 2008 to which reference should be made. Both documents are available on the corporate website: [www.ifil.it](http://www.ifil.it).

After completion of the Merger, the Surviving Company will assume all rights and obligations of the stock option plan and the ratio between the number of options and the underlying shares will be amended in pursuance of the "Rules on the Stock Option Plan" in order to take into consideration the exchange ratio. The treasury shares held by IFIL, comprising those used to service the Plan, will be cancelled and will not be exchanged, as set forth by law. Concurrently with the Extraordinary Shareholders' Meeting convened to approve the Plan for the Merger, a Shareholders' Meeting of IFI will also be convened – in ordinary session –, which will be invited to authorize the purchase of treasury shares (buy back). It is to be noted that a new buy back programme of the Surviving Company shall be started to service the Plan.

### **1.3 *Description of the companies taking part in the Merger***

#### **1.3.1 IFI (Surviving Company)**

Founded in 1927 by Senator Giovanni Agnelli, Società per Azioni Istituto Finanziario Industriale, or abbreviated "IFI S.p.A.", is a company incorporated under Italian law. It is headquartered in Turin, corso Matteotti 26 and registered under the Turin Company Register No. 00470400011.

After completion of the Merger, the Surviving Company will be renamed EXOR S.p.A..

#### Short description of the company's business

As of the date hereof, IFI is the controlling financial holding company of the Giovanni Agnelli e C. S.a.p.az. Group and has a controlling stake equal to 69.99% in IFIL ordinary share capital and 4.99% in IFIL savings share capital.

For a short description of the IFIL Group, reference should be made to the following paragraph 1.3.2.

### Corporate purpose

According to art. 3 of IFI bylaws, the purpose of the company is: *“to acquire investments in other companies or institutions, to finance and direct the technical and financial coordination of the companies or institutions where the company holds an investment, to purchase and sell, hold, manage and place public and private securities. The company will also enter into any and all financial – including the issue of sureties on behalf of companies or institutions in which it holds investments –, commercial, personal and real property transactions, as are necessary to attain the corporate purpose.”*.

### Share capital and major Shareholders

As of the date hereof, IFI's share capital amounts to Euro 163,251,460 and consists of 86,450,000 ordinary shares of par value Euro 1 each and 76,801,460 preference shares of par value Euro 1 each.

IFI preference shares are listed on the Electronic Share Market of the Italian stock exchange (“Mercato Telematico Azionario di Borsa Italiana S.p.A.”), while IFI ordinary shares are not listed and are privately and entirely held by Giovanni Agnelli e C. S.a.p.az., which gathers the Agnelli Family's interests.

The following table shows the Shareholders who, at September 23, 2008 and according to the Shareholders' book, the official communications received and other information available, hold IFI shares with voting rights, equal to or more than 2% of IFI share capital with voting rights, and treasury shares held by IFI.

Shareholder	Ordinary shares	% of ordinary share capital	Preference shares	% of total share capital
Giovanni Agnelli e C. S.a.p.az.	86,450,000	100%	10,000,000(*)	59.08%
Morgan Stanley & Co. International Ltd	-	-	5,949,685	3.64%
Treasury shares	-	-	5,360,300	3.28%

(\*) On August 25, 2008, Giovanni Agnelli e C. S.a.p.az. announced the purchase of 10 million of IFI preference shares, equal to 6.13% of share capital and 13.02% of class of shares.

### Composition of the company's boards

The board of directors of IFI, elected by the Shareholders' Meeting held on May 25, 2006, is formed by the following thirteen directors:

Position held	Name	Birthplace	Date of birth
Chairman	John Elkann	New York (USA)	April 1, 1976
Vice Chairman	Pio Teodorani-Fabbri	Turin	March 23, 1924
Chief Executive Officer and General Manager	Virgilio Marrone	Savona	August 2, 1946
Directors	Andrea Agnelli	Turin	December 6, 1975
	Tiberto Brandolini d'Adda	Lausanne (SWZ)	March 8, 1948
	Oddone Camerana	Turin	November 22, 1937
	Luca Ferrero Ventimiglia	Turin	March 26, 1966
	Gianluigi Gabetti	Turin	August 29, 1924
	Franzo Grande Stevens	Naples	September 13, 1928
	Francesco Marini Clarelli	Rome	December 3, 1956
	Andrea Nasi	Turin	February 15, 1946
	Lupo Rattazzi	Lausanne (SWZ)	January 25, 1953
Independent director	Carlo Acutis	Turin	October 17, 1938

The board of statutory auditors of IFI, elected by the Shareholders' Meeting, held on May 25, 2006, is formed by the following three auditors:

Position held	Name	Birthplace	Date of birth
Chairman	Lionello Jona Celesia	Turin	June 16, 1936
Standing statutory auditors	Giorgio Ferrino	Turin	June 17, 1939
	Paolo Piccatti	Turin	June 18, 1957

Following the appointment of Gianluca Ferrero to the board of general partners of the parent Giovanni Agnelli e C. S.p.A., on May 15, 2008, the chairman of the board of statutory auditors, Gianluca Ferrero, and the standing auditor, Giorgio Giorgi, vacated their posts pursuant to art. 148, paragraph 3 of Legislative Decree 58/1998 (for reasons of incompatibility).

Accordingly, pursuant to art. 2401 of the Italian Civil Code, up to the next Shareholders' meeting, Giorgio Ferrino and Paolo Piccatti, who were already alternate auditors, took over the positions of standing auditors, and Lionello Jona Celesia, who was already a standing auditor, took over as chairman. The new alternate auditors will be elected by the next Shareholders' Meeting which will be convened – in ordinary session – on the same date than the Shareholders' Meeting called to resolve upon the Plan for the Merger.

The terms of office of the board of directors and the board of statutory auditors, elected by the Shareholders' Meeting held on May 25, 2006, will expire concurrently with the Shareholders' Meeting that will be held to approve the separate financial statements for the year ending December 31, 2008.

### Results of the IFI Group

Some historical results of the IFI Group and IFI S.p.A. are indicated below, as for the equity and financial position and the results of operations and as from the half-yearly report 2008, half-yearly report 2007, separate financial statements at June 30, 2008 pursuant to art. 2501-quarter of the Italian Civil Code and the consolidated and separate financial statements at December 31, 2007 and at December 31, 2006, available on IFI web site: [www.gruppoifi.com](http://www.gruppoifi.com), which reference should be made to for additional information.

#### **Key operating and financial data**

<b>IFI Group - Consolidated figures (€ in millions)</b>	<b>I Half 2008</b>	<b>I Half 2007</b>	<b>2007</b>	<b>2006</b>
Profit attributable to the equity holders of the company	207	202	444	221
Equity attributable to the equity holders of the company	4,055	4,006	4,161	3,800
Consolidated net financial position	(657)	(505)	(470)	(196)

<b>IFI Group - Earnings per share (€)</b>	<b>I Half 2008</b>	<b>I Half 2007</b>	<b>2007</b>	<b>2006</b>
Profit attributable to the equity holders of the company, per ordinary share	1.29	1.26	2.79	1.38
Profit attributable to the equity holders of the company, per preferred share	1.34	1.31	2.84	1.43
Equity attributable to the equity holders of the company	25.68	25.37	26.35	24.07

<b>IFI S.p.A. - Separate financial statements figures (€ in millions)</b>	<b>I Half 2008</b>	<b>I Half 2007</b>	<b>2007</b>	<b>2006</b>
Profit for the period	62	63	54	218
Equity	1,910	1,856	1,847	1,794
Net financial position	(345)	(190)	(393)	(98)

Note: For additional information about the calculation relating to the earnings per share, reference should be made to Note 15 to the half-yearly report 2008 and Note 19 to the consolidated financial statements at December 31, 2007.

### 1.3.2 IFIL (Company to be Merged)

Founded in 1919, IFIL Investments S.p.A., or abbreviated IFIL S.p.A., is a company incorporated under Italian law. It is headquartered in Turin, corso Matteotti 26 and registered under the Turin Company Register No. 00914230016.

### Short description of the company's business

IFIL is one of Europe's leading companies, whose main activity is focused on investments. Besides being the majority Shareholder of the Fiat Group, IFIL invests, also through its subsidiaries, in diverse sectors, mainly in Europe, the United States and the two most important emerging markets, India and China.

Investment activities are conducted with entrepreneurial vision and solid financial discipline. IFIL cooperates on an ongoing basis with the management teams of its holdings, while respecting their operating autonomy and with a perspective geared to the medium-/long-term.

The majors investments of IFIL as of the date hereof are indicated below:

- Fiat S.p.A., in which IFIL has a holding of more than 30% of ordinary and preference share capital;
- Cushman & Wakefield Group Inc., in which the subsidiary Ifil Investissements S.A. has a 72.11% stake;
- Sequana S.A., in which the subsidiary Ifil Investissements S.A. has a 26.65% stake;
- Intesa Sanpaolo S.p.A., in which IFIL has a 1.25% stake in ordinary share capital;
- SGS S.A., in which the subsidiary Ifil Investissements S.A. has a 15% stake;
- Gruppo Banca Leonardo S.p.A., in which the subsidiary Ifil Investissements S.A. has a 9.76% stake;
- Alpitour S.p.A., in which IFIL has a 100% stake;
- Juventus Football Club S.p.A., in which IFIL has a 60% stake;
- Banijay Holding S.A.S., in which the subsidiary Ifil Investissements S.A. has a 17.03% stake;
- Perella Weinberg Partners, in which the subsidiary Ifil Investissements S.A. has a 1.96% stake (percentage interest held in the NoCo A LP limited partnership).

In April 2008, IFIL has also subscribed to, through its subsidiary Ifil Investissements S.A., 5-year bonds issued by Perfect Vision with a mandatory conversion into shares at maturity, which will allow it to hold a 40% stake in Vision Investment Management.

### Corporate purpose

According to art. 3 of IFIL bylaws, the purpose of the company is: *“to acquire investments in other companies or institutions, to finance and direct the technical and financial coordination of the companies or institutions where the company holds an investment, to purchase and sell, hold, manage and place public and private securities. The company will also enter into any and all financial, personal and real property transactions, including the securing of loans and financing in general, and issue endorsements, sureties and guarantees, including mortgages and liens, with the specific exclusion of the solicitation of funds from the public at large, as are necessary to attain the corporate purpose”*.

### Share capital and major Shareholders

As of the date hereof, IFIL's share capital amounts to Euro 1,075,995,737 and consists of 1,038,612,717 ordinary shares of par value Euro 1 each (approximately 96.5% of total share capital) and 37,383,020 savings shares of par value Euro 1 each (approximately 3.5% of total share capital).

Both IFIL ordinary and saving shares are listed on the Electronic Share Market of the Italian stock exchange (“Mercato Telematico Azionario di Borsa Italiana S.p.A.”).

The following table shows the Shareholders who, at September 23, 2008 and according to the Shareholders' book, the official communications received and other information available, hold IFIL shares with voting rights, equal to or more than 2% of IFIL share capital with voting rights, and treasury shares held by IFIL or its subsidiaries.

Shareholder	Ordinary shares	% of ordinary share capital
Società per Azioni Istituto Finanziario Industriale <sup>(1)</sup>	726,900,000	69.99%
Mackenzie Cundill Group	52,973,183	5.10%
Giovanni Agnelli e C. S.a.p.az.	31,159,000	3.00%
Treasury shares <sup>(2)</sup>	33,186,198	3.20%
SOIEM <sup>(3)</sup>	810,262	0.08%

(1) IFI also holds 1,866,420 IFIL savings shares, equal to 4.99% of IFIL savings share capital.

(2) IFIL also holds 917,000 savings shares of treasury stock, equal to 2.45% of savings share capital.

(3) IFIL's wholly-owned subsidiary.

### Composition of the company's boards and committees

The board of directors of IFIL, elected by the Shareholders' Meeting, in ordinary session, held on May 13, 2008, is formed by the following eleven directors:

Position held	Name	Birthplace	Date of birth
Chairman	John Elkann	New York (USA)	April 1, 1976
Onorary Chairman	Gianluigi Gabetti	Turin	August 29, 1924
Vice Chairman	Tiberto Brandolini d'Adda	Lausanne (SWZ)	March 8, 1948
Chief Executive Officer	Carlo Barel di Sant' Albano	Turin	May 31, 1964
Directors	Edoardo Ferrero di Ventimiglia	Turin	November 21, 1936
	Franzo Grande Stevens	Naples	September 13, 1928
	Pio Teodorani-Fabbri	Turin	March 23, 1924
Independent directors	Antonio Maria Marocco	Rivoli	September 15, 1934
	Giuseppe Recchi	Naples	January 20, 1964
	Claudio Saracco	Turin	July 31, 1940
	Sandro Salvati <sup>(*)</sup>	Rome	August 1, 1945

(\*) Director appointed by using slates of candidates of minority Shareholders.

Two committees of a consultative and constructive nature were formed within the board of directors: the compensation and nominating committee (formed by John Elkann, chairman; Antonio Maria Marocco and Giuseppe Recchi) and the audit committee (formed by Antonio Maria Marocco, chairman; Sandro Salvati and Claudio Saracco).

The board of statutory auditors of IFIL, elected by the Shareholders' meeting, in ordinary session, held on May 13, 2008, is formed by the following five auditors:

Post held	Name	Birthplace	Date of birth
Chairman	Eugenio Colucci <sup>(*)</sup>	Lucera (Foggia)	January 9, 1946
Standing statutory auditors	Lionello Jona Celesia	Turin	June 14, 1936
	Paolo Piccatti	Turin	June 18, 1957
Alternate statutory auditors	Francesco Facchini <sup>(*)</sup>	Brescia	November 29, 1966
	Ruggero Tabone	Lu (Alessandria)	August 27, 1943

(\*) Statutory auditor appointed by using slates of candidates of minority Shareholders.

The terms of office of the board of directors and the board of statutory auditors, elected by the Shareholders' meeting held on May 13, 2008, will expire concurrently with the



Shareholders' meeting that will be called to approve the separate financial statements for the year ending December 31, 2010.

### IFIL Group results

Some historical results of the IFIL Group and IFIL S.p.A., are indicated below, as for the results of operations, balance sheet and financial position deriving from the half-yearly report 2008, half-yearly report 2007, separate financial statements at June 30, 2008 pursuant to art. 2501-quarter of the Italian Civil Code and from the consolidated and separate financial statements at December 31, 2007 and at December 31, 2006, available on IFIL web site: [www.ifil.it](http://www.ifil.it), which reference should be made to for additional information.

<b>IFIL Group - Consolidated figures (€ in millions)</b>	<b>I Half 2008</b>	<b>I Half 2007</b>	<b>2007</b>	<b>2006</b>
Profit attributable to the equity holders of the company	310	315	672	341
Equity attributable to the equity holders of the company	6,332	6,439	6,666	6,222
Consolidated net financial position	(312)	(315)	(77)	(98)

<b>IFIL Group - Earnings per share (€ )</b>	<b>I Half 2008</b>	<b>I Half 2007</b>	<b>2007</b>	<b>2006</b>
Profit attributable to the equity holders of the company:				
- ordinary shares	0.29	0.29	0.63	0.32
- savings shares	0.31	0.31	0.65	0.34
Equity attributable to the equity holders of the company	6.04	6.06	6.27	5.86

<b>IFIL S.p.A. - Separate financial statements figures (€ in millions)</b>	<b>I Half 2008</b>	<b>I Half 2007</b>	<b>2007</b>	<b>2006</b>
Profit for the period	209	173	123	625
Equity	4,091	4,611	4,567	4,587
Net financial position	(708)	(712)	(749)	(682)

Note: For additional information about the calculation relating to the earnings per share, reference should be made to Note 15 to the half-yearly report 2008 and Note 19 to the consolidated financial statements at December 31, 2007.

## **2. Values attributed to IFI and IFIL as for the determination of the exchange ratio**

### **2.1 Introduction**

The integration of IFI and IFIL will be achieved through the Merger by incorporation of IFIL into IFI and the issue by the Surviving Company of new ordinary and savings shares to be assigned to the Shareholders of the Company to be Merged in exchange of the cancelled shares.

Therefore, the board of directors of IFI and IFIL have carried out an evaluation of the two companies, aiming at determining the exchange ratio, that is to say the number of ordinary and savings shares of the Surviving Company to be allocated to IFIL's Shareholders (other than IFI and IFIL) for each ordinary and/or savings share held and cancelled.

For the valuation aiming to determine the exchange ratio, the board of directors of IFI availed itself of the expertise of the financial advisor, Leonardo & Co. (a company of Gruppo Banca Leonardo), in line with the international best practice and, as the transaction is a related party transaction, according to the provisions of the "Code of conduct for significant transactions as for the equity and financial position and the results of operations and related party transactions" (for additional information, reference should be made to paragraph 12). In particular, Leonardo & Co. has been asked, for the exclusive use of the board of directors of IFI and to support its determinations, to render a fairness opinion, from a financial point of view, with respect to the exchange ratios between IFIL ordinary and savings shares and newly-issued ordinary shares and savings shares of the Surviving Company.

The board of directors of IFIL, in determining the exchange ratio, availed itself of the expertise Goldman Sachs International which acted as financial advisor.

The board of directors of IFI, having considered the fairness opinion with respect to the exchange ratio (“Parere di Congruità”) from a financial standpoint delivered by Leonardo & Co. on the occasion of the approval of the guidelines of the Merger and the letter of confirmation of the fairness opinion and the “Valuation analysis of the Exchange Ratio in connection with the Merger by incorporation of IFIL Investments S.p.A. into IFI S.p.A.” rendered on Leonardo & Co. on the occasion of the approval of the Plan for the Merger (attached to this report under Appendix A, B and C), has accurately examined the financial analyses and evaluations issued by Leonardo & Co., sharing the methodologies applied and adopted and the results thereof. In particular, the board of directors duly took into consideration, also according to the provisions of art. 2501-*quinquies* of the Italian Civil Code, the particular characteristics and difficulties to carry out the evaluation posed by the holding companies and the subsequent opportunity to avail of valuation analysis which, although in accordance with the principle of uniformity and comparison of valuation criteria, could allow to understand all distinctive characteristics of all and any assets valued.

From a financial standpoint, IFI’s and IFIL’s values have been determined on the basis of the balance sheet of the two companies as at June 30, 2008, with the exception of the net financial position of both companies, which refers to August 31, 2008 and take therefore into consideration the increases and decreases in investments of IFIL subsequent to June 30, 2008 and, in particular:

- On July 24, 2008, IFIL announced the sale of 141,716,165 Intesa Sanpaolo ordinary shares at the average market price of Euro 3.51 each for a total of Euro 497 million;
- On August 25, 2008, IFIL suspended the buy back programme, after having purchased treasury shares for Euro 34.1 million as from June 30, 2008.

## **2.2 Objectives of the valuation analysis**

The equity values of the companies involved in the Merger have been determined on a company’s continuity and stand-alone basis, that is to say setting aside any considerations from an economic and financial standpoint relating to the effects of the Merger (as for example: any cost reductions, any other cost synergies or any impacts on the market prices of the securities of the company resulting from the Merger).

According to a settled business practice, the valuation methods used shall be “comparable”. In the specific case, since the companies involved have the same purpose and similar economic and operating characteristics and, above all, since IFI’s assets are substantially consistent with the interest in IFIL, the “comparability” has been put in the use of the same methods. These methods have then been applied, on an homogeneous basis, in particular, when average market prices were taken into consideration over historical periods of time.

Lastly, it is reminded that the merger valuations aim at estimating the “relating” equity values of the companies involved rather than the “absolute” equity values. Therefore, such values will not be used as references in situations other than the Merger itself.

In light of the aforesaid methodological conditions and taking into account the valuation scope, criteria commonly used in the national and international valuation, with particular reference to holding companies, of the characteristics of each of the companies, their status of listed companies as well as lastly the existing controlling relationship between IFI and IFIL, the following valuation methodologies have been adopted:

- Market Prices Methodology
- Method of the Sum of the Parties or Net Asset Value (NAV) Methodology

## 2.3 Valuation methodologies adopted and results

- Market Prices Analysis

This method consists in recognizing an equity value to a company, equal to the equity value conferred to the company by the stock market, on which the shares are traded. If, in fact, the market prices refer to securities characterized by a significant level of floating and volumes traded, these represent reliable valuation indicators with respect to profitability profiles, equity solidity, riskiness and development and, as such, useful for the determination of the equity value of a company. Therefore, the Market Prices Method assumes the efficiency of the market, on which the company's securities are traded and turns into the identification of the equity value of the company through market prices, expressed over appropriate periods of time.

Within the application of such criterion, short-term fluctuations, which are typical of financial markets are to be contained and therefore, according to current practice, market prices are analysed over various long periods of time. In this case, and since IFI ordinary shares are not listed, the ratios between the market prices of IFI preference shares and IFIL ordinary shares have been calculated (assuming a 1:1 ratio between IFI ordinary shares and IFI preference shares; for additional information, see paragraph 2.4) taking into consideration, as market prices ("valori di riferimento") for the valuation, the spot price and the arithmetic average market prices referring to different periods of time as from August 22, 2008 and, in particular: August 22, 2008 spot price, 1-month average market price, 2-month average market price, 3-month average market price, 6-month average market price and 12-month average market price.

No market prices subsequent to August 22, 2008 have been used, this date representing the last market trading date prior to August 25, 2008, on which Giovanni Agnelli e C. S.a.p.az. issued a press release announcing the purchase of 10 million of IFI preference shares and stating that "the Group is considering the different hypotheses and options available in light of this purchase".

On February 18, 2008, IFIL announced the start of an own shares purchase (buy back) programme, subsequently suspended on August 25, 2008. Under 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 daily purchased never exceeded 25% of the daily average market trading volume, in accordance with European Commission EC Regulation No. 2273/2003. The choice for the reference time period for the application of the valuation methodologies (market prices methodology and NAV methodology) used for the valuation of the exchange ratios, was not affected by the aforementioned purchases.

The following table 1 shows the spot prices and the arithmetic average market prices of IFI preference shares and IFIL ordinary shares and the respective exchange ratios referred to different periods of time as from August 22, 2008 and, in particular: August 22, 2008 spot price, 1-month average market price, 2-month average market price, 3-month average market price, 6-month average market price and 12-month average market price.

**Table 1. Market Prices Analysis**

<b>Market price per share (€)</b>	<b>IFI</b>	<b>IFIL</b>	<b>Exchange ratio</b>
August 22, 2008	13.51	4.30	3.14x
1-month average market price	13.55	4.35	3.12x
2-month average market price	13.17	4.25	3.10x
3-month average market price	14.31	4.51	3.17x
6-month average market price	15.73	4.82	3.26x
12-month average market price	19.85	5.77	3.44x

*Source for IFI and IFIL market prices: Bloomberg – Reference market prices.*

According to the Market Prices Methodology, the exchange ratio is between 3.10x and 3.44x IFIL ordinary shares for 1 IFI ordinary share.

- *Net Asset Value (NAV) Analysis*

The NAV Methodology estimates the equity value of the company subject to the valuation analysis as the sum of the values of the investments and any other assets held by the company – each of which is considered as a singularly valuable economic entity - and then subtracting (adding) its net financial debt (cash).

It is common practice and doctrine of using the aforementioned methodology as the major criterion for the valuation of holding companies' equity value, since these companies control heterogeneous investments, with different profiles and insufficiently-integrated dynamics, both from a business point of view and as regards any influence or control on the investment.

IFI's and IFIL's NAV have been estimated on the basis of the following valuation procedure:

#### **IFIL**

- IFIL's NAV of the listed investments (Fiat; Sequana; Intesa Sanpaolo; Juventus and SGS) is evaluated at market prices, over different periods of time as from August 22, 2008: August 22, 2008 spot price, 1-month average market price, 2-month average market price, 3-month average market price, 6-month average market price and 12-month average market price.
- Valuation of non-public investments and assets:
  - o Alpitour and Cushman & Wakefield: on the basis of third-party appraisals and recent transactions;
  - o minor investments: book value as at June 30, 2008 and recent transactions.
- IFIL's net cash position as of August 31, 2008.
- IFIL's central holding costs are calculated as the present value of the normalised average central costs, net of non-recurring items, over the 2005, 2006 and 2007 fiscal years.

#### **IFI**

- IFI's NAV is estimated on the basis of the prorata NAV-based valuation of IFIL, in proportion to IFI's interest.

- IFI's net debt position as of August 31, 2008.
- IFI's central holding costs are calculated as the present value of the normalised average central costs, net of non-recurring items, over the 2005, 2006 and 2007 fiscal years.

The realisation of latent capital gains or losses on contingent assets and liabilities resulting from the equity valuation of the listed and unlisted investments was considered neither with regard to IFI nor to IFIL, for tax purposes, as a consequence of the existence of large prior years' tax losses for IFI and IFIL. No prior years' tax losses were taken into consideration as independent assets for IFI and IFIL due to the limits of their use whereas some IFI and IFIL receivables, refunds requested, were considered as tax assets.

The following table 2 shows the results stemming from the application of the NAV Methodology by using the different periods of time for the valuation of IFIL listed investments.

**Table 2. NAV Analysis**

<b>Market price per share (€)</b>	<b>IFI</b>	<b>IFIL</b>	<b>Exchange ratio</b>
Market price of listed investments at August 22, 2008	26.82	6.33	4.24x
Average market price of listed investments - 1 months	27.93	6.57	4.25x
Average market price of listed investments - 2 months	27.14	6.40	4.24x
Average market price of listed investments - 3 months	28.74	6.75	4.26x
Average market price of listed investments - 6 months	31.09	7.26	4.28x
Average market price of listed investments - 12 months	36.16	8.36	4.33x

*Source for market prices of IFIL listed investments: Bloomberg – Reference market prices.*

According to the NAV Methodology, the exchange ratio is between 4.24x and 4.33x IFIL ordinary shares for 1 IFI ordinary share.

With reference to the preceding table, it is to be noted that:

- the IFI per share value refers without distinction to IFI ordinary and preference shares. For additional details, reference should be made to paragraph 2.4;
- the IFIL per share value only refers to ordinary shares. Since the equity value of IFIL is distributed between ordinary shares and savings shares and the savings shares have different market prices with respect to ordinary shares, it is deemed it convenient to weight the number of IFIL savings shares on the basis of the existing discount, over the different periods of time, between market prices of the two classes of shares, calculating therefore the number of "equivalent" ordinary shares.

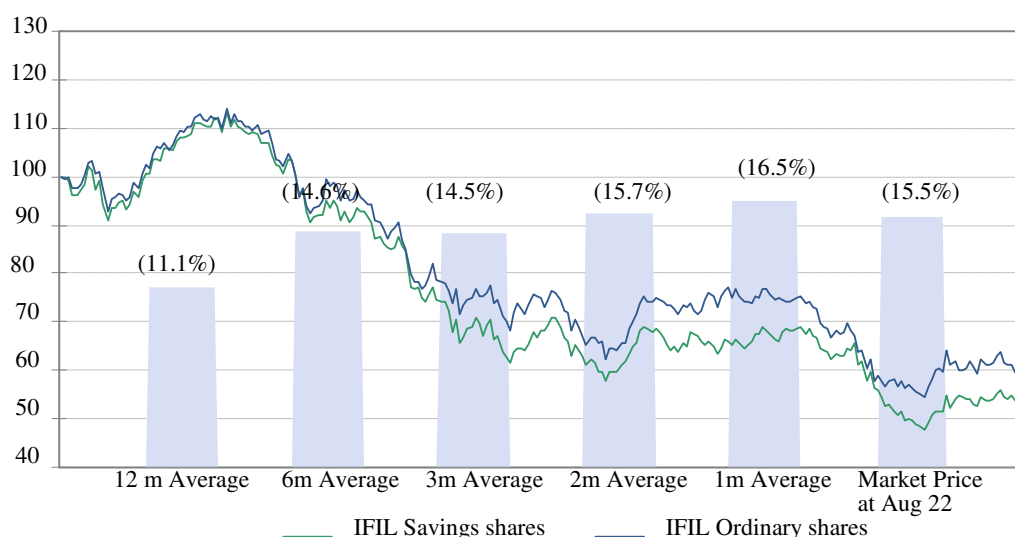
Table 3 below shows the number of the "equivalent" ordinary shares over the different periods of time.

**Table 3. Determination of the “equivalent” ordinary shares**

	Discount of savings share over ordinary shares	Number of “equivalent” ordinary shares (*)
Spot price at August 22, 2008	-15.5%	1,035,418,640
1-month average market price	-16.5%	1,035,068,160
2-month average market price	-15.7%	1,035,364,469
3-month average market price	-14.5%	1,035,789,651
6-month average market price	-14.6%	1,035,758,854
12-month average market price	-11.1%	1,037,026,003

(\*) Number of “equivalent” ordinary shares: number of ordinary shares + number of savings shares x (1 – discount of savings share over ordinary share).

Table 4 shows the market prices over the last 12 months of IFIL ordinary and savings shares as well as the discount of IFIL savings shares over IFIL ordinary shares (expressed in percentages referred to August 22, 2008 and 1-, 2-, 3-, 6- and 12-month average market prices).

**Table 4. Performance by IFIL ordinary and savings shares (August 22, 2007– August 22, 2008)**

Source for the market prices of IFIL shares: Bloomberg – Reference market prices.

Leonardo & Co. has valued IFIL’s NAV at Euro 7,517 million and IFI’s NAV at Euro 4,909 million. Goldman Sachs, the financial advisor of IFIL, has valued IFIL’s NAV at Euro 7,576 million and IFI’s NAV at Euro 4,963 million. The previous values were calculated on the basis of the 6-month average market prices (prior to August 22, 2008) of listed companies. The report on the valuation analysis rendered by Goldman Sachs, which shows, in appendix, IFIL’s NAV and IFI’s NAV, is attached to the report herein.

## **2.4 Difficulties of evaluation pursuant to art. 2501-quinquies, paragraph 2, of the Italian Civil Code and limitations to the valuation analysis**

As to obtain the aforementioned results, also pursuant to art. 2501-quinquies of the Italian Civil Code, the fact that the valuation analyses carried out in determining the exchange ratios have

highlighted the typical criticalities of such type of analysis, as well as the particular characteristics of IFI and IFIL, has been taken into due consideration.

In particular:

- Market Prices Analysis poses application difficulties and limits due to the underlying assumption that the market, on which the securities of the company are traded, subject to the valuation analysis, is sufficiently efficient and liquid. Furthermore, volatility phenomena may significantly affect market prices, especially short-term market prices. As mentioned above, any volatility in market prices has been partially addressed by taking into consideration sufficiently-extended time periods.
- Net Asset Value (NAV) Analysis poses some application difficulties in the valuation of unlisted investments, though this difficulty is marginal for IFIL (whose more than 85% of NAV is formed by listed companies) and, in fact, absent for IFI (whose NAV depends almost entirely on IFIL's NAV). As mentioned above, regarding the valuation of IFIL's unlisted investments, reference has been made to certain third-party appraisals and recent transactions or book values recorded in the financial statements at June 30, 2008.
- In relation to listed investments, their market-based valuations are affected by the limitations to a Market Prices Analysis.
- IFI ordinary shares are not traded on Italian regulated markets, unlike IFI preference shares. Moreover, there are only two Italian companies with preference shares listed on the Electronic Share Market of the Italian stock exchange (Mercato Telematico Azionario di Borsa Italiana). Though, for these two companies (Fiat S.p.A. and Unipol Gruppo Finanziario S.p.A.), both ordinary and preference shares are listed. In both cases, ordinary securities trade, also historically, at a premium over preference securities. As mentioned above, given the lack of a statistically meaningful market benchmarks for IFI ordinary shares (of which admission to trading will be asked to the Italian stock exchange (Borsa Italiana), it was deemed to assume a value for the IFI share referred without distinction to the value of any IFI ordinary or preference share.
- IFI does not currently have savings shares, unlike IFIL. For IFIL savings shares, a valuation of the exchange ratio in the Merger is also required. Though, since IFI savings shares will be issued with the same characteristics of IFIL savings shares (with the adjustment of privileges to the exchange ratio) and as the Italian stock exchange (Borsa Italiana) will be asked the admission to trading of same, which the Merger is subject to, it has been deemed it appropriate to use the same exchange ratio as that used between IFIL savings shares and IFIL ordinary shares. Therefore, it has been implicitly assumed that IFI ordinary shares may trade at a premium over IFI savings shares, equal to the premium observed between the IFIL ordinary shares and the IFIL savings shares.

### **3. Determination of the exchange ratio**

On the basis of the valuations effected with the support of the financial advisor, Leonardo & Co. and considered the fairness opinion, the letter of confirmation of the fairness opinion and the "Valuation analysis of the Exchange Ratio in connection with the Merger by incorporation of IFIL Investments S.p.A. into IFI S.p.A." rendered by the financial advisor, taken into consideration the per share value determined as above, as well as the consequent exchange ratios, the board of directors of IFI defined and shared the related equity value of the companies, which are involved in the Merger as for the determination of the exchange ratio.

The adopted valuation methodologies result in the following exchange ratios in Table 5 – expressed, to simplify the representation, as the ratio between the estimated NAV per ordinary share of the Surviving Company and the NAV per IFIL ordinary share – over the different periods of time:

**Table 5.**

<b>Market price per share (€)</b>	<b>Market Prices Methodology</b>	<b>NAV Methodology*</b>
August 22, 2008	3.14x	4.24x
1-month average market price	3.12x	4.25x
2-month average market price	3.10x	4.24x
3-month average market price	3.17x	4.26x
6-month average market price	3.26x	4.28x
12-month average market price	3.44x	4.33x

(\*) Reference time period for the calculation of average market prices for the Market Prices Methodology and the valuation of IFIL listed investments with the NAV Methodology.

Therefore, it has been deemed it convenient:

- to refer to the 6-months Market Prices (either for the Market Prices Methodology or the NAV Methodology), since they are sufficiently extended to avoid influence from short-term fluctuations, but at the same time, are representative of the market conditions prior to August 25, 2008;
- to refer to the arithmetic average of the results obtained using both methodologies (Market Prices Methodology and the NAV Methodology) to take into account, on an equal basis, both the implicit indications of market prices valuation of IFIL ordinary shares and IFI preference shares and of essential NAV valuation and commonly adopted to value financial holding companies such as IFI and IFIL, as indicated in Table 6.

**Table 6. Average results**

<b>Market price per share (€)</b>	<b>Market Prices Methodology</b>	<b>NAV Methodology</b>	<b>Arithmetic average</b>
6-month average market price	3.26x	4.28x	3.77x

The arithmetic average obtained, equal to 3.77x, corresponds to the following exchange ratios, which have been approved by the board of directors of IFI as for the Merger:

0.265 newly-issued IFI ordinary share for 1 IFIL ordinary share;

0.265 newly-issued IFI savings share for 1 IFIL saving share.

These conclusions have been compared to the conclusions of the board of directors of IFIL, assisted by its financial advisor, Goldman Sachs International.

No adjustment payments will be made in cash.

The aforementioned exchange ratios are subject to the review by the independent experts appointed as set forth by art. 2501-sexies of the Italian Civil Code, or the audit firm, Reconta Ernst & Young S.p.A., for IFIL and the audit firm KPMG S.p.A., for IFI, both appointed by the Turin



Court, as for the delivery of a report on the fairness with respect to the exchange ratios provided by law.

#### **4. Criteria used for the allocation of IFI shares and date of enjoyment of the shares**

Upon the completion of the Merger, IFI will execute the Merger by:

- cancelling without any exchange the IFIL ordinary and savings shares which, at the effective date of the Merger, will be owned by IFI (in any case, not less than 726,899,919 ordinary shares and 1,866,420 savings shares);
- cancelling without any exchange the IFIL ordinary and savings shares which, at the effective date of the Merger, will be owned by IFIL (in any case, not less than 33,186,198 ordinary shares and 917,000 savings shares);
- cancelling the IFIL ordinary and savings shares outstanding at the effective date of the Merger, held by persons other than IFI and IFIL and issuing for the aforesaid IFIL Shareholders (other than IFI and IFIL) a number of new ordinary and savings shares of the Surviving Company, calculated on the basis of the exchange ratios indicated in the preceding paragraph 3. To service the share exchange, the Extraordinary Shareholders' Meeting of the Surviving Company, convened for the approval of the Merger, will resolve upon the increase in share capital for a maximum nominal value of Euro 82,978,448 by issuing a maximum number of 73,809,549 ordinary shares and a maximum number of 9,168,894 savings shares, of par value Euro 1 each and having the same enjoyment rights as the shares outstanding at the effective date of the Merger.

Art. 5 relating to share capital of the bylaws of the Surviving Company will be subsequently amended.

IFI is expected to purchase or sell the number of IFIL shares required as to allow the exact divisibility by the exchange ratio of the IFIL ordinary and savings shares to be exchanged.

The maximum number of newly-issued shares (and, therefore, the amount of the increase in share capital to service the share exchange) is the theoretical maximum amount on the basis of the number of ordinary and savings shares of IFIL held by IFI (calculated on the basis of the sale by IFI, should there be, of 81 IFIL ordinary shares required to allow the exact divisibility by the exchange ratio of the ordinary and savings shares of IFIL to be exchanged) and the number of treasury shares held by IFIL, at the date of approval of the Plan for the Merger by the boards of directors of IFIL and IFI.

The exact number of the shares to be cancelled and the amount of the share capital increase of the Surviving Company will be determined in the Merger deed, on the basis of the number of IFIL ordinary and savings shares held by IFI and by IFIL itself at that date, which as set forth by the provisions of law, will be cancelled and will not be exchanged.

The share capital of the Surviving Company post-Merger, on the basis of the exchange ratio, will be of a maximum amount of Euro 246,229,903, divided into a maximum number of 160,259,549 ordinary shares (equal to approximately 65.1% of share capital), of 76,801,460 preference shares (equal to approximately 31.2% of share capital) and a maximum number of 9,168,894 savings shares (equal to approximately 3.7% of share capital).

In order to meet the exchange ratio, as indicated in the preceding paragraph 3, the new ordinary and savings shares will be issued, in electronic form and will be effective starting from the effective date of the Merger. The non-electronic IFIL shares may be exchanged only upon delivery to an authorized intermediary as for the insertion in the centralized management of securities issued in electronic form.

With regard to the effective date of the Merger and basis for proceeding with operations to exchange the shares, IFI and IFIL will arrange for the publication of a notice in at least one national daily newspaper.

No expenses will be imposed upon the Shareholders as for the share exchange operations. A service for the treatment of fractions of shares, should there be, at market prices and without supplemental additional charges, expenses, duties or commissions will be made available to IFIL Shareholders, which will allow to round off to the unit immediately below or above the number of newly-issued shares to each entitled.

After completion of the Merger, the IFI preference shares will continue to be listed on the Electronic Share Market of the Italian stock exchange (Mercato Telematico Azionario) ruled and managed by Borsa Italiana S.p.A..

The Electronic Share Market of the Italian stock exchange (“Mercato Telematico Azionario di Borsa Italiana S.p.A.”) will be asked for admission to trading of the ordinary and savings shares of the Surviving Company, to which the Merger is subject.

Upon the aforesaid condition, after completion of the Merger, all shares of the Surviving Company of the three classes of shares (ordinary, preference and savings) will be listed on the Electronic Share Market of the Italian stock exchange (Mercato Telematico Azionario di Borsa Italiana S.p.A.) and will be renamed EXOR shares.

Starting from the effective date of the Merger, IFIL ordinary and savings shares will be unlisted from the Electronic Share Market of the Italian stock exchange (Mercato Telematico Azionario) ruled and managed by Borsa Italiana S.p.A..

#### *Date of enjoyment of the shares to service the share exchange*

The new ordinary and savings shares, which will be issued to service the share exchange, will have the same rights as the IFI shares outstanding as at the effective date of the Merger. It is to be noted that the completion of the Merger, with the admission to trading of the ordinary and savings shares of the Surviving Company, is expected to take place in early 2009.

### **5. Effective date of the Merger**

The effective date of the Merger vis-à-vis third parties will be determined in the merger deed, and may also be subsequent to the date of the last of the entries provided by art. 2504 of the Italian Civil Code.

With reference to the provisions of art. 2501-ter, No. 6, of the Italian Civil Code, any transactions entered into by the Company to be merged will be recorded in the financial statements of the Surviving Company starting from January 1, of the year in which the Merger has legal effects with regard to third parties. The tax aspects of the Merger will also be effective as from the same date.

The Merger is subject to the admission to trading of ordinary and savings shares of the Surviving Company on the Electronic Share Market of the Italian stock exchange (Mercato Telematico Azionario di Borsa Italiana S.p.A.).

### **6. Corporate governance of IFI subsequent to the effective date of the Merger**

After completion of the Merger, the Surviving Company will be renamed EXOR S.p.A.. This name reflects the intention to put the international projection at the heart of the future development programs, leveraging on the successful experience accumulated by EXOR, a subsidiary currently held by Giovanni Agnelli e C S.a.p.az, which over the years has geographically diversified the Group's investing activity.

EXOR corporate governance will be based upon IFIL's current governance and will be achieved as follows.

The Extraordinary Shareholders' Meeting of the Surviving Company convened for the approval of the Merger, will also amend article 16 of the company's bylaws, increasing the number of directors to a maximum number of 19 (for additional details on the amendments to the company's bylaws, reference should be made to paragraph 10 hereof).

The Ordinary Shareholders' Meeting of the Surviving Company (which only Giovanni Agnelli e C. S.a.p.az., owner of 100% of IFI ordinary shares, participates in) to be convened immediately after the Extraordinary Shareholders' Meeting approving the Plan for the Merger, will also appoint as director certain IFIL's directors (Carlo Sant'Albano and other independent directors). The integration will be effective starting from the effective date of the Merger. The board of directors of the Surviving Company will remain in office until its current expiry date and up to the Shareholders' Meeting which will be held to approve 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 remain chairman.

As regards the board of statutory auditors, the IFI Ordinary Shareholders' Meeting, which will be convened immediately after the Extraordinary Shareholders' meeting approving the Plan for the Merger, as set forth by law, will integrate the statutory auditors, by confirming the two new auditors replacing the auditors who ceased on May 15, 2008 due to incompatibility, and will also appoint the two alternate auditors and elect the chairman of the board of statutory auditors (it is to be noted that, following the appointment of Gianluca Ferrero to the board of general partners of the parent Giovanni Agnelli e C. S.a.p.az., on May 15, 2008, the chairman of the board of statutory auditors, Gianluca Ferrero, and the standing auditor, Giorgio Giorgi, vacated their posts for reasons of incompatibility). The board of statutory auditors of IFI (two members of which are in common with IFIL) will remain in office until their natural expiry date and concurrently with the Shareholders' Meeting called for 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 the member appointed by minority Shareholders and the board of statutory auditors, with the member appointed by minority Shareholders as chairman pursuant to applicable laws.

Furthermore, the Surviving Company will adopt 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 IFIL but not yet by IFI.

The Extraordinary Shareholders' Meeting of IFIL will be held immediately after the Shareholders' Meeting (in ordinary and extraordinary sessions) of IFI, so as the IFIL Shareholders, called for the approval the Merger, after being duly informed on the resolutions passed, including those relating to the corporate governance, to resolve upon.

## **7. Accounting and tax aspects of the Merger**

### **7.1 Accounting aspects**

Starting from the financial year 2006, the separate financial statements and starting from the financial year 2005, the consolidated financial statements of IFI and IFIL, have been prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and recognized by the European Community in accordance with Regulation 1606/2002 of the European Parliament and Council dated July 19, 2002. The designation IFRS also includes all valid International Accounting Standards (IAS), as well as all

interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC).

Accordingly, the Merger will be accounted for and recorded in both the separate financial statements and consolidated financial statements of the Surviving Company with reference both to Italian accounting rules standards and IFRS.

From an economic standpoint, the Merger is a reorganization of existing companies which gives rise to a transfer of control of the same and includes the acquisition of the shares held by the minority Shareholders of the Company to be Merged against a share capital increase of the Surviving Company.

This transaction does not fall under IFRS 3 – “*Business Combinations*”.

In the absence of IFRS or interpretations of IFRS that specifically applies to the transaction, reference should be made to IAS 1, paragraph 13, which sets forth that financial statements will present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework and IAS 1, paragraph 15, sets forth that a fair presentation also requires an entity to select, in accordance with the hierarchy of authoritative guidance set out by IAS 8, and apply accounting policies.

In view of the characteristics of the Merger (absence of financial exchange with third parties and persistence of control), the transaction will be recorded according to the guidelines of IAS 8, paragraph 10. By its nature, the transaction has no significant impacts on cash flows and the choice of the accounting criteria will privilege adequate principles to guarantee the value continuity.

The application of the principles of the continuity to the Merger herein entails to record the value of the preexisting controlling relationship between the companies involved in the transaction (IFI - the Surviving Company; IFIL - the Company to be Merged), as well as the costs incurred by the Surviving Company for the acquisition of the interest in the Company to be Merged.

In other words, the Merger for restructuring purposes determines the convergence of the consolidated financial statements of the Surviving Company and the separate financial statements of the Surviving Company, upon completion of the Merger, implementing the said “legal consolidation”.

The accounting registration of the Shareholders’ equity of the Company to be Merged in the separate financial statements and the consolidated financial statements of the Surviving Company will not result in higher current values of such assets with respect to those recorded in the consolidated financial statements, or higher goodwill, since, as previously highlighted, the Merger by incorporation does not give rise to any economic exchange with economic third parties, or acquisition from an economic standpoint.

As for the accounting registration of the ordinary and savings shares of the Surviving Company allocated in exchange to the third-party Shareholders of IFIL, which is to be considered as an increase in the interest in IFIL with the permanence of control, it is to be noted according to literature as regards consolidated financial statements that there are two different theories:

- the economic entity theory which takes into consideration the group as a whole, and the exchanges between Shareholders as equity transactions. In applying this theory to the transactions, which result in the acquisition of other shares after reaching the controlling stake, the difference between the acquisition costs and the book value of the minority shares acquired will be recorded in the equity of the Surviving Company;

- the parent company theory which considers minority Shareholders as third parties. In applying this theory, the difference between the acquisition costs and the book value of the minority shares acquired will be recorded in goodwill.

The Surviving Company will use the economic entity theory since it is consistent with the treatment which will be set forth in the new IAS 27, paragraph 30 and 31, as regards consolidated financial statements.

The completion of the Merger is expected to take place in early 2009. Accordingly, IFI and IFIL will prepare their respective separate and consolidated financial statements for the year ending December 31, 2008.

According to the provisions of art. 2501-ter, paragraph 6, of the Italian Civil Code, any transactions entered into by IFIL starting from January 1, of the financial year in which the Merger has legal effects with regard to third parties will be recorded in the financial statements of the Surviving Company. As regards the accounting record of the Merger in the separate financial statements of the Surviving Company, the following is to be noted:

- the carrying amount of the interest in IFIL held by IFI will be cancelled against the corresponding share of equity of IFIL; the difference which will arise between the aforesaid amounts will represent the merger surplus and will be recorded as an increase in IFI reserves;
- the increase in share capital of the Surviving Company (such the acquisition costs of the minority interests in IFIL) will be recorded at fair value for a maximum number of 73,809,549 ordinary shares and a maximum number of 9,168,894 savings shares which will be issued by same; fair value will correspond to the opening market prices of the first market trading day of the Italian stock exchange for the aforementioned shares and the difference between fair value of the share capital increase as determined and the share of IFIL equity attributable to minority Shareholders, other than IFI, will be recorded as an increase or decrease in the reserves of the Surviving Company.

According to the provisions of IAS 32, paragraph 35, the transaction costs and expenditures of equity transactions will be accounted for as a deduction from the reserves of the Surviving Company, net of any recoverable income tax benefit.

## **7.2 Tax aspects**

As mentioned in paragraph 5 regarding the effective date of the Merger, the accounting effects of the Merger will be backdated to January 1, of the financial year in which the Merger has legal effects with regard to third parties. Consequently, the tax aspects will also be effective as from the same date in pursuance of the retroactivity clause provided by art. 172, paragraph 9 of the Presidential Decree No. 917 dated 12/22/1986 (Testo Unico delle Imposte sui Redditi ("TUIR")) (Italian Combined Tax Regulations).

The Merger is a "neutral" transaction for tax purposes in so far as direct taxes (art. 172 of the Combined Tax Regulations - TUIR) are concerned. Therefore, the Merger does not result in the realisation of income or losses for the parties involved in the Merger which are significant for tax purposes (IFI, IFIL and the respective Shareholders) since:

- the transfer of the Shareholders' equity to the Surviving Company will not result, for IFIL, in the realisation of latent capital gains or losses on assets and liabilities transferred, nor goodwill;
- the shares, assets and rights allocated to the Surviving Company will be recorded by same at the same tax value and other same tax conditions (e.g.: system of participation exemption for investments) which they had in the books of IFIL;

- the Merger will not lead to the realisation of income or losses for tax purposes for IFIL Shareholders, whose shares will be exchanged. Subsequently, the value recognised for tax purposes to the shares exchanged is transferred to the shares of the Surviving Company received in exchange. For non-resident Shareholders, the tax effects of the transaction will however be taken into consideration, also on the basis of the existing regulation of the Country of residence.

The differences stemming from the Merger, cancellations and/or share exchanges are not relevant for tax purposes for the Surviving Company.

The Shareholders' equity reserves subject to a suspended tax regime recorded in the financial statements of the Company to be Merged must be reallocated in the financial statements of the Surviving Company if and to the extent of which they are subject to the regime provided for by art. 172, paragraph 5 of Italian Combined Tax Regulations.

As set forth by art. 172, paragraph 7, of the Testo Unico delle Imposte sui Redditi ("TUIR") (Italian Combined Tax Regulations), the prior years' tax losses of IFI and IFIL will be carried forward and used by the the Surviving Company to set off the portion of their amount which does not exceed the amount of the equity of the two companies as of the last financial statements approved or, if lower, as of the separate financial statements pursuant to art. 2501-*quater* of the Italian Civil Code with respect to the said "tests of vitality". The Shareholders' equity will be considered without taking into account contributions of the last 24 months prior to the date to which the separate financial statements refer.

Furthermore, as regards tax losses carry-forward, it is also required to take into account the limits provided by art. 172, paragraph 7 of the Testo Unico delle Imposte sui Redditi ("TUIR") (Italian Combined Tax Regulations) for any impairment losses on the investment in the Company to be Merged entered into by the Surviving Company as for the determination of income.

Upon completion of the Merger, the Surviving Company will assume all subjective tax positions of IFIL.

IFI and IFIL did not adopt the taxation system of the national tax consolidated results either among themselves or with other Group's companies.

As for direct income taxes, including VAT, the Merger does not result in significant transactions and is subject to fixed taxes for registration, mortgage and land taxes, if due.

The costs and expenditures incurred for the Merger (including professional fees, costs for reports and expert opinions, independent auditors, legal and financial advisors and other external consultants) will not be recorded in profit and losses, but will be recorded as a deduction from the equity of the Surviving Company. Notwithstanding, the charges and expenses will remain deductible for tax purposes as per their income nature for the Surviving Company.

## **8. Potential composition of the ownership structure of the Surviving Company**

The following table provides a potential composition of the ownership structure of the Surviving Company subsequent to the effective date of the Merger, with reference to the interests which exceed the threshold of 2% of voting share capital, determined on the basis of the proposed exchange ratio and assuming that the composition of IFI and IFIL ownership structure at September 23, 2008 remains unaltered up to the effective date of the Merger.

Shareholder	Ordinary shares	% of ordinary share capital	Preference shares	% of voting share capital <sup>(a)</sup>	% of total share capital
Giovanni Agnelli e C. S.a.p.az.	94,707,135	59.10% <sup>(b)</sup>	10,000,000	44.17% <sup>(c)</sup>	42.52% <sup>(d)</sup>
Mackenzie Cundill Group	14,037,893	8.76%	-	5.92%	5.70%
Morgan Stanley & Co. International Ltd	-	-	5,949,685	2.51%	2.42%
Treasury shares	-	-	5,360,300	-	2.18%
SOIEM	214,719	0.13%	-	-	0.09%

Note. Both for IFI and IFIL, the Shareholders who hold an interest in capital share with voting rights of more than 2% respectively in IFI and in IFIL have been taken into consideration as for the calculation of the aforementioned investments.

(a) Equivalent to a sum of ordinary and preference share capital.

(b) Equivalent to 59.18% of ordinary share capital outstanding.

(c) Equivalent to 45.23% of ordinary and preference share capital outstanding.

(d) Equivalent to 43.51% of total share capital outstanding.

## 9. Effects of the Merger on significant Shareholders' agreements pursuant to Legislative Decree 58 of February 24, 1998, art. 122

There are no significant existing Shareholders' agreements as regards IFI, in pursuance of art. 122 of Legislative Decree No. 58, dated February 24, 1998 as of the date hereof.

## 10. Amendments to the bylaws

Upon the completion of the Merger, IFIL will be merged by incorporation into IFI and the company's bylaws, which will be amended according to the resolution by the Shareholders' meeting of IFI, is attached to the Plan for the Merger as an integral and substantial part of same.

As a result of the Merger, art 5 of IFI bylaws, relating to the share capital, will be amended as regards the new amount of share capital and the related number of ordinary and savings shares to be issued to service the share exchange.

To the Extraordinary Shareholders' Meeting of the Surviving Company, called to resolve upon the Merger, will be submitted the amendments to the bylaws and, in particular, the adoption of the new corporate name "EXOR S.p.A." (art. 1), the cancellation of the restrictions to the transfer of the ordinary shares (art. 5 and art. 6), the provisions concerning the representation in the Shareholders' Meeting subsequent to the admission to trading of the ordinary shares (art. 10), the increase in the maximum number of directors and the amendment to the term of office of same (art. 16), the decrease to 5% of the share of profit appropriated to the legal reserve and the cancellation of the provision relating to the share of profit (1%) at the board of directors' disposal for the distribution to its members (art. 27). Moreover, certain amendments required subsequent to the issuance by the Surviving Company of savings shares having the same characteristics as the IFIL savings shares with the privileges of the shares adjusted to the exchange ratio) (art. 7, 27, 30 and 31) will be adopted.

A comparison between the wording of the articles of current bylaws, subject to amendment, and the proposed wording is attached to the report herein (Appendix D), which reference should be made to for any full information as regards the amendments to the bylaws.

The amendments to the bylaws will be effective as from the effective date of the Merger, according to art. 2504-*bis* of the Italian Civil Code and pursuant to the provisions of the Plan for the Merger.

## **11. Board of directors' assessments with regard to 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 holding companies and IFI controls IFIL);
- as far as art. 2437-quinquies of the Italian Civil Code 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 admission to trading of the IFI ordinary and savings shares) and thus there is no entitlement to withdrawal rights pursuant to art. 2437-quinquies Italian Civil Code;
- as far as art. 2437 lett. g) of the Italian Civil Code is concerned, there is no entitlement to withdrawal rights since voting and dividend rights of each class 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, with a dividend higher than that of the ordinary shares equal to 5.17% of par value, not cumulative from one year to the next, as set forth by IFI current bylaws.

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

## **12. Risks in connection with related party transactions**

The Merger by incorporation of IFIL into IFI is a related party transaction:

### Indication of related parties

The Merger by incorporation of IFIL into IFI is a related party transaction as:

- the parent Giovanni Agnelli e C. S.a.p.az. is:
  - the controlling Shareholder of IFI, holding directly 100% of the ordinary share capital and 13.021% of the preference share capital (in addition to treasury shares held by IFI representing 6.979% of the preference share capital);
  - the controlling Shareholder of IFIL, holding 72.988% of the ordinary share capital and 4.993% of the savings share capital (of which 69.988% of the ordinary share capital and 4.993% of the savings share capital held indirectly through IFI and directly 3% of the ordinary share capital), in addition to treasury shares held by IFIL equal to 2.453% of the savings share capital and, jointly with the subsidiary SOIEM S.p.A., 3.273% of the ordinary share capital;
- The Surviving Company is the controlling Shareholder of IFIL, holding 69.988% of the ordinary share capital and 4.993% of the savings share capital, in addition to treasury shares held by IFIL, as stated above.
- Some of IFI and IFIL's directors have interests as Shareholders of the parent 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 boards of directors of September 8, 2008 and September 23, 2008, which



respectively approved the guidelines of the Merger and the Plan for the Merger, such directors made relevant statements according to applicable laws and in line with corporate governance principles of the respective companies.

The aforesaid interests are referred to as at September 23, 2008.

There are no other significant relationships between the Surviving Company and the Company to be Merged nor between the Company to be Merged, or its directors, and Giovanni Agnelli e C. S.a.p.az..

Determination of the exchange ratio, assessment of its fairness, availability of opinions by independent experts supporting the fairness of the exchange ratio

The board of directors of IFI approved the exchange ratio, with the assistance of its financial advisor, Leonardo & Co., consistently with the corporate governance principles and the “Code of conduct for significant transactions as for the equity and financial position and the results of operations and related party transactions” adopted by the board of directors. On September 8, 2008 and September 23, 2008, at the boards of directors’ meetings of IFIL and IFI which respectively approved the Merger guidelines and the Plan for the Merger, the bodies with delegated powers provided the directors with information relating to the nature of the correlation, the manner of execution, the financial conditions and timing fixed for the Merger as well as the criteria used for the valuation. For any further information regarding the corporate governance system adopted by IFIL, reference should be made to the “Annual Report on the corporate governance” available on IFI web site: [www.gruppoifi.com](http://www.gruppoifi.com).

The mandate as financial advisor was assigned to Leonardo & Co. by the chief executive officer of IFI, Virgilio Marrone. The mandate assigned to the financial advisor entails the assistance in the analysis of the financial aspects of the transaction, in the assessment of its financial impacts, in the execution of the transaction (including the delivery of a fairness opinion, from a financial standpoint, of the exchange ratio). Leonardo & Co. is a company of Gruppo Banca Leonardo S.p.A., in which IFIL has a 9.76% stake. Moreover, the chairman of IFIL, John Elkann, is a director of Gruppo Banca Leonardo S.p.A.. These reports are relevant as for the assignment of the mandate and the independence characteristics of the financial advisor, Leonardo & Co.

The financial advisor, Leonardo & Co., provided a fairness opinion from a financial standpoint with respect to the exchange ratio (“Parere di Congruità”) on the occasion of the board of directors’ meeting of IFI held on September 8, 2008, which approved the Merger guidelines and provided a letter of confirmation of the fairness opinion as well as the “Valuation analysis of the Exchange Ratio in connection with the Merger by incorporation of IFIL Investments S.p.A. into IFI S.p.A.” on the occasion of the board of directors’ meeting held on September 23, 2008, which approved the Plan for the Merger, this report as well as other documents required by law. The fairness opinion (“Parere di Congruità”), the letter of confirmation of the fairness opinion and the “Valuation analysis of the Exchange Ratio in connection with the Merger by incorporation of IFIL Investments S.p.A. into IFI S.p.A.” rendered by the financial advisor of IFI, Leonardo & Co., are attached hereinafter. For any information regarding the financial analyses and valuations carried out by Leonardo & Co., reference should also be made to paragraph 2 and 3 herein.

Furthermore, IFIL has been assisted by the financial advisor, Goldman Sachs International, which provided a fairness opinion from a financial standpoint with respect to the exchange ratio on the occasion of the board of directors’ meeting of IFIL held on September 8, 2008, which approved the Merger guidelines and provided a letter of confirmation of the fairness opinion as well as a valuation analysis on the occasion of the board of directors’ meeting held on September 23, 2008, which approved the Plan for the Merger.

These advisors were selected in consideration of their outstanding professional capabilities and their utmost national and international reputation.

Pursuant to the applicable laws, the aforementioned exchange ratio is subject to the review by the independent experts appointed as set forth by art. 2501-sexies of the Italian Civil Code, or the audit firm, KPMG S.p.A., for IFI and the audit firm, Reconta Ernst & Young S.p.A., for IFIL, both appointed by the Turin Court as for the delivery of a report on the fairness with respect to the exchange ratios provided by law. A copy of the aforementioned opinion will be filed at the company's registered office and at the stock exchange (Borsa Italiana S.p.A.) as set forth by existing law.

#### Changes to compensation

The compensation to the members of the board of directors of IFI and/or its subsidiaries is not going to change as a result of the Merger. Moreover, the directors of the companies taking part into the Merger will be receiving no special treatment.

#### Information on IFI financial instruments held by the directors and statutory auditors of IFI

The following table provides with the information relating to the interests held in the IFI Group by the directors and statutory auditors of IFI and other individuals according to art. 79 of the Issuers Regulation at September 23, 2008.

Name	Company	Held at 12/31/2007	Number of shares		Held at 9/23/2008
			Increase	Decrease	
Directors					
Gianluigi Gabetti	IFIL ordinary shares (a)	652,000			652,000
Pio Teodorani-Fabbri	IFI preference shares (b)	427,895			427,895
	IFIL ordinary shares (b)	469,000			469,000
	FIAT ordinary shares (b)	6,583			6,583
	FIAT savings shares (b)	5,720			5,720
	Virgilio Marrone	IFIL ordinary shares (a)	85,700		
Luca Ferrero Ventimiglia	IFI preference shares (a)	1			1
Statutory Auditors					
Lionello Jona Celesia	IFIL ordinary shares (b)	785			785

(a) Direct holding.

(b) Indirect holding through spouse.

Note. On March 7, 2007, a family member of the CEO, Carlo Barel di Sant'Albano, made a communication according to art. 152-octies, paragraph 7 of the Issuers Regulation, as regards the purchase of 29,000 ordinary shares of IFIL.

#### Bodies or directors who have carried out or participated in the negotiations and/or directed the transaction

For IFI, the transaction was performed by the chief executive officer, Virgilio Marrone, assisted by the financial advisor, Leonardo & Co.. The Chairman of IFI and IFIL, John Elkann also participated in the definition of the transaction. Gianluigi Gabetti, director of IFI and IFIL attended certain meetings.

The exchange ratio has been submitted to the board of directors' meeting held on September 8, 2008 for the approval of the guidelines of the Merger. All directors were present at the board of directors' meeting which unanimously approved the exchange ratio, also with the favorable opinion of the independent director of IFI.

The exchange ratio of the Plan for the Merger has been submitted a second time to the board of directors' meeting on September 23, 2008 called for the drawing up of the Plan for the Merger. The board of directors of the company, which all directors attended, unanimously approved, also with the favorable opinion of the independent director of IFI.

As for IFIL, the exchange ratio has been submitted to the board of directors' meeting held on September 8, 2008 for the approval of the guidelines of the Merger, and submitted a second time to the board of directors' meeting, on September 23, 2008, called for the drawing up of the Plan for the Merger. All directors were present at the board of directors' meeting which unanimously approved the exchange ratio, also with the favorable opinion of the four independent directors of IFIL (one of whom has been elected by using the slates of candidates submitted by minority Shareholders).

#### Description of the impacts on income statement, balance sheet and cash flows of the Merger

For a short description of the major impacts on income statement, balance sheet and cash flows of the Merger, reference should be made to paragraph 1 herein.

The information document on the Merger, pursuant to art. 70, paragraph 4, of the Issuers Regulation, which will be made publicly available at least 10 days prior to the Extraordinary Shareholders' Meeting convened for the approval of the Merger, will provide with the pro-forma income statement and balance sheet which show the impacts of the Merger on the economic performance and the separate financial statements of the Surviving Company, as though the Merger occurred in the reference time period to which the pro-forma data refer.

### **13. Information document made publicly available**

The Company will file the Plan for the Merger, the report of the board of directors of IFI, the report of the board of directors of IFIL, the fairness opinion of the financial advisors as set forth by art. 2501-*sexies* of the Italian Civil Code and the separate financial statements pursuant to art. 2501-*quater* as well as the remaining documents as set forth by law, at least 30 days prior to the Shareholders' Meeting, at the company's registered office and will also make them publicly available at the stock exchange (Borsa Italiana S.p.A.).

The Information Document relating to the Merger will be made publicly available, as set forth by art. 70, paragraph 4, and art. 71-bis of the Issuers Regulation, which will contain exhaustive information as regards the Merger and any updating to the information of the report herein.

The joint press releases issued by the companies taking part in the Merger on September 8, 2008 and September 10, 2008 and September 23, 2008 (Appendix D) are attached hereinafter as for an easier consultation.

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Consequently, we propose you to pass the subsequent resolutions.

Turin, September 23, 2008

On behalf of the Board of Directors

The Chairman

John Elkann

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**Report of the Board of Directors of Società per Azioni Istituto Finanziario Industriale – IFI S.p.A. on the Plan for the Merger by incorporation of IFIL Investments S.p.A. into Società per Azioni Istituto Finanziario Industriale – IFI S.p.A.**

**APPENDICES**

APPENDIX A

Fairness Opinion dated September 8, 2008 rendered by Leonardo & Co.

**ORIGINAL DOCUMENT RELEASED IN ITALIAN ON LEONARDO & CO. S.p.A.  
LETTERHEAD**

*The following opinion has been prepared for the Board of Directors of IFI S.p.A. by Leonardo & Co. S.p.A. only in the Italian language. The translation provided in this document has been prepared exclusively for Your convenience, as it is agreed that the original document, prepared in the Italian language, is the only legally valid document and that it shall take precedence, in any case, over the translation below.*

To the kind attention of  
Board of Directors  
IFI S.p.A.  
Corso Matteotti, 26  
10121 - Torino  
Italia

Milan, September 8, 2008

Dear Sirs,

pursuant to the mandate granted by IFI S.p.A. (hereafter, "IFI") to Leonardo & Co. S.p.A. (hereafter, "Leonardo") - a company wholly owned by Gruppo Banca Leonardo S.p.A. (hereafter, "GBL") - on August 25, 2008, we have been requested to release an opinion (hereafter, the "Opinion") with respect to the fairness for IFI, from a financial standpoint, of the exchange ratios (hereafter, the "Exchange Ratios") of the ordinary shares (hereafter, "ORD") and non-convertible savings shares (hereafter, "SAV") of IFIL Investments S.p.A. (hereafter, "IFIL") in IFI's ORD and SAV shares in connection to the potential merger by incorporation of IFIL into IFI (hereafter, the "Merger" or the "Transaction"), on which Your Board of Directors has been asked to deliberate today.

IFI is a financial holding, whose only significant asset is a stake in IFIL, currently equal to n. 726,900,000 ORD shares (equivalent to approximately 72.4% of outstanding ORD

shares<sup>1</sup>) and n. 1,866,420 SAV shares (equivalent to approximately 5.1% of outstanding SAV shares<sup>2</sup>). IFI is controlled by Giovanni Agnelli & C. S.a.p.A. (hereafter, “GA&C”), which owns a stake currently equal to n. 86,450,000 IFI ORD shares (non listed and equal to 100% of IFI ORD shares) and n. 10,000,000 preferred shares (equal to approximately 14.0% of outstanding preferred shares<sup>3</sup>). GA&C currently also owns n. 31,159,000 IFIL ORD shares. IFIL is an investment company that is the largest shareholder of the Fiat Group and invests in different sectors, mostly in Europe, in the United States and in the two main emerging markets, India and China. IFIL currently holds a diversified portfolio of listed and non listed investments.

Exchange Ratios proposed to Your Board of Directors are the following:

- i) 0.265 new IFI ORD shares for each IFIL ORD share;
- ii) 0.265 new IFI SAV shares for each IFIL SAV share.

The Transaction proposed to Your Board of Directors in addition provides for: (i) the request to *Borsa Italiana* for the admission to listing of IFI ORD and SAV shares; (ii) the conservation of all of the existing share categories, so that the company resulting from the Merger will have three share categories: ORD, preferred and SAV; (iii) no withdrawal right for both IFI and IFIL shareholders.

Leonardo is part of the group headed by GBL (hereafter, the “Group”), which, directly and/or through its subsidiaries, is engaged mainly in the investment banking, brokerage and equity research, asset management, corporate advisory and private equity sectors, both on its own behalf and on its clients behalf. Leonardo acts as financial advisor to IFI with respect to the Merger and will receive a fee for the services provided, out of which a significant part is conditional upon completion of the Transaction. GBL and Leonardo in the past carried out, also through subsidiaries, investment banking, corporate advisory and brokerage services to GA&C, IFIL and their subsidiaries, services for which they have received a compensation. GBL, Leonardo or their subsidiaries could provide, also in the future, services relating to the aforementioned activities of GBL in favor of GA&C, IFI, IFIL and their directly or indirectly controlled subsidiaries (hereafter, the “Companies of the Group”), services for which they would receive a compensation. Moreover, GBL or companies belonging to the Group, in connection with asset management and brokerage activities, could have carried out (and could carry out in the future) trading activities, on behalf of its clients or on its own behalf, involving equity, debt or other types of securities issued by the Companies of the Group. IFIL holds, through its subsidiary IFIL Investissements S.A., a stake of approximately 9.8% in GBL; the Chairman of IFI and IFIL is one of GBL’s Directors.

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<sup>1</sup> Net of n. 33,996,460 ORD treasury shares owned by IFIL, of which n. 810,262 through the wholly owned subsidiary Soiem S.p.A..

<sup>2</sup> Net of n. 917,000 SAV treasury shares owned by IFIL.

<sup>3</sup> Net of n. 5,360,300 preferred treasury shares owned by IFI.

In preparing the Opinion, we have reviewed the following documents and information:

- i) current IFI and IFIL articles of association;
- ii) economic and financial historical information (such as statutory and consolidated accounts) relating to IFI and IFIL, including the half-year consolidated reports of the two companies as of June 30, 2008, approved by the respective Boards of Directors on August 29, 2008;
- iii) certain appraisals performed by independent parties and by IFIL in connection with transactions that involved some of the companies controlled by IFIL, as well as an appraisal performed by an independent party on the building owned by IFIL through a 100% subsidiary;
- iv) internal details on IFI's net financial position and regarding IFIL's "holding system" as of August 31, 2008;
- v) internal details on the fiscal position of IFI and IFIL, in particular with reference to the book value of the respective participations and to the amount of the fiscal credits of IFI and IFIL;
- vi) other historical documents and information provided directly by IFI or obtained during meetings with the management of IFI or IFIL;
- vii) market information (market prices, volume exchanged, etc.) gathered through the Reuters and Bloomberg sources, for IFI, IFIL and all the listed companies participated by them;
- viii) sector studies and broker reports completed by independent financial analysts for IFI, IFIL, Fiat S.p.A., SGS S.A., Juventus Football Club S.p.A., Sequana S.A. and Intesa Sanpaolo S.p.A.;
- ix) public information on comparable companies to IFI and IFIL and transactions comparable to the Transaction;
- x) additional public information that has been considered useful for the Opinion.

In order to render the Opinion, Leonardo has relied on the truthfulness, correctness, accuracy and completeness of the entire documentation and information above, without performing any independent verification. Leonardo has not undertaken any inquiry or independent valuation of such documentation and such information. Leonardo furthermore has not provided, obtained or examined, on Your behalf, any specialistic opinion - such as, for example, but not limited to, legal, accounting, actuarial, environmental, technological or fiscal opinions - and therefore the Opinion does not take into account the possible implications of such aspects. Leonardo has



discussed the documentation and the information above, together with the strategic motivations and the benefits expected from the Transaction, with some members of IFI's and IFIL's senior management and with IFIL's financial advisor. Leonardo has not discussed the documentation and the information above, nor it has had any contact with, the management of any of the companies controlled or participated by IFIL, such as, for example, discussions and financial due diligence activity on these companies and on their past and future performance, in order to render the Opinion.

The analysis has taken into account exclusively the information listed above and what has emerged from the documentation that was reviewed and it has not identified or quantified potential liabilities (or lower expected assets). Furthermore, Leonardo did not perform any independent assessment on IFI's or IFIL's single assets and liabilities (including off balance sheet assets and liabilities).

In order to render the Opinion, Leonardo has assumed that all the regulatory or other approvals and authorizations required for the Transaction will be obtained without any significant negative effect on IFI and IFIL.

In order to render the Opinion, Leonardo has made the assumptions and utilized and applied the valuation methodologies deemed necessary and appropriate for the purposes of the Opinion and within the scope of the Transaction, such as the Net Asset Value Method (NAV) and the Market Prices Method, methods that are commonly used in the international practice for similar transactions and companies comparable to IFI and IFIL.

The Opinion is based on economic, monetary, market and other conditions as of the date of the Opinion itself, as well as information that has been provided by IFI and IFIL to Leonardo as of today. Events that shall happen following the current date may affect the assumptions and conclusions of the Opinion; nevertheless Leonardo has no obligation to update or modify or confirm the Opinion.

The Opinion was prepared exclusively for the use of the Board of Directors in its deliberations regarding the Transaction. The Opinion has not been prepared for IFI or IFIL shareholders nor will it grant them rights or remedies, and it may not be used for any other purpose. Leonardo does not express any opinion with regards to the decision by IFI's Board of Directors to pursue (or not pursue) the Transaction or any other transaction, as these decisions pertain exclusively and fully to the autonomous deliberations of IFI's Board. Leonardo does not express an opinion on the future market prices of IFI and/or IFIL - for all the categories outstanding: ORD, SAV and preferred - after the announcement of the Transaction and/or after its completion. Leonardo does not authorize third parties other than the exclusive recipient aforementioned to rely on the analysis and conclusions set forth in this Opinion and it declines expressly any responsibility for any consequence directly or indirectly deriving, for any reason, from the use of the Opinion for purposes and/or aims that are different from what indicated.

The Opinion does not represent, nor Leonardo expresses in any way, a recommendation to IFI's and / or IFIL's shareholders to vote in favor of the Merger. In accepting the Opinion IFI's Board of Directors accepts that the Opinion shall be confidential and that it shall not be published to third parties other than the Board that receives it and that it shall not be reproduced, wholly or in part, without the prior written authorization by Leonardo, except for what required as a consequence of law. Leonardo authorizes IFI to include the Opinion in the corporate documentation, as required by law and by the applicable regulations in connection to the Merger.

Based upon and subject to the foregoing, it is our opinion that, as of the date hereof, the Exchange Ratios are fair from a financial point of view for IFI.

Leonardo & Co. S.p.A.

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Matteo Manfredi

APPENDIX B

Letter of Confirmation of the Fairness Opinion dated September 23, 2008  
rendered by Leonardo & Co.

**ORIGINAL DOCUMENT RELEASED IN ITALIAN ON LEONARDO & CO. S.p.A.  
LETTERHEAD**

*The following opinion has been prepared for the Board of Directors of IFI S.p.A. by Leonardo & Co. S.p.A. only in the Italian language. The translation provided in this document has been prepared exclusively for Your convenience, as it is agreed that the original document, prepared in the Italian language, is the only legally valid document and that it shall take precedence, in any case, over the translation below.*

To the kind attention of  
Board of Directors  
IFI S.p.A.  
Corso Matteotti, 26  
10121 - Torino  
Italia

Milan, September 23, 2008

Dear Sirs,

pursuant to the mandate granted by IFI S.p.A. (hereafter, "IFI") to Leonardo & Co. S.p.A. (hereafter, "Leonardo") - a company wholly owned by Gruppo Banca Leonardo S.p.A. - on August 25, 2008, we have been requested to confirm the opinion released to the Board of Directors on September 8, 2008 (hereafter, the "Opinion") with respect to the fairness for IFI, from a financial point of view, of the exchange ratios (hereafter, the "Exchange Ratios") of the ordinary shares (hereafter, "ORD") and non-convertible savings shares (hereafter "SAV") of IFIL Investments S.p.A. (hereafter, "IFIL" and jointly with IFI, the "Companies") in IFI ORD and SAV shares in connection to the merger by incorporation of IFIL into IFI (hereafter, the "Merger"). The Opinion is attached hereto.

To our knowledge, no event has occurred, from September 8, 2008 to today - except for the changes of the market prices of the Companies' shares following the announcement of the Merger and due to the general performance of the financial markets, as well as the changes of the market prices of IFIL's listed investments - which affects or may potentially affect in a material way any of the documents, information, data or assumptions used to render the Opinion, including in respect of the economic and financial condition, business, portfolio of participations and assets and financial position of each of IFIL and IFI, as confirmed by You today.

In addition to the documents and information used for the purposes of the Opinion, we have reviewed the following documents, which the Board of Directors will be asked to approve as of the date hereof: (i) the merger project of IFIL into IFI; and (ii) IFI's Board of Directors report on the merger project of IFIL into IFI.

Based on the foregoing we confirm the Opinion and therefore the fairness for IFI, from a financial point of view, of the Exchange Ratios of IFIL ORD and SAV shares in IFI ORD and SAV shares in connection to the Merger, as approved today by the respective Boards of Directors of the Companies.

Leonardo & Co. S.p.A.

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Matteo Manfredi

APPENDIX C

Valuation Analysis with respect to the exchange ratios of the merger by incorporation of  
IFIL Investments S.p.A. into IFI S.p.A. dated September 23, 2008  
provided Leonardo & Co

**ORIGINAL DOCUMENT RELEASED IN ITALIAN ON LEONARDO & CO. S.p.A.  
LETTERHEAD**

*The following report has been prepared for the Board of Directors of IFI S.p.A. by Leonardo & Co. S.p.A. only in the Italian language. The translation provided in this document has been prepared exclusively for Your convenience, as it is agreed that the original document, prepared in the Italian language, is the only legally valid document and that it shall take precedence, in any case, over the translation below.*

**CONSIDERATIONS ON THE EXCHANGE RATIOS IN CONNECTION WITH THE MERGER  
OF IFIL INVESTMENTS S.P.A. WITH AND INTO IFI S.P.A.**

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***IFI***

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# 1 Introduction

## 1.1 Scope of the Mandate

Leonardo & Co. S.p.A. (hereafter referred to as “Leonardo”) - a company wholly owned by Gruppo Banca Leonardo S.p.A. - has been granted the mandate (hereafter, the “Mandate”) by IFI S.p.A. (hereafter, “IFI”) to assist in the study and execution of the merger with IFIL Investments S.p.A. (hereafter, the “Transaction” or the “Merger”). In the course of the Mandate, Leonardo has assisted IFI’s Board of Directors (hereafter, the “Board”) in the valuation of the exchange ratios (hereafter, the “Exchange Ratios”) of IFIL Investments S.p.A.’s (hereafter “IFIL” and, jointly with IFI, the “Companies”) ordinary and savings shares in IFI ordinary and savings shares.

This report (hereafter, the “Report”) was prepared exclusively for the use of the Board in its deliberations regarding the Transaction. The Report has not been prepared for IFI or IFIL shareholders nor will it grant them rights or remedies, and it may not be used for any other purpose. Leonardo does not express an opinion on the decision of the Board to pursue (or not pursue) the Transaction or any other transaction, as these decisions pertain exclusively and fully to the autonomous deliberations of the Board. Leonardo does not express an opinion on the future market prices of IFI and/or IFIL, for all the share categories currently outstanding: ordinary, savings and preferred. Leonardo does not authorize third parties other than the exclusive recipient aforementioned to rely on the analysis and conclusions set forth in this Report and it declines expressly any responsibility for any consequence directly or indirectly deriving, for any reason, from the use of the Report for purposes and/or aims that are different from what indicated. The Report does not represent, nor Leonardo expresses in any way, a recommendation to IFI’s and/or IFIL’s shareholders to vote in favor of the Merger. Leonardo authorizes IFI to include the Report in the corporate documentation, as required by law and by the applicable regulations in connection to the Merger.

Taking into account the further limitations and indications specified hereinafter and given the scope of the Mandate, the valuations have been performed with the aim of expressing a comparative estimate of the value of the Companies, giving priority to the consistency of the chosen criteria over the determination of the absolute value of the Companies if considered separately. Such valuations and this Report, furthermore, will have to be considered exclusively within the scope of the specific Merger transaction. The conclusions set forth in the Report are based on the whole of the analyses contained herein and no portion of the Report can be used separately from the Report as a whole.

This Report, furthermore, is not, nor can it be considered as, a report as per article 2501-sexies, c.c., an estimate as per Attachment 3A of the CONSOB Regulation 11971/99 or a report as per the same Regulation.

## 1.2 Transaction Overview

On September 8, 2008, the Boards of Directors of IFI and IFIL have examined and approved unanimously the beginning of the simplification of the IFI/IFIL group (hereafter, the “Group”), through the merger by incorporation of the controlled company IFIL into the controlling company IFI.

The Merger aims to simplify the Group's chain of control, through the concentration in IFI of the role of investment company. IFI, after the incorporation of IFIL, will directly own IFIL's investment portfolio. In detail, the Merger allows for:

- the simplification of the Group structure through the merger by incorporation of IFIL into IFI;
- the cancellation of the IFIL shares - both ordinary and savings - owned by IFI, as well as the treasury shares - both ordinary and savings - owned by IFIL itself;
- the conservation and listing of all the existing share categories (ordinary, savings and preferred shares); *Borsa Italiana* will be requested the listing of the ordinary and savings IFI shares and the effectiveness of the Merger will be subordinated to the authorization to list such shares on the *Mercato Telematico* of the *Borsa Italiana*;
- the elimination of the current limitations to the transferability of the ordinary IFI shares;
- no right of withdrawal for the shareholders of the two Companies.

### 1.3 Valuation Date

The economic and financial situations of the Companies used as reference for the Report are as of June 30, 2008, except for the net financial positions of the Companies, which are dated August 31, 2008 and therefore take into account investments and disposals performed by IFIL after June 30, 2008, specifically:

- on July 24, 2008, IFIL has announced the sale of n. 141,716,165 ordinary Intesa Sanpaolo shares at an average unitary price of Euro 3.51 for a total value of Euro 497 million;
- on August 25, 2008, IFIL has suspended the share buyback program, after having purchased treasury shares for a total value of Euro 34.1 million beginning on June 30, 2008.

The valuations of IFI and IFIL obtained through the application of the Market Prices Method (ref. paragraph 4.1) and the valuations of the listed participations of IFIL through the Net Asset Value Method (ref. paragraph 4.2) refer to the market prices of the respective listed shares in the 6 months prior to August 25, 2008, the day in which Giovanni Agnelli & C. S.a.p.A. has announced the purchase of 10 million preferred IFI shares and has declared that *"the Group is evaluating the various hypotheses and options available in light of such purchase"*.

To our knowledge, no event has occurred, from September 8, 2008 to today - except for the changes of the market prices of the Companies' shares following the announcement of the Merger and due to the general performance of the financial markets, as well as the changes of the market prices of IFIL's listed investments - which affects or may potentially affect in a material way any of the documents, information, data or assumptions used to render the Report, including in respect of the economic and financial condition, business, portfolio of participations and assets and financial position of each of IFIL and IFI.

## 1.4 Documents and Information Used

In preparing the Report, Leonardo has reviewed the following documents and information:

- current IFI and IFIL articles of association;
- economic and financial historical information (such as statutory and consolidated accounts) relating to IFI and IFIL, including the half-year consolidated reports of the two companies as of June 30, 2008, approved by the respective Boards of Directors on August 29, 2008;
- certain appraisals performed by independent parties and by IFIL in connection with transactions that involved some of the companies controlled by IFIL, as well as an appraisal performed by an independent party on the building owned by IFIL through a 100% controlled affiliate;
- internal details on IFI's net financial position and regarding IFIL's "holding system" as of August 31, 2008;
- internal details on the fiscal position of IFI and IFIL, in particular with reference to the book value of the respective participations and to the amount of the fiscal credits of IFI and IFIL;
- other historical documents and information provided directly by IFI or obtained during meetings with the management of IFI or IFIL;
- market information (market prices, volume exchanged, etc.) gathered through the Reuters and Bloomberg sources, for IFI, IFIL and all the listed companies participated by them;
- sector studies and broker reports completed by independent financial analysts for IFI, IFIL, Fiat S.p.A., SGS S.A., Juventus Football Club S.p.A., Sequana S.A. and Intesa Sanpaolo S.p.A.;
- public information on comparable companies to IFI and IFIL and transactions comparable to the Transaction;
- additional public information that has been considered useful for the Report.

## 1.5 Difficulties and Limitations of the Valuation Analysis

In the course of the analyses and of the preparation of the Report, Leonardo:

- has relied on the truthfulness, correctness, accuracy and completeness of the entire documentation and of the information listed above in paragraph 1.4 and it has not undertaken any investigation or independent valuation of such information and documentation;
- has not provided, obtained or examined any specialists' opinion - such as, for example, but not limited to, legal, accounting, actuarial, environmental, technological or fiscal opinions - and therefore the Report does not account for the possible implications for these factors;
- has discussed the documentation and the information above, together with the strategic motivations and the benefits expected from the Transaction, with certain

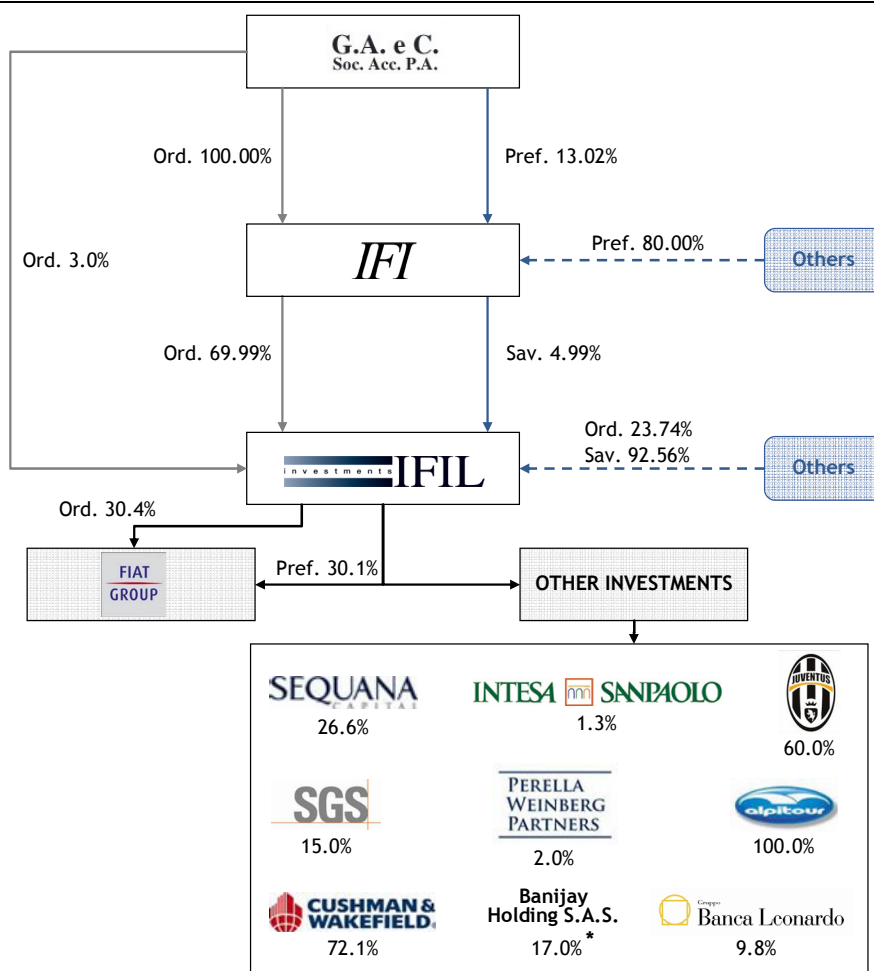
representatives of IFI's and IFIL's senior management and with IFIL's financial advisor;

- has not discussed the documentation and the information above, nor it has had any contact, with the management of any of the companies controlled or participated by IFIL, such as, for example, discussions and financial due diligence activities on these companies and on their past and future performance;
- has only taken into account the information listed above and what has emerged from the documentation that was reviewed and it has not identified or quantified potential liabilities (or lower expected assets);
- did not perform any independent estimate on the value of IFI's and IFIL's single assets or liabilities (including off-balance sheet assets or liabilities);
- has assumed that all the regulatory or other approvals and authorizations required for the Transaction will be obtained without any significant negative effect on IFI and IFIL.

Leonardo, therefore, does not take any responsibility for the truthfulness, correctness, completeness and accuracy of the information that has been utilized, nor does it provide any guarantee, implicit or explicit, on this regard.

## 2 Information on the Companies

### 2.1 Group Structure<sup>1</sup>



(\*) The participation in Banijay Holding S.A.S. is equal to 17.03% of the share capital and to 17.17% of the capital with voting right.

<sup>1</sup> The participations showed in the present paragraph and in following paragraphs 2.2 and 2.3 with regards to IFI and IFIL are shown as percentages on ordinary, preferred and savings shares of the companies gross of the treasury shares owned (IFI preferred treasury shares equal to approximately 6.98% of the preferred share capital, IFIL ordinary treasury shares equal to approximately 3.20% of the ordinary share capital, IFIL ordinary shares owned through the controlled Saiem S.p.A. equal to approximately 0.08% of the ordinary share capital and IFIL savings treasury shares equal to approximately 2.45% of the savings share capital).

## 2.2 IFI

IFI is a financial holding that owns as only relevant asset a participation in IFIL, equal today to:

- n. 726,900,000 ordinary shares (equal to approximately 69.99% of the ordinary shares); and
- n. 1,866,420 savings shares (equal to approximately 4.99% of the savings shares).

As of the date of the Report, IFI's share capital is equal to Euro 163,251,460, divided in n. 86,450,000 ordinary shares (equal to approximately 53% of the entire share capital) and n. 76,801,460 preferred shares (equal to approximately 47% of the entire share capital), all with nominal value of Euro 1 each.

IFI's preferred shares are listed on the *Mercato Telematico Azionario* of the *Borsa Italiana*, whereas IFI's ordinary shares are not listed and are entirely owned by Giovanni Agnelli & C. S.a.p.A. (hereafter, "GA&C").

IFI is controlled by GA&C, which holds a participation as of today equal to:

- n. 86,450,000 IFI ordinary shares (equal to 100.00% of IFI's ordinary shares); and
- n. 10,000,000 preferred shares (equal to approximately 13.02% of the preferred shares).

GA&C additionally holds as of today n. 31,159,000 IFIL ordinary shares (equal to approximately 3.00% of the ordinary shares).

## 2.3 IFIL

IFIL is an investment company that is the largest shareholder of the Fiat Group and invests in different sectors, mostly in Europe, in the United States and in the two main emerging markets, India and China. The participations owned by IFIL are the following:

- Fiat S.p.A., with a stake equal to 30.4% and 30.1% of the ordinary and preferred share capital, respectively;
- Cushman & Wakefield Group Inc., with a stake equal to 72.1% of the ordinary share capital, held through the controlled company Ifil Investissements S.A.;
- Sequana S.A., with a stake equal to 26.6% of the ordinary share capital, held through the controlled company Ifil Investissements S.A.;
- Intesa Sanpaolo S.p.A., with a stake equal to 1.3% of the ordinary share capital;
- SGS S.A., with a stake equal to 15% of the ordinary share capital, held through the controlled company Ifil Investissements S.A.;
- Gruppo Banca Leonardo S.p.A., with a stake equal to 9.8% of the ordinary share capital, held through the controlled company Ifil Investissements S.A.;
- Alpitour S.p.A., with a stake equal to 100.0% of the share capital;
- Juventus Football Club S.p.A., with a stake equal to 60.0% of the share capital;

- Banijay Holding S.A.S., with a stake equal to 17.0% and 17.2% of the share capital and of the voting share capital, respectively, held through the controlled company Ifil Investissements S.A.;
- Perella Weinberg Partners, with a stake equal to 2.0% (profit-sharing percentage in the Limited Partnership NoCo A LP), held through the controlled company Ifil Investissements S.A..

Ifil Investissements S.A. has underwritten, in April of 2008, a 5-year bond issued by Perfect Vision with mandatory conversion at the expiry date, that will allow it to own 40% of Vision Investment Management Limited's share capital.

As of the date of the Report, IFIL's share capital is equal to Euro 1,075,995,737, divided in n. 1,038,612,717 ordinary shares with nominal value of Euro 1 each (equal to approximately 96.5% of the total share capital) and in n. 37,383,020 savings shares with nominal value of Euro 1 each (equal to approximately 3.5% of the total share capital).

IFIL's ordinary and savings shares are listed on the *Mercato Telematico Azionario* of *Borsa Italiana*.

### 3 Valuation Methods Utilized

#### 3.1 Introduction

The values of the Companies involved in the Transaction have been estimated on an on-going concern and on a stand alone basis, excluding any economic or financial effect deriving from the Transaction (such as, for example, cost savings, other synergies or possible market effects expected on the stock price of the company resulting from the Merger).

Following a consolidated professional standard procedure, the valuation methods that have been utilized must be comparable; in this case, since the Companies have the same business and similar operating and economic characteristics, and especially since IFI's assets substantially coincide with the participation in IFIL, the comparability has resulted in the use of exactly the same methods. Such methods have then been applied in a homogenous manner, especially where average market prices on historical periods have been considered.

Lastly, it should be stressed that the objective of merger valuations is to estimate the relative values of the companies involved in the transaction and not the absolute values of such companies. Therefore such values cannot be utilized within any other context other than the Merger itself.

#### 3.2 Valuation Methods Utilized

In line with the methodological introduction above and taking into account the objective of the estimates, the criteria commonly utilized in the national and international valuation procedure with specific reference to the financial holdings, as well as the controlling relationship existing between IFI and IFIL, the following valuation methodologies have been utilized:

- Market Prices Method;
- Sum of the Parts or Net Asset Value Method (hereafter, "NAV").

In the selection and application of such methods, the characteristics and limitations implied by each of them have been considered.

In the following paragraph 4 a description of the methods listed above is provided, as well as details on their application to the Companies in order to determine the Exchange Ratios.



## 4 Description and Application of the Evaluation Methods

### 4.1 Market Prices Method

The Market Prices Method assigns to a publicly-listed company the value attributed by the stock exchange where its shares are traded. If prices refer to stocks with adequate float and traded volumes, such prices represent reliable valuation indicators with regards to the economic and financial conditions, risks and potential, and thus they are useful for the determination of the value of a company. The Market Price Method, therefore, relies upon the assumption of the efficiency of the stock exchange on which the company's equity securities are listed, and comes to the company's equity value by reference to market prices over appropriate periods of time.

In order to mitigate the typical short term volatility of listed stock's prices, it is customary to analyze the share prices' trend over various periods of time. In this case, since IFI ordinary shares are not listed, the calculation has been made on the ratio between market prices of IFI preferred shares and IFIL ordinary shares (assuming a ratio 1:1 between IFI's ordinary and preferred shares - ref. Paragraph 4.3), taking into account, as reference value, spot and simple average<sup>2</sup> market prices, referred to different periods of time, starting from August 22, 2008 as follows: spot prices as of August 22 2008, 1 month average, 2 month average, 3 month average, 6 month average and 12 month average.

The analysis does not take into account market prices after August 22, 2008, last trading day prior to the announcement by GA&C, on August 25, 2008, of the acquisition of 10 millions of IFI's preferred shares, and of the statement that *"the Group is evaluating the various hypotheses and options available in light of such purchase"*.

Exhibit 1 shows spot and average prices of IFI preferred shares, IFIL ordinary shares and respective exchange ratios, considering different time horizons, starting from August 22 2008 as follows: spot prices as of August 22, 2008, 1 month average, 2 month average, 3 month average, 6 month average and 12 month average.

**Exhibit 1. Market Prices Method**

Value per share (Euro)	IFI	IFIL	Exchange Ratios
22 August 2008	13.51	4.30	3.14x
1 month average	13.55	4.35	3.12x
2 month average	13.17	4.25	3.10x
3 month average	14.31	4.51	3.17x
6 month average	15.73	4.82	3.26x
12 month average	19.85	5.77	3.44x

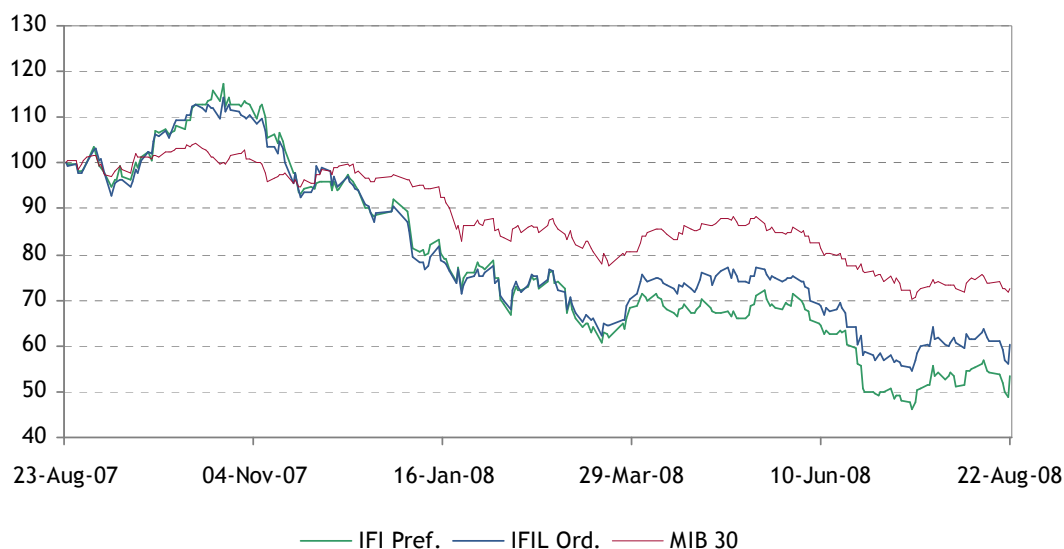
Source for IFI's and IFIL's shares market prices: Bloomberg

<sup>2</sup> Please note that the use of weighted averages of the market prices over the considered periods would not imply significant changes to the exchange ratios in Exhibit 1.

The Market Prices Method resulted in an exchange ratio of between 3.10x and 3.44x of IFIL ordinary shares for each IFI ordinary share.

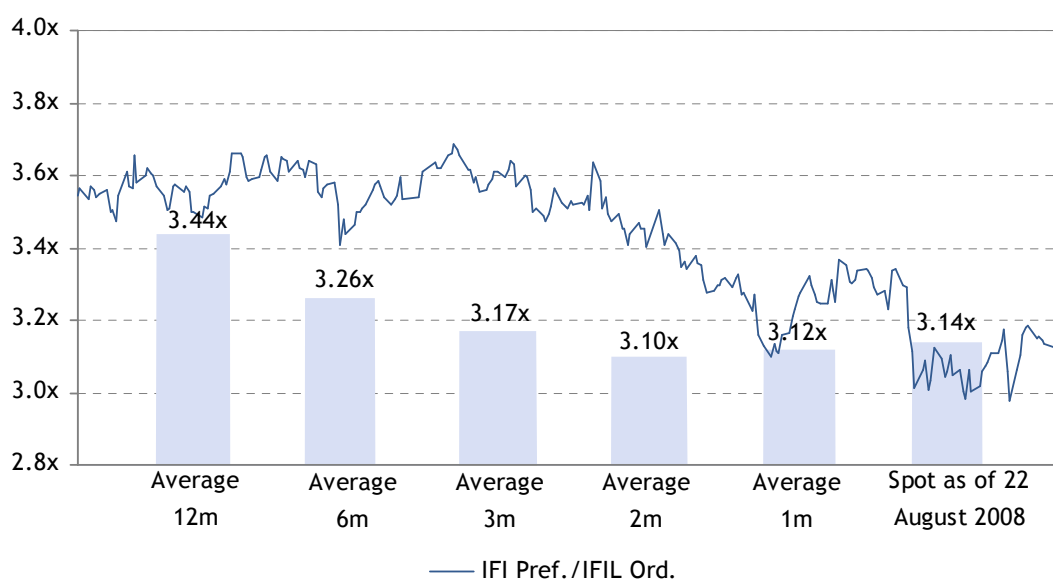
For illustrative purposes, Exhibit 2 and 3 plot, for the period from August 22, 2007 to August 22, 2008, the performance of IFI preferred shares and IFIL ordinary shares (base on August 22, 2007 = 100) and corresponding exchange ratios.

#### Exhibit 2. Market prices' performance for IFIL's ordinary shares and IFI's preferred shares (22 August 07 - 22 August 08)



Source for IFI's and IFIL's shares market prices: Bloomberg

#### Exhibit 3. Market prices based exchange ratio (22 August 07 - 22 August 08)



Source for IFI's and IFIL's shares market prices: Bloomberg

## 4.2 Sum of the Parts Method or Net Asset Value

The NAV method estimates the equity value of a company by calculating the value of its investment portfolio and other owned assets - each considered as an economic entity valuable separately - net of relevant liabilities.

Theory and customary practices commonly adopt this methodology as the main indicator for the evaluation of financial holding companies, since such companies control heterogeneous subsidiaries, which have different risk and performance profiles and are characterized by scarce integration, both in terms of business as well as influence or control over the subsidiary.

For the application, in this case, of the NAV method, further details are provided below:

### IFIL

- Valuation of the listed investments (Fiat, Sequana, Intesa San Paolo, Juventus and SGS): market prices over different time horizons from August 22, 2008 (spot prices as of August 22 2008, 1 month average, 2 month average, 3 month average, 6 month average and 12 month average).
- Valuation of the non listed investments:
  - Alpitour and Cushman & Wakefield: third party appraisals and recent transactions;
  - Minor investments: book values as of June 30, 2008 and recent transactions.
- Net Financial Position: value as of August 31, 2008;
- Holding costs: perpetuity of the normalized average net general costs, for fiscal years 2005, 2006 and 2007.

### IFI

- Valuation of IFIL's stake: prorata NAV-based valuation of IFIL;
- Net Financial Position: value as of August 31, 2008;
- Holding costs: perpetuity of the normalized average net general costs, for fiscal years 2005, 2006 and 2007.

For both IFI and IFIL the analysis does not take into account potential tax burden on unrealized capital gains, resulting from valuation of listed and non listed investments, given the substantial tax losses carried forward for IFI and IFIL. For both companies, tax losses carried forward have not been considered as independent assets, given the intrinsic limitations to their use, while IFI's and IFIL's tax credits in the process of being refunded have been considered as fiscal assets.

It shall be noted that:

- IFI's value per share refers indistinctly both to ordinary shares and preferred shares. See Paragraph 4.3 for further details;

- IFIL's value per share refers solely to ordinary shares. Since IFIL's equity value is allocated between ordinary shares and savings shares, and given their different market prices, the number of IFIL's savings shares has been weighted on the basis of the discount, over different time horizons, between the market prices of the two categories of shares, thus calculating the number of "equivalent" ordinary shares. Exhibit 5 shows IFIL's ordinary shares and savings shares market prices performance over the last 12 months, and the discount of savings shares to the ordinary shares (expressed as a percentage and referred to August 22, 2008 and average market prices for the last 1, 2, 3, 6 and 12 months).

Exhibit 4 shows the results obtained through the NAV Method, assuming different time horizons in the valuation of IFIL's listed investments.

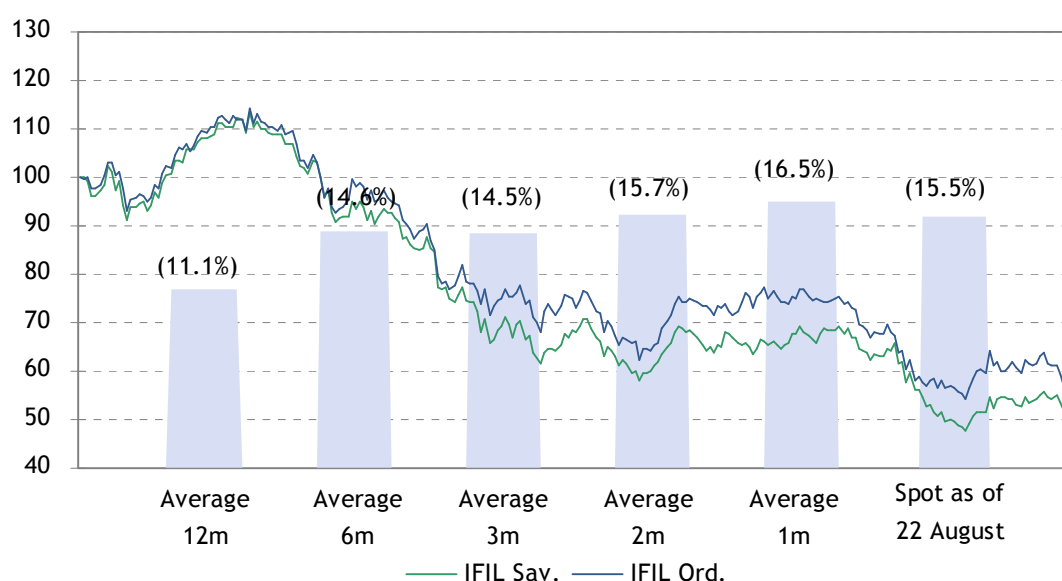
#### Exhibit 4. NAV Method

Value per share (Euro )	IFI	IFIL	Exchange Ratios
Listed investments' price - 22 August 08	26.82	6.33	4.24x
Listed investments' price - 1 month average	27.93	6.57	4.25x
Listed investments' price - 2 month average	27.14	6.40	4.24x
Listed investments' price - 3 month average	28.74	6.75	4.26x
Listed investments' price - 6 month average	31.09	7.26	4.28x
Listed investments' price - 12 month average	36.16	8.36	4.33x

Source for IFIL's listed investments market prices: Bloomberg -

The NAV's Method resulted in a range of exchange ratios between 4.24x and 4.33x IFIL's ordinary shares for each IFI's ordinary shares.

**Exhibit 5. Market prices' performance of IFIL's ordinary and savings shares (22 August 07 - 22 August 08)**



Source for IFIL's shares market prices: Bloomberg

### 4.3 Difficulties and Limitations of the Application of the Valuation Methods

The application of the valuation methods described above has been affected by the following difficulties and limitations:

- Market Prices Method is characterized by difficulties and limitations due to the underlying assumption of the efficiency and liquidity of the stock exchange on which the company's equity securities are listed. In addition, volatility can significantly affect market prices, especially in the short term. As mentioned above, abnormal price variations have been smoothed taking into consideration sufficiently long periods of time.
- With respect to the NAV Method, the main difficulties are with regards to the valuation of non listed investments, though such difficulty has a marginal impact for IFIL (whose NAV is composed of listed investments for over 85%) and actually does not affect IFI (whose NAV depends almost entirely on IFIL's). As mentioned above, the valuation of IFIL's non listed investments has been addressed by using independent appraisals and recent transactions or book values as of June 30 2008; additionally, the NAV Method has the same difficulties and limitations of the Market Prices Method for the valuation of listed companies.
- Unlike preferred shares, IFI ordinary shares are not listed. Only two companies have listed preferred shares trading on the *Mercato Telematico Azionario* of the *Borsa Italiana*. However, also ordinary shares of these two companies (Fiat S.p.A. and Unipol Gruppo Finanziario S.p.A.) are listed. In both cases preferred shares, also historically, trade at a discount with respect to ordinary shares. As aforementioned, since IFI ordinary shares (whose admission to listing, to be requested to *Borsa Italiana*, will represent a condition precedent to the Merger

taking place) are not listed, a sole value per share for both IFI ordinary shares and preferred shares has been estimated.

- Unlike IFI, IFIL has issued savings shares, requiring the estimate of an exchange ratio for the Merger also for these latter shares. Since IFI will issue savings shares with the same administrative and economic rights as those of existing savings shares (with the adjustment of the privileges of the savings shares based on the exchange ratio) and admission to listing will be requested to *Borsa Italiana* (which is a condition precedent to the Merger taking place), it has been deemed appropriate to estimate for IFIL savings shares the same exchange ratio as the one for IFIL ordinary shares. Hence, it has been implicitly assumed that the discount of IFI savings shares to IFI ordinary shares could be equal to the discount of IFIL savings shares to IFIL ordinary shares.

## 5 Conclusions

Based on the above mentioned assumptions, valuation methods, analyses, estimates carried on and all the other considerations set forth above, the resulting exchange ratios are shown in Exhibit 6.

**Exhibit 6. Summary of the exchange ratios**

<b>Market Prices Method</b>	<b>Exchange ratios</b>
22 August 2008	3.14 x
1 month average	3.12 x
2 month average	3.10 x
3 month average	3.17 x
6 month average	3.26 x
12 month average	3.44 x
<b>NAV</b>	<b>Exchange ratios*</b>
22 August 2008	4.24 x
1 month average	4.25 x
2 month average	4.24 x
3 month average	4.26 x
6 month average	4.28 x
12 month average	4.33 x

(\*) Different exchange ratios refer to different time horizons used for estimating the value of IFIL's listed investments, while adopting the NAV Method

It has been deemed appropriate to:

- consider the 6 month average market price (both for the Market Prices Method and the NAV Method), as the time horizon is sufficiently extended not to be affected by short term volatility, but at the same time it is representative of the market conditions prior to August 25, 2008;
- consider the average of the results obtained applying the two methods (Market Prices Method and NAV Method) in order to equally take into account both the indication of value implied into market share prices of IFIL ordinary shares and IFI preferred shares and the indication of the fundamental value resulting from the NAV Method, commonly used for estimating the equity value of holding companies, as summarized in Exhibit 7.

**Exhibit 7. Summary of the results**

	<b>Market Prices Method</b>	<b>NAV</b>	<b>Average</b>
6 month	3.26 x	4.28 x	3.77x

average

The resulting average, equal to 3.77x, corresponds to the following Exchange Ratios:

- 0.265 new IFI ordinary shares for each IFIL ordinary share;
- 0.265 new IFI savings shares for each IFIL savings share.

Milan, September 23, 2008

Leonardo & Co. S.p.A.

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# APPENDIX

## NAV IFIL (with valuation of the listed investments of IFIL through the 6-months average prices as of 22 August, 2008)

NAV IFIL					NAV PER IFIL SHARE	
	Nr. Shares (m)	% Capital	Share Price (€)	Mkt Value/Book Value	% of portfolio value	
Fiat Ord.	332.6	30.4%	12.82	4,263.7	57.5%	Ordinary Shares (m)
Fiat Pref.	31.1	30.1%	9.44	293.6	4.0%	Preference Shares(m)
Fiat				4,557.2	61.4%	Ordinary Shares (Net Treasury)
Sequana Capital	13.2	26.6%	14.73	194.5	2.6%	Savings Shares (Net Treasury)
Intesa SanPaolo	148.2	1.3%	4.13	611.9	8.2%	Ordinary Share price (€) <sup>(3)</sup>
Juventus	120.9	60.0%	0.95	115.4	1.6%	Savings Share price(€) <sup>(3)</sup>
SGS	1.2	15.0%	903.09	1,059.7	14.3%	Discount Savings/Ordinary.
Ocean Club Med Bonds	0.1		66.83	5.1	0.1%	Nr. Of equivalent Ordinary Shares
TOTAL LISTED ASSETS				6,543.8	88.2%	Ordinary Share NAV (€)
TOTAL NON-LISTED ASSETS				873.6	11.8%	Savings Share NAV (€)
PORTFOLIO VALUE				7,417.3	100.0%	NAV premium over Mkt Price
Holding costs <sup>(1)</sup>				(214.5)		Discount Mkt Price to NAV
Debt NET/(Cash) Pro-forma Holding system <sup>(2)</sup>				(314.2)		
NAV				7,517.1		
MKT CAP				4,995.3		

(1) Valuation on the bases of the normalised average ampunt of the general expenses of the Holding Sistem for the fiscal years 2005, 2006 e 2007 (€ 21.4m) and a multiple equal to 10x

(2) As of 31 August, 2008

(3) 6-months average

## APPENDIX

### NAV IFI (with valuation of the listed investments of IFIL through the 6-months average prices as of 22 August, 2008)

NAV IFI with IFIL to NAV					NAV PER IFI SHARE	
	Nr. Shares (m)	% Capital	Share Price (€)	Mkt Value/Book Value	% of portfolio value	
Ifil Ord.	726.9	72.4%	7.26	5,275.5	99.4%	86.5
Ifil Savings.	1.9	5.1%	6.20	11.6	0.2%	76.8
						5.4
<b>TOTAL LISTED ASSETS</b>				<b>5,287.1</b>	<b>99.6%</b>	71.4
<b>TOTAL NON-LISTED ASSETS</b>				<b>19.5</b>	<b>0.4%</b>	15.73
<b>PORTFOLIO VALUE</b>				<b>5,306.6</b>	<b>100.0%</b>	157.9
Holding costs <sup>(1)</sup>				(47.2)		31.09
Debt net/(Cash) <sup>(2)</sup>				350.6		31.09
<b>NAV</b>				<b>4,908.8</b>		97.6%
<b>MKT CAP</b>				<b>2,484.3</b>		(49.4%)

(1) Valuation on the basis sulla base of the amount of IFI general expenses as of 31.12.2007 (€ 4.7m) and a multiple equal to 10x

(2) As of 31 August, 2008

## APPENDIX D

Comparison table between the text of the articles of the existing bylaws subject to amendment and the proposed text

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### **LEGAL NOTICE**

This document is an informal courtesy translation of the original Italian document and has been prepared for reference purposes only. The only official document is the document in the Italian language. Please note that in case of any inconsistency between this version in English and the original document in Italian, the latter will prevail.

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## CURRENT WORDING

### Article 1

A joint-stock company is hereby incorporated under the name of “Società per Azioni ISTITUTO FINANZIARIO INDUSTRIALE” and can be abbreviated in IFI S.p.A..

### Article 5

The capital stock is Euro 163,251,460 (one hundred and sixty-three million two hundred and fifty-one thousand four hundred and sixty) divided in 86,450,000 (eighty-six million four hundred and fifty thousand) ordinary shares and 76,801,460 (seventy-six million eight hundred and one thousand four hundred and sixty) preference shares of par value Euro 1 (one) each.

The ordinary shares shall be issued and outstanding in the manner provided by law, subject to the provisions of the following article 6.

The preference shares are issued in electronic form.

The directors have the power, for a period of five years from the resolution passed on May 14, 2008 to increase capital stock, in one or more instances, also in divisible form, up to an amount of Euro 561,750,000 (five hundred and sixty-one million seven hundred and fifty thousand).

## PROPOSED WORDING

### Article 1

A joint-stock company is hereby incorporated under the name of “~~Società per Azioni~~ ISTITUTO FINANZIARIO INDUSTRIALE” and ~~can be abbreviated in IFI S.p.A..~~ **EXOR S.p.A.”.**

### Article 5

The capital stock is Euro ~~163,251,460 (one hundred and sixty-three million two hundred and fifty-one thousand four hundred and sixty)~~ **246,229,903** divided in 86,450,000 ~~(eighty six million four hundred and fifty thousand)~~ **160,259,549** ordinary shares, and, 76,801,460 ~~(seventy six million eight hundred and one thousand four hundred and sixty)~~ preference shares **and 9,168,894 savings shares** of par value Euro 1 ~~(one)~~ each **(\*)**.

~~The ordinary shares shall be issued and outstanding in the manner provided by law, subject to the provisions of the following article 6.~~

The ~~preference~~ shares are issued in electronic form.

The directors have the power, for a period of five years from the resolution passed on May 14, 2008 to increase capital stock, in one or more instances, also in divisible form, up to an amount of Euro 561,750,000 ~~(five hundred and sixty-one million seven hundred and fifty thousand).~~

**Capital stock can also be increased by contribution of assets in kind or credits.**

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\* The amount of capital stock and the number of ordinary and savings shares represent the maximum amount of capital stock and the maximum number of ordinary and savings shares after completion of the Merger. The exact amount of capital stock and the exact number of the aforementioned shares will be determined in the merger deed.

## Article 6

Shares shall be registered.

Each share is indivisible; the possession of a share implies acceptance of these corporate bylaws.

Ordinary shares may not be disposed of, with effect towards the company, to parties other than the consanguine descendants of their holder and other holders of ordinary shares, unless the shares have been offered beforehand in option to the latter mentioned, with the right of accretion among them.

Notice of such offer shall be sent by registered mail with advice of receipt to the chairman of the board of directors of the company. The chairman of the board shall, in turn, within fifteen days from receiving any such notice, inform the other holders of ordinary shares, by the same means, and each stockholder can declare whether he accepts the offer, prorated to the number of shares already held, by registered mail with advice of receipt sent to the chairman of the board within thirty days from receiving any such notice. In case any holder of ordinary shares does not intend to take advantage of such right, his share will be offered to the other holders of ordinary shares, prorated to the number of shares held by each.

The shares so offered shall be transferred within one month of the date when the chairman of the board of directors will have informed the offering stockholder, by registered mail with advice of receipt, that his offer has been accepted, together with the name of all the stockholders accepting his offer and the number of shares to be transferred to each of them. The unit price of the shares to be transferred shall be equal to the average selling prices of the company's preference shares that are most favorable to the seller. Such average selling prices shall be those registered on the Mercato Telematico Azionario (Electronic Trading Market) of Borsa Italiana in the three months or six months preceding the notice of offer to the

## Article 6

The ordinary and preference shares are registered shares, **whereas the savings shares are bearer or registered shares as elected by the stockholders or as provided by law.**

Each share is indivisible; the possession of a share implies acceptance of these corporate bylaws.

~~Ordinary shares may not be disposed of, with effect towards the company, to parties other than the consanguine descendants of their holder and other holders of ordinary shares, unless the shares have been offered beforehand in option to the latter mentioned, with the right of accretion among them.~~

~~Notice of such offer shall be sent by registered mail with advice of receipt to the chairman of the board of directors of the company. The chairman of the board shall, in turn, within fifteen days from receiving any such notice, inform the other holders of ordinary shares, by the same means, and each stockholder can declare whether he accepts the offer, prorated to the number of shares already held, by registered mail with advice of receipt sent to the chairman of the board within thirty days from receiving any such notice. In case any holder of ordinary shares does not intend to take advantage of such right, his share will be offered to the other holders of ordinary shares, prorated to the number of shares held by each.~~

~~The shares so offered shall be transferred within one month of the date when the chairman of the board of directors will have informed the offering stockholder, by registered mail with advice of receipt, that his offer has been accepted, together with the name of all the stockholders accepting his offer and the number of shares to be transferred to each of them. The unit price of the shares to be transferred shall be equal to the average selling prices of the company's preference shares that are most favorable to the seller. Such average selling prices shall be those registered on the Mercato Telematico Azionario (Electronic Trading Market) of Borsa Italiana in the three months or six months preceding the notice of offer to the~~

chairman of the board of directors.

The offering stockholder can freely assign any shares for which he has received no notice of acceptance of offer, at the address shown in the registered letter notifying his offer, within six months of the date of delivery of such letter as stated on the advice of receipt.

Assignment means to transfer not only the full ownership of shares, but also the bare property or any other real right on the shares. In such case, the offer in option is the real right and the relevant transfer price shall be fixed by the board of directors in agreement with the statutory auditors, taking as a reference the price of the preference shares as per the fifth paragraph.

Ordinary shares which have become, by donation or legal or testamentary succession, the property or any other right of parties who are not consanguine descendants of the assigning stockholder or other holders of ordinary shares, shall be offered in option to the latter in the ways and to the effects detailed in the previous paragraphs. No heir, legatee or donee can, before any such offer has been made and has not been accepted, be registered in the register of stockholders, be legally allowed to exercise the right of vote and any other administrative right related to the shares, with effect to the company, to parties other than other holders of ordinary shares.

Subject to the provisions of the paragraphs above, for the assignment of ordinary shares to parties other than consanguine descendants of stockholders and other holders of ordinary shares, the assigning stockholder shall request, by registered letter with advice of receipt, the prior authorization of the board of directors; the board can refuse any such authorization if the nominated purchaser does not meet the essential features required of holders of ordinary shares. The board of directors shall inform the stockholder involved of its decision within 45 days from the date when the board of directors received the request of authorization to transfer. In case of refusal of such authorization, the board of directors shall, in agreement with the stockholder involved, use its

~~chairman of the board of directors.~~

~~The offering stockholder can freely assign any shares for which he has received no notice of acceptance of offer, at the address shown in the registered letter notifying his offer, within six months of the date of delivery of such letter as stated on the advice of receipt.~~

~~Assignment means to transfer not only the full ownership of shares, but also the bare property or any other real right on the shares. In such case, the offer in option is the real right and the relevant transfer price shall be fixed by the board of directors in agreement with the statutory auditors, taking as a reference the price of the preference shares as per the fifth paragraph.~~

~~Ordinary shares which have become, by donation or legal or testamentary succession, the property or any other right of parties who are not consanguine descendants of the assigning stockholder or other holders of ordinary shares, shall be offered in option to the latter in the ways and to the effects detailed in the previous paragraphs. No heir, legatee or donee can, before any such offer has been made and has not been accepted, be registered in the register of stockholders, be legally allowed to exercise the right of vote and any other administrative right related to the shares, with effect to the company, to parties other than other holders of ordinary shares.~~

~~Subject to the provisions of the paragraphs above, for the assignment of ordinary shares to parties other than consanguine descendants of stockholders and other holders of ordinary shares, the assigning stockholder shall request, by registered letter with advice of receipt, the prior authorization of the board of directors; the board can refuse any such authorization if the nominated purchaser does not meet the essential features required of holders of ordinary shares. The board of directors shall inform the stockholder involved of its decision within 45 days from the date when the board of directors received the request of authorization to transfer. In case of refusal of such authorization, the board of directors shall, in agreement with the stockholder involved, use its~~

best efforts to place the shares within the maximum term of 90 days. If no sale is made within such 90-day term, the shares under consideration can be transferred to third parties.

#### **Article 7**

The company's capital stock can be increased by issuing ordinary and/or preference and/or savings shares. The holders of each category of shares shall have the right to receive in option a prorated number of newly issued shares of their class and, lacking a sufficient number of shares or for the balance, shares in another class (or other classes).

The resolutions for the issue of both new shares having the same features as the existing shares, and savings shares, do not require the approval of special meetings of stockholders of the individual categories of shares.

#### **Article 10**

Each share entitles its holder to one vote.

Preference shares have voting rights only for the resolutions set forth in art. 2365 of the Italian Civil Code and the second paragraph of art. 13 of the bylaws.

The stockholders having voting right may attend the meeting.

Each stockholder holding ordinary shares may be represented at a meeting, in the ways provided by the law, by another stockholder holding ordinary shares entitled to attend the meeting.

Each stockholder holding preference shares may be represented at a meeting, in the ways provided by the law, by a party who may also not be a stockholder.

#### **Article 16**

The company is managed by a board of directors formed by a number of directors variable from seven to fifteen, depending on the

~~best efforts to place the shares within the maximum term of 90 days. If no sale is made within such 90 day term, the shares under consideration can be transferred to third parties.~~

#### **Article 7**

The company's capital stock can be increased by issuing ordinary and/or preference and/or savings shares. The holders of each category of shares shall have the right to receive in option a prorated number of newly issued shares of their class and, lacking a sufficient number of shares or for the balance, shares in another class (or other classes).

The resolutions for the issue of ~~both~~ new shares having the same features as the existing shares, ~~and savings shares~~, do not require the approval of special meetings of stockholders of the individual categories of shares.

#### **Article 10**

Each ordinary and preference share entitles its holder to one vote.

Preference shares have voting rights only for the resolutions set forth in art. 2365 of the Italian Civil Code and the second paragraph of art. 13 of the bylaws.

The stockholders having voting right may attend the meeting.

Each stockholder ~~holding ordinary shares may be represented at a meeting, in the ways provided by the law~~, may be represented at a meeting, in the ways provided by the law. ~~by another stockholder holding ordinary shares entitled to attend the meeting.~~

#### **Article 16**

The company is managed by a board of directors formed by a number of directors variable from seven to ~~fifteen~~ nineteen,

number established by the shareholders' meeting.

Directors remain in office for three fiscal years and their term of office expires concurrently with the stockholders' meeting convened for the approval of the financial statements for the third financial year; these directors can be re-appointed.

The board of directors is appointed by using slates of candidates. If several slates are presented, one of the members of the board of directors shall be chosen from the slate that has obtained the second highest number of votes. Slates may be presented only by those stockholders who, individually or together with other own voting shares, represent the percentage established by the company according to the current law, which shall be indicated in the notice calling the stockholders' meeting.

No single stockholder can present, either through a third party or trustee company, more than one slate of candidates, or cast votes in different slates. No stockholders belonging to the same group and stockholders who signed a stockholders' agreement regarding the stock of the company can present, either through a third party or trustee company, more than one slate of candidates, or cast votes in different slates. Each candidate may be included in one slate only, under penalty of ineligibility.

The candidates included in the slates must be indicated in numerical order and satisfy the integrity requirements imposed by law. The candidate who is indicated at number one on the slate in numerical order must also satisfy the legal requirements of independence set forth by law.

The slates presented must be deposited at the company's offices at least fifteen days to the day of the meeting convened for the election of the board of directors.

Together with each slate and within the time limit indicated above, declarations in which the

depending on the number established by the shareholders' meeting.

Directors remain in office for **up to a maximum period of** three fiscal years and their term of office expires concurrently with the stockholders' meeting convened for the approval of the financial statements relating to the ~~third~~ **last** financial year of **their office**; these directors can be re-appointed.

The board of directors is appointed by using slates of candidates. If several slates are submitted, one of the members of the board of directors shall be chosen from the slate that has obtained the second highest number of votes. Slates may be submitted only by those stockholders who, individually or together with other own voting shares, represent the percentage established by the company according to the current law, which shall be indicated in the notice calling the stockholders' meeting.

No single stockholder can present, either through a third party or trustee company, more than one slate of candidates, or cast votes in different slates. No stockholders belonging to the same group and stockholders who signed a stockholders' agreement regarding the stock of the company can present, either through a third party or trustee company, more than one slate of candidates, or cast votes in different slates. Each candidate may be included in one slate only, under penalty of ineligibility.

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The slates presented must be deposited at the company's offices at least fifteen days to the day of the meeting convened for the election of the board of directors.

Together with each slate and within the time limit indicated above, declarations in which the



stockholders state their right to attend the meeting, an exhaustive disclosure regarding the candidates' personal and professional characteristics as well as declarations in which single candidates accept the candidature and, on their own responsibility, state that they satisfy the envisaged requirements shall be filed. The candidates who do not comply with these rules are ineligible.

Once the stockholders' meeting determines the number of directors to be elected, the following procedure shall be applied:

1. all the directors except one shall be elected from the slate that has obtained the highest number of votes, on the basis of the numerical order in which they appear on the slate;
2. as provided by law, one director shall be elected from the slate that has obtained the second highest number of votes, on the basis of the numerical order in which the candidates appear on the slate.

Slates that received a percentage of votes at the stockholders' meeting that is less than half of the number required pursuant to the third paragraph of this article shall not be counted.

The foregoing rules for the election of the board of directors do not apply if at least two slates are not submitted or voted on, or at the stockholders' meeting that shall replace directors during their terms. In these cases, the stockholders' meeting shall decide on the basis of a relative majority.

It is in the power of the board to replace the directors who have left their office during their term of office, as provided by article 2386 of the Italian Civil Code.

If, due to resignation or other causes, the majority of directors should leave office, the whole board shall be deemed to be resigning and the directors still in office should urgently call an extraordinary meeting for the new appointments.

The term of office of any director appointed by the stockholders' meeting in the course of a

stockholders state their right to attend the meeting, an exhaustive disclosure regarding the candidates' personal and professional characteristics as well as declarations in which single candidates accept the candidature and, on their own responsibility, state that they satisfy the envisaged requirements shall be filed. The candidates who do not comply with these rules are ineligible.

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1. all the directors except one shall be elected from the slate that has obtained the highest number of votes, on the basis of the numerical order in which they appear on the slate;
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Slates that received a percentage of votes at the stockholders' meeting that is less than half of the number required pursuant to the third paragraph of this article shall not be counted.

The foregoing rules for the election of the board of directors do not apply if at least two slates are not submitted or voted on, or at the stockholders' meeting that shall replace directors during their terms. In these cases, the stockholders' meeting shall decide on the basis of a relative majority.

It is in the power of the board to replace the directors who have left their office during their term of office, as provided by article 2386 of the Italian Civil Code.

If, due to resignation or other causes, the majority of directors should leave office, the whole board shall be deemed to be resigning and the directors still in office should urgently call an extraordinary meeting for the new appointments.

The term of office of any director appointed by the stockholders' meeting in the course of a

three-year term shall expire on expiry of the term of office of directors in office at the time of the appointment.

## Article 27

The profit of each year will be apportioned as follows:

- 10% to the legal reserve, until it reaches one-fifth of the company's capital stock;
- of the remaining amount, 1% is at the board of directors' disposition for distribution among its members;
- the remaining profit is appropriated as follows:

- a) to preference shares, a preference dividend of 5.17% of their par value, which is not cumulative from one fiscal year to the next;
- b) after any appropriations to reserves, the residual amount is attributed equally to the ordinary and preference shares.

three-year term shall expire on expiry of the term of office of directors in office at the time of the appointment.

## Article 27

The profit of each year will be apportioned as follows:

- ~~105%~~ to the legal reserve, until it reaches one-fifth of the company's capital stock;
- ~~of the remaining amount, 1% is at the board of directors' disposition for distribution among its members;~~
- ~~the remaining profit is appropriated as follows:~~

- a) ~~the remaining profit to the shares as dividend, unless otherwise resolved upon by the stockholders' meeting in observance of the applicable provisions, taking into account that in the order (i) the savings shares are in any case entitled to a preference dividend cumulative pursuant to the following second paragraph, equal to 31.21% of their par value and to a dividend higher than that of the ordinary shares, equal to 7.81% of the same par value, and (ii) the preference shares, to a preference dividend of 5.17% and a dividend higher than that of the ordinary shares, equal to 5.17% of their~~ par value, which is not cumulative from one fiscal year to the next;
- b) ~~after any appropriations to reserves, the residual amount is attributed equally to the ordinary and preference shares.~~

If, in any fiscal year, a dividend lower than the measure set out above has been distributed to the savings shares, the difference is calculated as an increase to be added to the preference dividend in the following two fiscal years.

**In case of exclusion from trading of the ordinary shares and/or savings shares, the preference dividend and the dividend higher than that of ordinary shares due to the savings shares will be automatically increased in order to result equal to, respectively, 32.15% and 8.75%.**

**In the event of distribution of reserves, the savings shares have the same rights as the other shares.**

During the course of the year, and if the board of directors so deems it expedient and is feasible in consideration of the results of the year, the board of directors can resolve to pay interim dividends for the year.

### **Article 30**

In the event of dissolution of the company for any reason whatsoever, the general shareholders' meeting will appoint one or more liquidators fixing the powers and fees, in compliance with the law.

The holders of preference shares have a right of pre-emption in the allocation of the corporate assets up to the amount of the par value of their shares.

During the course of the year, and if the board of directors so deems it expedient and is feasible in consideration of the results of the year, the board of directors can resolve to pay interim dividends for the year.

### **Article 30**

In the event of dissolution of the company for any reason whatsoever, the general shareholders' meeting will appoint one or more liquidators fixing the powers and fees, in compliance with the law.

**In the event of winding up, the corporate assets are apportioned in the following order:**

**- the savings shares have a right of pre-emption up to Euro 3.78 per each savings share;**

**—The the holders of the preference shares have a right of pre-emption ~~in the allocation of the corporate assets~~ up to the amount of the par value of their shares.;**

**- to the ordinary shares, up to the amount of the par value of their shares;**

**- to the shares of the three categories of shares, the remaining, if any, pursuant to the law.**

**TITLE XI – Preference shares and Communications to the common representative**

### **Article 31**

Preference shares have the rights described in articles 27 and 30.

**TITLE XI – Savings and preference shares and Communications to the respective common representative**

### **Article 31**

**Savings shares and** preference shares have the rights described **in this article and** articles 27

and 30.

**The reduction of the capital stock due to losses does not result in the reduction in the par value of the savings shares, with the exception of the part of the loss which exceeds the overall par value of the other shares.**

The expenses required to safeguard the common interests of the holders of preference shares are borne by the company up to an amount of Euro 10,000 (ten thousand) per year.

The expenses required to safeguard the common interests of the holders of preference shares **and the holders of savings shares** are borne by the company up to an amount of Euro 10,000 (~~ten thousand~~) per year **for each of the two categories of shares.**

In order to ensure that the common representative is adequately informed about the transactions which can affect the course of the quotations of the listed shares, communications regarding the aforesaid matters will be promptly sent to the same by the legal representatives.

In order to ensure that ~~the common representative~~ **the common representatives of the two categories of shares are** adequately informed about the transactions which can affect the course of the quotations of the listed shares, communications regarding the aforesaid matters will be promptly sent ~~to same~~ **to the same** by the legal representatives.

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Press releases of September 8, 2008, September 10, 2008 and September 23, 2008

Turin, September 8, 2008

**JOINT PRESS RELEASE**

**Simplification of Group structure through the merger**  
**by incorporation of IFIL into IFI**

- **Boards unanimously approve the plan for the merger of the controlled company IFIL into the controlling company IFI**
- **All classes of shares to be listed (savings shares, preference shares and ordinary shares)**
- **Exchange ratios:**
  - **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**

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, reviewed and unanimously approved the plan to simplify the structure of the Group by way of a merger by incorporation of the controlled company IFIL into the controlling company IFI.

The transaction will lead to an optimization of the current Group structure by making it simpler and clearer for shareholders in a manner consistent with the evolution of both statutory and market standards without reducing the Group's investment capabilities.

Under the merger plan, all classes of shares (savings, preference and ordinary) will be listed. It will therefore require the listing of the ordinary and savings shares of the surviving company.

There will not be any right of withdrawal for the shareholders in either company.

The exchange ratios, unanimously approved today by the Boards of Directors in this plan for the transaction, are as follows:

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

These exchange ratios will be included in the Project of Merger to be presented for approval at the next Boards of Directors' meeting.

Such exchange ratios have been determined by taking into account two valuation methodologies: the NAV (Net Asset Value) and the market prices for both companies. IFIL's NAV has been calculated i) for the listed investments based upon their market value; ii) for the non listed investments and for the other assets and liabilities by reference to independent third party appraisals 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.

The market price methodology compared the relative trading prices of IFIL ordinary shares and IFI preference shares. For both methodologies, prices were calculated using the six month average trading prices prior to August 25, 2008. The exchange ratio has been determined as the average result of both methodologies. The exchange ratio calculation and the methodologies utilized will be further detailed in the Board of Directors reports prepared for the Extraordinary shareholders' meetings. These reports will be available in accordance with the timing required by the Law.

As a result of the merger, on the basis of the current holdings in IFI and IFIL and the above exchange ratios, Giovanni Agnelli e C. S.p.A. 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.

According to the proposed transaction timetable, approval of the Merger Project by the Boards of Directors of IFI and IFIL is expected by the end of September 2008. The Shareholder Meetings to approve the merger are expected to take place in November 2008. The conclusion of the transaction with the admission to trading of the IFI ordinary and savings shares to which completion of the merger will be subject, is expected to take place in early 2009.

John Elkann will be the Chairman of the resulting merged company and Carlo Sant'Albano will be Chief Executive Officer.

Leonardo & Co. acted as financial advisor to IFI in this transaction. Goldman Sachs International acted as financial advisor to IFIL. Both financial advisors have provided a fairness opinion from a financial point of view with respect to the exchange ratios.

Finally, the Board of Directors of IFIL S.p.A. has confirmed the suspension of the buy back programme.

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Turin, September 10, 2008

**JOINT PRESS RELEASE**

**pursuant to art. 114, paragraph 5, D.Lgs. 58/98**

As per CONSOB requests received by IFI S.p.A. and IFIL S.p.A. pursuant to art. 114, paragraph 5, D.Lgs 58/1998, in connection with the press release dated September 8, 2008 on the approval of the simplification of the Group structure through the merger by incorporation of IFIL into its parent company IFI,

IFI and IFIL state as follows, having said that (i) the Board of Directors on September 8 approved the guidelines of the plan for the simplification of the Group structure and (ii) the Merger Project and the Board of Directors reports, including all relevant details, will be submitted for approval subsequently.

**SUMMARY OVERVIEW OF THE RISKS IN CONNECTION WITH THE 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.



## EXPLANATION OF THE ECONOMIC RATIONALE OF THE TRANSACTION AND RELATED IMPACTS ON INCOME STATEMENT, BALANCE SHEET AND CASH FLOWS.

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 and transparency, 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 significantly IFIL's current investment ability. The post-merger consolidated net financial position of the "holding system" for both IFI and IFIL will be substantially 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 significantly 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.

As a result of the merger, on the basis of the current holdings in IFI and IFIL and the approved exchange ratio, 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.

## DETERMINATION OF THE EXCHANGE RATIO, ASSESSEMENTS OF ITS FAIRNESS, AVAILABILITY OF OPINIONS BY INDEPENDENT EXPERTS SUPPORTING THE FAIRNESS OF THE EXCHANGE RATIO

In the merger guidelines, the Boards of Directors approved the exchange ratio, with the assistance of their respective financial advisors, consistently with the governance of the two Companies. The financial advisors provided a fairness opinion from a financial standpoint with respect to the exchange ratio approved by the Boards of Directors.

Pursuant to the applicable laws, the exchange ratio to be included in the Merger Project will be reviewed for the each of the Companies by a specific independent expert appointed by the Turin Court, who will prepare the report on the fairness of the exchange ratio of the shares as per art. 2501-sexies cod. civ.

In relation to the financial advisors, IFI has been assisted by Leonardo & Co., whose mandate was assigned by IFI Chief Executive Officer Virgilio Marrone, while IFIL has been assisted by Goldman Sachs International, whose mandate was assigned by IFIL Chief Executive Officer Carlo Sant'Albano.

These advisors were selected in consideration of their outstanding professional capabilities and of their excellent national and international reputation.

Leonardo & Co. is part of Gruppo Banca Leonardo S.p.A., which is participated by IFIL with a 9.76% stake. Moreover, IFIL Chairman, John Elkann, is a Director of Gruppo Banca Leonardo S.p.A.. Such relations are not relevant for the engagement and for the independence of the advisor Leonardo & Co.

The mandates assigned to the two financial advisors entail the assistance in the analysis of the financial aspects of the transaction, in the assessment of its financial impacts, in the execution of the transaction (including providing a fairness opinion, from a financial standpoint, of the exchange ratio). It is expected that the fairness opinion already provided will be confirmed again by the advisors upon the Board of Directors which will approve the Merger Project.

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 share 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; ii) for the non listed investments and for the other assets and liabilities by reference to independent third party appraisals 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.

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; such approach was adopted also in consideration of the differences resulting from the application of the two methods described under (i) and (iii).

(b) to refer to the 6 months averages of market prices, as sufficiently long not to be affected by short-lived volatility but at the same time representative of market conditions. The press release announcing the purchase of IFI preference shares by Giovanni Agnelli e C. S.a.p.az. was issued on August 25, 2008.

The Board of Directors, having considered the work of the advisors and the relevant fairness opinions, having shared the performed analyses as well as the adopted methodologies and the obtained results, approved the exchange ratio that will be included in the Merger Project.

## INFORMATION ON CHANGES TO COMPENSATION

The compensation to the members of board of directors of IFI, IFIL and/or their subsidiaries is not going to change as a result of the transaction described in the press release dated September 8, 2008.

## CORPORATE BODIES OR DIRECTORS INVOLVED IN THE NEGOTIATIONS

From IFI standpoint the transaction has been supervised by IFI Chief Executive Officer dott. Virgilio Marrone, assisted by Leonardo e Co. as financial advisor, and from IFIL standpoint by IFIL Chief Executive Officer dott. Carlo Sant' Albano, assisted by Goldman Sachs International as financial advisor. IFI and IFIL Chairman ing. John Elkann was also involved in the definition of the transaction. Dott. Gianluigi Gabetti, director of IFI and IFIL, attended certain meetings.

The exchange ratio was submitted for approval to the Board of Directors on September 8, 2008. All the companies' directors attended such board meetings and the resolutions were unanimously approved, thus including the positive votes of the independent directors, 4 for IFIL and 1 for IFI.

## NO ENTITLEMENT TO 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 cod. civ. 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 cod. civ.;
- as far as art. 2437 lett. g) cod. civ. 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).

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

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Turin, September 23, 2008

**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 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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**Report of the Board of Directors of Società per Azioni Istituto Finanziario Industriale – IFI S.p.A. on the Plan for the Merger by incorporation of IFIL Investments S.p.A. into Società per Azioni Istituto Finanziario Industriale – IFI S.p.A.**

**APPENDICES SUPPLEMENTARY**

In addition to the Report above, and in order to facilitate the consultation, please find attached the press releases of IFI S.p.A. dated 25 September and 27 October, 2008.

Turin, September 25, 2008

**NOTICE OF CALL OF THE SPECIAL MEETING  
OF THE PREFERENCE SHAREHOLDERS**

The Common Representative of the Preference Shareholders determined to convene the Special Meeting of the Preference Shareholders on 27 October 2008, at 11.30 a.m., to resolve upon the following

*Agenda*

1. Common Representative's report on the terms of the merger of IFIL S.p.A. with IFI S.p.A.
2. Evaluation of the effects of the aforesaid merger operation with respect to the IFI S.p.A. Preference Shares.
3. Consequent resolutions.
4. Any other business.

The Special Meeting will be held at the Centro Congressi di Torino Incontra – Turin, Via Nino Costa 8.

Only the Holders of Preference Shares, to whom the communication has been made, pursuant to Art. 2370, second paragraph of the Italian Civil Code, by an authorized intermediary adherent to the concentrated management system of Monte Titoli S.p.A. are entitled to attend the Meeting.

For the purpose of an easier access to the Meeting, Holders of Preference Shares are requested to deliver a copy of the aforementioned communication.

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Turin, October 27, 2008

**PRESS RELEASE**

**IFI Special Meeting - Preferred Stockholders**

**IFI and IFIL special stockholders' meetings convened to vote on the merger  
on December 1, 2008**

Today, the special meeting of IFI preferred stockholders met under the chairmanship of the common representative, Mr Luigi Santa Maria.

There were 36,622,123 preferred shares present in person or by proxy, equivalent to 47.68% of the class of stock. At the beginning of the special meeting, one shareholder took exception to the fact that there was not a quorum representing at least one-half of the stockholders pursuant to art. 2376, paragraph 2 of the Italian Civil Code and other shareholders, making reference to both art. 146 and 147-bis of TUF, challenged the application of the above mentioned quorum since they considered applicable the 20% quorum of the class of the stock as stated in paragraph 3 art. 146 of TUF. The meeting nevertheless continued and resolved:

1. to express its dissent with the position taken by the company which does not deem it necessary for the proposed merger of IFIL in IFI to be approved by the special preferred stockholders' meeting (64.61% of the voting preferred stockholders or 30.78% of the class of stock expressed a yea vote to the dissent; 35.08% of the voting preferred stockholders or 16.71% of the class of stock expressed a nay vote taking the company's position; 0.30% abstained from voting;
2. to deem that prejudice regarding the preferred stockholders exists as a result of the proposed merger especially in respect of the bylaws which state that IFI savings shares (post EXOR merger) precede IFI preferred shares (post EXOR merger) in both the distribution of profits and the distribution of assets in the event of a wind-up (55.58% of the voting preferred stockholders or 26.43% of the class of stock expressed a yea vote on the existence of prejudice; 44.21% of the voting preferred stockholders or 21.06% of the class of stock expressed a nay vote on the existence of prejudice; 0.30% abstained from voting;
3. to confer a mandate to the common representative so that he undertakes talks with IFI S.p.A. and its stockholders of reference in order to reach a possible agreement aimed at eliminating or subordinately to attenuate the prejudice toward the preferred stockholders and consequently to give a mandate to the common representative to call a new special preferred stockholders' meeting after the outcome of the above talks to vote on the ratification of any agreements reached or to pass any other different resolution to protect the class of stock (55.48% of the voting preferred stockholders or 26.43% of the class of stock expressed a yea

vote on conferring the mandate; 44.21% of the voting preferred stockholders or 21.06% of the class of stock expressed a nay vote on conferring the mandate: 0.30% abstained from voting);

4. to set up a common fund of € 1 million, temporarily to be borne by the company. The common representative will have the right to use this fund for every initiative to protect the interests of the preferred stockholders, also by appointing a group of consultants (56.40% of the voting preferred stockholders or 23.73% of the class of stock expressed a yea vote on setting up a fund; 38.45% of the voting preferred stockholders or 16.18% of the class of stock expressed a nay vote on setting up a fund; 5.13% abstained from voting).

With reference to the above resolutions and all exceptions regarding the validity of today's special meeting and its resolutions being understood, the company reiterated, through its managing director, Mr Virgilio Marrone, what was already announced in its September 8, 10 and 23 press releases and, specifically, that the second paragraph of art. 7 of IFI's bylaws does not require the vote of a special meeting of IFI preferred stockholders in order to issue savings shares following the merger of IFIL in IFI.

Tomorrow, on October 28, 2008, notifications will be published for convening the IFI and IFIL special meetings to vote on the merger, on **December 1, 2008 in first call** (December 2, 2008 in second call). Again tomorrow, the Merger Project and the remaining documentation regarding the operation will be filed at the head offices and at the stock exchange and will be published on the web site.

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**PRESS RELEASE**

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## ORDINARY SESSION

### **AMENDMENT TO ARTICLE 6.3 OF THE SET OF RULES APPLICABLE TO THE STOCKHOLDERS' MEETINGS OF THE COMPANY (THE "CODE").**

The merger by incorporation of IFIL S.p.A. into IFI S.p.A., as on the Agenda of the Extraordinary Stockholders' Meeting, provides that IFI S.p.A. will issue new savings shares to service the share exchange.

Therefore, we invite the Stockholders to resolve upon the amendment to article 6.3 of the set of rules applicable to the stockholders' meetings of the company adding to the common representative of the preference stockholders, the common representative of the savings stockholders.

The aforementioned amendment will be effective starting from the effective date of the merger.

The comparison between the text of the existing rules and the text proposed for approval is provided below and we invite the Stockholders to pass the subsequent resolutions.

<b>CURRENT WORDING</b>	<b>PROPOSED WORDING</b>
<p><u>Article 6 – DEBATE AND POWERS OF THE CHAIRMAN</u> 6.3. Anyone who is allowed to speak, including the common representative of the preferred stockholders or, if any, the common representative of the holders of debentures, has the right of speaking on any subject on the agenda which is under discussion, making comments and making proposals.</p>	<p><u>Article 6 – DEBATE AND POWERS OF THE CHAIRMAN</u> 6.3. Anyone who is allowed to speak, including <b>the common representative of the savings stockholders</b>, the common representative of the preference stockholders or, if any, the common representative of the holders of debentures, has the right of speaking on any subject on the agenda which is under discussion, making comments and making proposals.</p>

Turin, September 23, 2008

On behalf of the Board of Directors  
The Chairman  
John Elkann

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## **RESOLUTIONS AS REGARDS THE BOARD OF STATUTORY AUDITORS SUBSEQUENT TO VACATIONS**

As everybody knows, following the appointment of Gianluca Ferrero to the board of general partners of the parent Giovanni Agnelli e C. S.a.p.az., on May 15, 2008, the chairman of the board of statutory auditors, Gianluca Ferrero, and the standing auditor, Giorgio Giorgi, vacated their posts pursuant to art. 148, paragraph 3 of Legislative Decree 58/1998 (for reasons of incompatibility).

Subsequently, pursuant to art. 2401 of the Italian Civil Code, Giorgio Ferrino and Paolo Piccatti, who were already alternate auditors, took over the positions of standing auditors, and Lionello Jona Celesia, who was already a standing auditor, took over as chairman.

Therefore, we invite the Stockholders to appoint the two standing auditors and the two alternate auditors as well as elect the chairman of the board of statutory auditors.

The board of statutory auditors, as integrated, will remain in office until the expiry date of the term of office as currently determined and up to the stockholders' meeting that will be held to approve the separate financial statements 2008.

Turin, September 23, 2008

On behalf of the Board of Directors  
The Chairman  
John Elkann

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