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(Translation from the Italian original which remains the definitive version)

Società per Azioni Istituto Finanziario Industriale

Report of the auditors on the share exchange ratio pursuant to article 2501-*sexies* of the Italian Civil Code

KPMG S.p.A.
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Report of the auditors on the share exchange ratio pursuant to article 2501-*sexies* of the Italian Civil Code

To the shareholders of
Società per Azioni Istituto Finanziario Industriale

1 Purpose and scope of this report

On 17 September 2008, upon the request of Società per Azioni Istituto Finanziario Industriale ("IFI"), the Presiding Judge of the Turin Court appointed us to prepare a report on the share exchange ratio of IFI and of IFIL Investments S.p.A. ("IFIL"), in accordance with article 2501-*sexies* of the Italian Civil Code. To this end, the board of directors of IFI has provided us with the merger project together with a report prepared by it (the "Report") which identifies, explains and justifies the exchange ratio pursuant to article 2501-*quinquies* of the Italian Civil Code, and the condensed interim financial statements as of and for the six months ended 30 June 2008 prepared in accordance with article 2501-*quater* of the Italian Civil Code.

The proposed merger project will be subject to the approval of the shareholders of IFI at the extraordinary meeting to be held on 1 December 2008 on first call or on 2 December 2008 on second call (if required).

Similarly, the shareholders of IFIL will also be called to approve the project at an extraordinary meeting to be held on 1 December 2008 on first call or on 2 December 2008 on second call (if required).

The audit company Reconta Ernst & Young S.p.A. ("REY") was appointed by the Presiding Judge of the Turin Court on 17 September 2008 to prepare an equivalent report for IFIL.

2 Summary of the transaction

During the respective meetings held on 23 September 2008, the boards of directors of IFI and IFIL approved the project for the merger of IFIL into its parent IFI, after having outlined the related guidelines during their meetings of 8 September 2008.

The directors concurrently approved the Report, in which they explain the legal and financial grounds for the transaction and the related share exchange ratio.

In the first part of the Report, the directors set out the reasons underlying the transaction, stating that the merger:

- will enable the IFI Group to improve its current governance structure, by streamlining the Group's control chain and implementing a simpler and clearer model, to the benefit of shareholders as well as in line with regulatory and market trends;
- should have substantially neutral effects on the financial statements of the new company.

With reference, in particular, to the transaction's structuring, the Report states the following:

A. the merger will be between:
   - Società per Azioni Istituto Finanziario Industriale, with registered office in Turin, Turin company registration no. 00470400011, fully paid-up share capital of €163,251,460.00, split into 86,450,000 unlisted ordinary shares, with a nominal unit value of €1, and 76,801,460 listed preference shares, with a nominal unit value of €1 - the merging company,
   - IFIL Investments S.p.A., with registered office in Turin, Turin company registration no. 00914230016, fully paid-up share capital of €1,075,995,737.00, split into 1,038,612,717 listed ordinary shares, with a nominal unit value of €1, and 37,383,020 listed savings shares, with a nominal unit value of €1 - the merged company;

B. following the merger, the merging company will change its name from Società per Azioni Istituto Finanziario Industriale to EXOR S.p.A.;

C. the resulting company, ie, EXOR S.p.A., will have a share capital of maximum €246,229,903.00, split into a maximum of 160,259,549 ordinary shares (approximately 65.1% of the total share capital), 76,801,460 preference shares (approximately 31.2% of the total share capital) and 9,168,894 savings shares (approximately 3.7% of the total share capital);

D. the merger will lead to the cancellation without share exchange of:
   - IFI's investment in IFIL, specifically the IFIL ordinary and savings shares that, at the merger effective date, will be owned by IFI (however, as a minimum, 726,899,919 ordinary and 1,866,420 savings shares);
   - the IFIL ordinary and savings shares - including those servicing the stock option plan detailed in point H - that, at the merger effective date, will be owned by IFIL itself (however, as a minimum, 33,186,198 ordinary and 917,000 savings shares);

E. in addition, the merger will entail:
   - cancelling the IFIL ordinary and savings shares that are outstanding at the merger effective date and are owned by parties other than IFI and IFIL;

- issuing to those IFIL shareholders (other than IFI and IFIL) the number of IFI ordinary and savings shares calculated in accordance with the exchange ratio. To this end, as part of the merger, the merging company shall approve a share capital increase of a maximum nominal amount of€82,978,443.00 through the issue of a maximum of 73,809,549 ordinary and a maximum of 9,168,894 savings shares with a nominal unit value of €1 each and dividend rights equal to those of the shares of the merging company that are outstanding at the merger effective date;

F. it is the opinion of both companies' directors that there are no grounds for the shareholders of either company to be entitled to exercise their withdrawal right;

G. the merger will entail the universal succession of the merging company to IFIL, whereby EXOR S.p.A. will assume all assets, liabilities, rights and obligation of IFIL as from the merger effective date.

H. EXOR S.p.A. will continue the current stock option plan of IFIL (which was approved by IFIL shareholders at their ordinary meeting of 13 May 2008). In this respect, the directors state that:

- the plan does not require issuing new shares or have dilutive effects on the share capital;
- the treasury shares held by IFIL servicing the plan will also be cancelled without any share exchange pursuant to the law (and as detailed in point D);
- for the purposes of the plan, IFI will call an ordinary meeting to approve the repurchase of treasury shares servicing the plan, on the same date on which the extraordinary meeting called to approve the merger will be held.

I. EXOR S.p.A. will replace IFIL as issuer of the "2006/2011" and "2007/2017" non convertible bonds, listed on the Luxembourg stock exchange;

J. with reference to the effectiveness of the merger:

- the date on which the merger will be legally enforceable against third parties shall be set out in the merger deed and may be subsequent to the day on which the registrations provided for by article 2504 of the Italian Civil Code are completed;
- the transactions carried out by IFIL will be recognised in the financial statements of EXOR S.p.A. as from the first day of the year in which the merger becomes effective;
- in any case, the floatation of the merging company's ordinary and savings shares on the Milan Stock Exchange is a condition precedent for the merger to become effective;

K. therefore, an application will be filed for listing IFI ordinary and savings shares on the Milan Stock Exchange (which is a condition precedent for the merger effectiveness). When this condition is met and the merger is effective, all EXOR S.p.A. (ie, IFI post-merger) shares - ordinary, preference and savings - will be traded on the Milan Stock Exchange;

L. after the merger, IFI ordinary, preference and savings shares will be renamed EXOR;

M. the merger transaction is expected to be concluded with the floatation of the ordinary and savings shares of the merging company at the beginning of 2009.

With reference to the share exchange ratio:

N. the exchange ratios, calculated and approved by the boards of directors, are as follows:
- 0.265 newly-issued IFI ordinary shares with a nominal unit value of €1 for each IFIL ordinary share with a nominal unit value of €1 each;
- 0.265 newly-issued IFI saving shares with a nominal unit value of €1 for each IFIL savings share with a nominal unit value of €1 each.

There will be no cash settlement;

O. the directors have calculated the exchange ratio using two valuation methods: market prices and NAV (Net Asset Value) of the two companies:
- with reference to market prices, reference has been made to the stock exchange prices of IFIL ordinary and IFI preference shares. In both methods, the timeframe considered is six months prior to 25 August 2008 (issue date of the press release announcing Giovanni Agnelli e C. S.a.p.az.'s purchase of IFI preference shares), ie, from 23 February to 22 August 2008, included;
- under the second method, IFIL's NAV has been calculated i) on the basis of the share market price for investments in listed companies; ii) on the basis of the valuations made by independent experts and IFIL itself or the carrying amounts stated in the condensed interim consolidated financial statements of IFIL at 30 June 2008 for investments in unlisted companies and other assets and liabilities. IFI's NAV has been estimated by measuring the investment in IFIL at the relevant NAV and IFI's other assets and liabilities at their carrying amounts at 30 June 2008. On the other hand, the net financial positions of both companies considered in the valuation are those updated to 31 August 2008. Therefore, they reflect IFIL's investments and disinvestments made after 30 June 2008, specifically:
  - IFIL's announcement on 24 July 2008 of its sale of 141,716,165 Intesa Sanpaolo S.p.A. ordinary shares for an average unit price of €3.51, totalling €497 million;
  - IFIL's interruption on 25 August 2008 of its treasury share buy-back programme, after having repurchased treasury shares totalling €34.1 million since 1 July 2008;

P. the directors have calculated the exchange ratio as the arithmetic average of the exchange ratios resulting from the two methods applied;

Q. Leonardo & Co. (the "Advisor") and Goldman Sachs International assisted the directors of IFI and IFIL, respectively, in connection with the transaction and, specifically, with the calculation of the exchange ratio. The advisors also expressed their financial opinions thereon.

3 Nature and extent of this report

For the purpose of providing the shareholders of IFI with adequate information about the share exchange ratio, this report illustrates the valuation methods adopted by the directors to determine the share exchange ratio and any valuation difficulties they may have encountered. This report also includes our opinion about whether, under the circumstances, such methods are reasonable and not arbitrary, on the relative importance the directors gave to each of such methods, as well as whether they have been correctly applied.

Our examination of the valuation methods that the directors, guided by their advisors, have adopted did not include an economic valuation of the companies involved in the merger. This was carried out by the boards of directors and their advisors.

Accordingly, this report has been prepared solely for the purposes of the provisions of article 2501-*sexies* of the Italian Civil Code and as part of the merger of IFIL into IFI. Therefore, it cannot be used, in whole or in part, for any other purposes.

4 Documentation utilised

In performing our work, we obtained such documentation and information as was considered useful in the circumstances from IFI and IFIL. We analysed the documentation that was made available to us for this purpose and, in particular:

a) the merger project and the reports of the boards of directors of the two companies addressed to the respective extraordinary shareholders' meetings, which, on the basis of the condensed interim financial statements as of and for the six months ended 30 June 2008, propose share exchange ratios as follows:

- **0.265 newly-issued IFI ordinary shares with a nominal unit value of €1 for each IFIL ordinary share with a nominal unit value of €1 each;**
- **0.265 newly-issued IFI saving shares with a nominal unit value of €1 for each IFIL savings share with a nominal unit value of €1 each.**

There will be no cash settlement.

The boards of directors of the two companies calculated the share exchange ratio also using the factors provided in the valuation reports and opinions detailed in points b) and c);

b) the valuation report prepared by Leonardo & Co. and the valuation document prepared by Goldman Sachs International as the advisors of the boards of directors of IFI and IFIL, respectively. These reports, dated 23 September 2008 and requested by the two companies involved in the merger, detail the valuation criteria adopted, why they were chosen, the amounts resulting from their use and relevant considerations;

c) the fairness opinions, on a financial standpoint, on the share exchange ratio expressed by Leonardo & Co. and Goldman Sachs International for IFI and IFIL, respectively. Such reports, issued on 8 September 2008 and confirmed on 23 September 2008, were again prepared to support the boards of directors' decision as to the share exchange ratio;

d) the condensed interim financial statements of IFI and IFIL as of and for the six months ended 30 June 2008 prepared in accordance with article 2501-*quater* of the Italian Civil Code by the respective boards of directors of the two companies and the related independent auditors' reports thereon;

e) the following documentation, used by the boards of directors' advisors to prepare their valuation reports, which was subsequently examined, within the scope of our engagement, by us:
   - the separate and consolidated financial statements of IFI and IFIL as of and for the year ended 31 December 2007 as well as those of their main subsidiaries and associates, accompanied by the related reports of directors, boards of statutory auditors and independent auditors;
   - the condensed interim consolidated financial statements of IFI and IFIL as of and for the six months ended 30 June 2008, accompanied by the related directors' interim reports and independent auditors' reports thereon;
   - the by-laws of IFI and IFIL;
   - certain appraisals prepared by independent experts and IFIL relating to a number of IFIL's subsidiaries, as well as the third-party appraisal of the building owned by IFIL through a wholly-owned subsidiary;
   - internal details of the net financial position of IFI and the companies comprising IFIL's "Sistema Holdings" at 31 August 2008;
   - other historical documentation and information provided to us directly by IFI or obtained during our discussions with IFI or IFIL directors;
   - market information (market prices, trading volumes, etc.) about IFI, IFIL and all listed companies in which they have investments (sources: Bloomberg and Reuters) ;
   - market surveys and analyses prepared by independent financial analysts relating to IFI, IFIL, Fiat S.p.A., SGS S.A., Juventus Football Club S.p.A., Sequana S.A. and Intesa Sanpaolo S.p.A.;

- publicly-available information about companies that may be compared to IFI and IFIL and transactions that may be compared to this merger;
- additional publicly-available useful information;

f) we have also examined additional documentation as follows:
   - the by-laws of post-merger IFI attached to the merger project;
   - data and information obtained by IFI's and IFIL's advisors which they used to express their opinions on the share exchange ratio;
   - press releases and information made available by IFI's and IFIL's investor relators;

g) accounting and historical information and any other information and documentation considered relevant for the purposes of this report.

We have also obtained representations that, as far as the board of directors of IFI is aware, there have been no significant changes to the figures and information which we considered during our analysis.

5 Valuation methods adopted by the board of directors

The board of directors of IFI, guided by its Advisor, considered it appropriate to identify valuation methods in accordance with consolidated best practice, which would enable the two companies to be valued on a consistent basis for the purposes of the calculation of the exchange ratio.

Specifically, the directors have identified the following methods:

- Market price method;
- Net Asset Value method ("NAV").

The methods chosen and main application options adopted may be summarised as follows.

5.1 Estimate reference date

The directors have used the market prices of the relevant shares in the period up to 22 August 2008.

Such reference date has been used for the purposes of both identifying IFI and IFIL market prices for the market price method and estimating the fair value of IFIL's investments in listed companies for the NAV method.

The directors stated that the decision to choose such reference date is based on the fact that, on 25 August 2008, Giovanni Agnelli & C. S.a.p.az. announced that it had completed its acquisition of 10 million IFI preference shares and, therefore, their "assessment of available options" begun in the light of this transaction.

With reference to the NAV method, the directors have started from the balance sheet assets and liabilities of the two companies as of 30 June 2008. They have then taken the financial effects of the significant events that took place from 30 June to 31 August 2008 into account. Such effects, which were due to investments and disinvestments, have affected both the existing assets and net financial positions of the two companies.

5.2 *Methods chosen and valuation criteria*

5.2.1 *Market price method*

The market price method is based on the direct observation of the share prices in regulated markets.

The directors have highlighted that this method assumes that the share pricing process on the market in which a company is listed is efficient and identifies the economic value of a company with such prices, observed over adequate timeframes.

This method requires a prior analysis of the price significance level, their consistency and comparability over a period of time that is sufficiently long enough to dissolve the effects of speculative events or large price fluctuations. It entails a share liquidity analysis, observation of official prices and calculation of (weighted) average price for different periods.

In this case, the directors have considered the prices of the different classes of IFI and IFIL shares over different time periods prior to the reference date.

Based on the above, the directors have calculated and examined the share prices at the reference date of 22 August 2008 (see paragraph 5.1) and the arithmetic averages of market prices over the one month, two month, three month, six month and twelve month periods prior to the reference date.

Market prices for the shares involved or shares with comparable characteristics have also been used to estimate ratios of shares with dissimilar dividend, property and voting rights (see paragraph 5.3).

5.2.2 *NAV method*

Under this method, a company's value is calculated on the basis of the fair values of its assets and liabilities, each considered, as stated by the directors, "as an economic entity that can be measured separately".

This method uses a closed portfolio approach, which is based on the company's financial assets and liabilities at the reference date. In substance, therefore, the NAV method is a balance sheet method.

In this case, the directors have applied the NAV method consistently for the two companies, taking into account the fact that IFI's assets substantially consist of its investment in IFIL and, therefore, they are exposed to risk via such investment portfolio.

The fair value of the investments in portfolio has been calculated applying different methods, preferring, where possible, market values. Due to their limited materiality, the carrying amount of certain balance sheet items has been used.

For both companies, the directors have considered the decrease in value associated with the holding structure's operating costs. The related effects have been estimated by discounting the expected future costs as if the companies' management structures will not change, without considering any efficiencies that may arise from the combination of the two structures.

The methods used for the main items are listed in the following table.

NAV method

Balance sheet item	Valuation method
IFIL	
Listed investments:	
FIAT	Market price method
Intesa Sanpaolo	Market price method
SGS	Market price method
Sequana	Market price method
Juventus	Market price method
Unlisted investments:	
Cushman & Wakefield	Professional appraisals
Alpitour	Professional and internal appraisals
Net financial position (*)	Estimated at 31 August 2008
Other assets and liabilities	Carrying amount at 30 June 2008
IFI	
IFIL investment	NAV method (as above)
Net financial position	Estimated at 31 August 2008
Other assets and liabilities	Carrying amount at 30 June 2008

(*) Consolidated net financial position of the companies comprising IFIL's "Sistema Holdings".

5.3 *Treatment of the various classes of shares*

The transaction provides for the exchange of IFIL ordinary and non-convertible savings shares with newly-issued IFI ordinary and savings shares bearing the same dividend, property and voting rights.

Therefore, in calculating the share exchange ratio, the directors have allocated the total value of the companies to the different share types, in order to obtain relative amounts reflecting the different nature of each class of share.

In this respect, the directors adopted a substantially market-based approach, taking into account the transaction's overall structure and the limitations imposed by available comparative information.

Specifically, the directors have reached the following conclusions:

- unit value of IFI ordinary shares: the directors have given the same unit value for both ordinary and preference shares;
- theoretical unit value of IFI savings shares: since, with respect to the ordinary shares, the directors have proposed the same market differential as that observed for IFIL shares currently outstanding, they have recommended the same exchange ratio as that proposed for ordinary shares for the savings shares of the two companies. In this respect, the transaction provides that the preference rights of the newly-issued savings shares are proportionate to the exchange ratio.

The approach adopted for the treatment of the different classes of shares has been applied consistently when estimating the exchange ratio under both the market price and the NAV methods.

6 Valuation problems encountered by the board of directors

The main valuation problems encountered related to:

- the use of the market price method, since it entails application issues and limitations, due to the underlying assumption that the market on which the shares subject to valuation are traded is sufficiently efficient and liquid. Moreover, volatility issues may arise, which have a significant impact on market prices, particularly in the short term. To mitigate this volatility risk, sufficiently long time intervals have been considered;
- with reference to the NAV method, the valuation of investments in unlisted companies. However, according to the directors, this was only a minor problem for IFIL (the NAV of which is more than 85% made up of investments in listed companies) and actually inexistent for IFI (the NAV of which is almost entirely linked to that of IFIL). At any rate, reference has been made to appraisals and recent transactions or carrying amounts at 30 June 2008 when measuring IFIL's unlisted investments;

- with reference again to the NAV method, the same application issues and limitations as those of the market price method for the valuation of listed investments;

- the lack of official market prices for IFI ordinary shares, whereas its preference shares are listed. The directors noted that only two companies (Fiat S.p.A. and Unipol Gruppo Finanziario S.p.A.) have their preference shares listed on the Milan Stock Exchange, but they also have their ordinary shares listed on such market, and, in both cases, the preference shares have always had a discount with respect to ordinary shares. Therefore, in the absence of official market prices for IFI ordinary shares (the listing of which on the Milan Stock exchange will be requested), the directors have believed it appropriate to express the same unit value for both ordinary and preference shares;

- the lack of IFI savings shares, whereas IFIL also has savings shares outstanding, which have required the estimate of an exchange ratio as part of the merger. However, taking into account the fact that IFI savings shares with the same characteristics as IFIL savings shares will be issued (with preference adjustments in relation to the exchange ratio), the listing of which on the Milan Stock Exchange will be requested, and that the merger is conditional upon their listing, the directors have believed it appropriate to propose the same exchange ratio as that of IFIL ordinary shares also for IFIL savings shares. They have therefore implicitly assumed that IFI savings shares may have the same discount compared to IFI ordinary shares as that of IFIL savings shares compared to IFIL ordinary shares.

7 Results of the valuation performed by the board of directors, approach to the assignment of IFI shares and share characteristics

7.1 Results of the valuation performed by the board of directors

The value of the economic capitals per share of IFI and IFIL and consequent share exchange ratios calculated by the Advisor on the basis of the valuation methods described above and adopted by IFI's board of directors are shown in the tables set out below.

The following table shows the spot and arithmetic average prices of IFI preference shares and IFIL ordinary shares and the related exchange ratios of the different time periods from 22 August 2008, the last day of open trading before Giovanni Agnelli & C. S.a.p.az.'s press release of 25 August 2008.

Market price method

Value per share (€)	IFI	IFIL	Exchange ratio
Spot at 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 of IFI and IFIL market price: Bloomberg - Reference prices

The exchange ratios arising from the market price method range between 3.10x and 3.44x IFIL ordinary share for each IFI ordinary share.

The following table shows the results of the application of the NAV method, using different time frames to value IFIL's listed investments.

NAV method

Value per share (€)	IFI	IFIL	Exchange ratio
Listed investment price - 22 August 2008	26.82	6.33	4.24x
Listed investment price - 1 month average	27.93	6.57	4.25x
Listed investment price - 2 month average	27.14	6.40	4.24x
Listed investment price - 3 month average	28.74	6.75	4.26x
Listed investment price - 6 month average	31.09	7.26	4.28x
Listed investment price - 12 month average	36.16	8.36	4.33x

Source of IFIL's listed investment prices: Bloomberg - Reference prices

The exchange ratios arising from the NAV method range between 4.24x and 4.33x IFIL ordinary share for each IFI ordinary share.

With reference to the table set out above, the directors have disclosed the following:

- the value per IFI share applies to both ordinary and preference shares;

- the value per IFIL share only applies to ordinary shares. Since the economic value of IFI's share capital is split into ordinary and savings shares and considering that the latter have a market value which differ from that of the ordinary shares, the directors weighted the number of IFIL savings shares on the basis of the differentials existing in the various time periods, between the two types of shares' market prices, hence obtaining the number of "equivalent" ordinary shares.

The number of "equivalent" ordinary shares in the various time periods is shown below:

Calculation of "equivalent" ordinary shares

	Differential between savings and ordinary shares	Number of "equivalent" ordinary shares(*)
Prices at 22 August 2008	-15.5%	1,035,418,640
1 month average prices	-16.5%	1,035,068,160
2 month average prices	-15.7%	1,035,364,469
3 month average prices	-14.5%	1,035,789,651
6 month average prices	-14.6%	1,035,758,854
12 month average prices	-11.1%	1,037,026,003

(*) *Number of "equivalent" ordinary shares: (number of ordinary shares + number of savings) x (1 - differential between savings and ordinary shares)*

According to Leonardo & Co., IFIL's NAV is €7,517 million, while IFI's NAV is €4,909 million. According to IFIL's advisor, Goldman Sachs International, IFIL's NAV is €7,576 million, while IFI's NAV is €4,963 million. These figures have been calculated based on the six month average prices (before 22 August 2008) of their listed investments.

Based on the valuations made with the assistance of the Advisor, taking into account the fairness opinion, the letter confirming the fairness opinion and the "Estimate of exchange ratios in connection with the merger of IFIL Investments S.p.A. into IFI S.p.A." issued by the Advisor and considering the values per share calculated as above and the consequent exchange ratios, IFI's board of directors has defined and agreed on the relative values of the companies involved in the merger for the purpose of the calculation of the exchange ratio.

On the basis of the valuation methods adopted, the following exchange ratios have emerged, which are expressed for illustrative purposes as the ratio of the estimated value per IFI ordinary share to the estimated value per IFIL ordinary share, over the different time frames taken into account:

Value per share (€)	Market price method	NAV method(*)
Spot at 22 August 2008	3.14x	4.24x
1 month average	3.12x	4.25x
2 month average	3.10x	4.24x
3 month average	3.17x	4.26x
6 month average	3.26x	4.28x
12 month average	3.44x	4.33x

(*) The different exchange ratios make reference to the various time frames used when valuing IFIL's listed investments as part of the NAV method

As summed up in the following table, the directors have then held it appropriate to:

- make reference to the 6 month average market prices (for both the market price and NAV methods), as the period is sufficiently long enough to mitigate the impact of short-term fluctuations and, at the same time, reflects the market conditions prior to 25 August 2008;
- make reference to the arithmetic average of the results obtained from the application of the two methods (market price and NAV), in order to give equal weight to the implicit valuation indications of the IFIL ordinary and IFI preference shares' market prices and the commonly-accepted valuation indications based on the NAV and generally adopted in the valuations of financial holding companies, such as IFI and IFIL.

Summarised results

Value per share (€)	Market price method	NAV method	Arithmetic average
6 month average	3.26x	4.28x	3.77x

The resulting 3.77x arithmetic average gives rise to the following exchange ratios, which have been approved by IFI's board of directors for the purposes of the merger:

- **0.265 newly-issued IFI ordinary shares with a nominal unit value of €1 for each IFIL ordinary share with a nominal unit value of €1 each;**
- **0.265 newly-issued IFI saving shares with a nominal unit value of €1 for each IFIL savings share with a nominal unit value of €1 each.**

There will be no cash settlement.

The above results have been compared to those obtained by the board of directors of IFIL with the assistance of its advisor, Goldman Sachs International.

7.2 *Approach to the assignment of IFI shares and share characteristics*

According to the Report, IFI will execute the merger by:

- cancelling without any share exchange the IFIL ordinary and savings shares that, at the merger effective date, are owned by IFI (however, as a minimum, 726,899,919 ordinary and 1,866,420 savings share);
- cancelling without any share exchange the IFIL ordinary and savings shares that, at the merger effective date, are owned by IFIL itself (however, as a minimum, 33,186,198 ordinary and 917,000 savings share);
- cancelling the IFIL ordinary and savings shares that are outstanding at the merger effective date and are owned by parties other than IFI and IFIL and concurrently issuing to those IFIL shareholders (other than IFI and IFIL) the number of IFI ordinary and savings shares calculated in accordance with the exchange ratio set out in paragraph 7.1. At the extraordinary meeting called to approve the merger, the shareholders of IFI shall also approve a share capital increase to service the share exchange of a maximum amount of €82,978,443 through the issue of a maximum of 73,809,549 ordinary and a maximum of 9,168,894 savings shares with a unit value of €1 each and dividend rights equal to those of the shares that are outstanding at the merger effective date.

Article 5 (share capital) of IFI's by-laws shall be amended accordingly.

IFI is expected to buy or sell the number of IFIL shares as is necessary to allow that the IFIL ordinary and savings shares to be exchanged can be exactly divided by the exchange ratio.

The maximum number of newly-issued IFI shares (and, hence, the amount of share capital increase servicing the share exchange) is the theoretical maximum taking into account the number of IFIL ordinary and savings shares owned by IFI (calculated taking into account the possible sale by IFI of 81 IFIL ordinary shares that is required to allow that the IFIL ordinary and savings shares to be exchanged can be exactly divided by the exchange ratio) and the number of treasury shares owned by IFIL at the date of approval of the merger project by IFIL's and IFI's boards of directors.

The exact amount of shares to be cancelled and the IFI share capital increase will be calculated when drawing up the merger deed, taking into account the number of IFIL ordinary and savings shares owned by IFI and IFIL itself at that date, which will be cancelled and not exchanged pursuant to the law.

The new IFI ordinary and savings shares for exchange ratio purposes (see paragraph 7.1) will be issued on a dematerialised basis, starting from the merger effective date. IFIL indematerialised shares may be exchanged solely upon their prior delivery to an authorised intermediary for their inclusion in the dematerialisation central management system.

IFI and IFIL will inform those involved in the share exchange of the merger effective date and share exchange methods, through a specific press release in at least one daily newspaper with nationwide circulation.

The shareholders will bear no cost for the share exchange transaction. A service will be available for IFIL shareholders in connection with the treatment of any share fractions, which will allow the rounding up or down to the nearest unit the number of newly-issued shares to which each shareholder is entitled at market prices with no related charge, fee or commission.

Upon execution of the merger, IFI preference shares will continue to be listed on the stock exchange organised and managed by Borsa Italiana S.p. A..

An application will be filed for listing IFI ordinary and savings shares on the same stock exchange and its success is a condition precedent for the merger to become effective.

When this condition is met, at the end of the merger, all IFI share classes (ordinary, preference and savings) will be listed on the Milan Stock Exchange (changing name to EXOR).

IFIL ordinary and savings shares will be delisted from the Milan Stock Exchange as from the merger effective date.

Newly-issued IFI ordinary and savings shares servicing the IFIL ordinary and savings share exchange will bear dividend rights equal to those of the IFI shares outstanding at the merger effective date. The merger transaction is expected to be completed with the floatation of the ordinary and savings shares of the merging company at the beginning of 2009.

8 Work performed

8.1 Work performed on the "documentation utilised" referred to in point 4

As already mentioned:

- Deloitte & Touche S.p.A. audited the separate and consolidated financial statements of IFI and IFIL as of and for the year ended 31 December 2007 and issued its reports thereon on 3 April and 2 April 2008, respectively;
- Deloitte & Touche S.p.A. reviewed the condensed interim consolidated financial statements of IFI and IFIL as of and for the six months ended 30 June 2008 and issued its reports thereon on 29 August 2008;

- Deloitte & Touche S.p.A. reviewed the condensed interim financial statements of IFI and IFIL as of and for the six months ended 30 June 2008 prepared in accordance with article 2501-*quater* of the Italian Civil Code.

With reference to the above:

- we obtained the reports of Deloitte & Touche S.p.A. on the condensed interim financial statements of IFI and IFIL as of and for the six months ended 30 June 2008, prepared in accordance with article 2501-*quater* of the Italian Civil Code;
- we obtained information from Deloitte & Touche S.p.A. about its audits of the separate and consolidated financial statements of IFI and IFIL at 31 December 2007 and its reviews of the condensed interim consolidated financial statements and condensed interim financial statements at 30 June 2008, and verified that there were no significant issues that could have an impact on the application of the valuation methods;
- including through inquiries of the boards of directors of IFI and IFIL, we gathered information about any events that occurred after the reporting date of the condensed interim consolidated financial statements and the condensed interim financial statements prepared in accordance with article 2501-*quater* of the Italian Civil Code (30 June 2008) and after the announcement of the merger project, that could have a material impact on the calculation of figures examined.

Furthermore:

- we obtained the financial statements, documentation and information about IFIL's main investments in subsidiaries, associates and other companies and discussed them with IFI's and IFIL's management;
- we examined the expert's appraisal of the current values of certain investments and properties to check whether the criteria applied were reasonable and the expert's independence;
- we obtained and examined the documentation supporting the net financial position of IFI and the companies comprising IFIL's "Sistema Holdings" at 31 August 2008 and discussed it with IFI's and IFIL's management;
- we obtained and examined the documentation supporting the two companies' measurement of holding costs and discussed it with IFI's and IFIL's management.

The procedures set out above have been performed to the extent that we considered necessary for the purposes of our engagement, as set out in paragraph 1.

8.2 *Work performed on the valuation methods*

Considering the nature of our engagement:

- we examined the merger project, the condensed interim financial statements as of and for the six months ended 30 June 2008 prepared pursuant to article 2501-*quater* of the Italian Civil Code and the reports of IFI's and IFIL's boards of directors addressed to the relevant shareholders in connection with their extraordinary meetings;

- we examined Leonardo & Co.'s and Goldman Sachs International's reports;

- we examined IFI's and IFIL's by-laws as well as the draft by-laws of the new company;

- we checked that the reasons of the board of directors of IFI and its Advisor for the adoption of the valuation methods used in the calculation of the exchange ratio were complete and consistent;

- we performed a critical analysis of the methods used by the board of directors of IFI and its Advisor and any elements useful to establish that such methods were adequate, in the specific circumstances, to calculate the economic values of the two companies involved;

- we checked whether the valuation methods were applied consistently, including by analysing the work papers prepared by the Advisor;

- we performed a sensitivity analysis in order to verify the extent to which the selected exchange ratio could be affected by changes in the underlying assumptions and parameters;

- we checked whether the data used were consistent with the reference sources and, especially, the "documentation utilised";

- we analysed and discussed the overall work performed and related results with IFI's board of directors and its Advisor;

- we discussed the work performed on the similar documentation for IFIL with REY;

- during the meetings with REY, we discussed the valuation approach and methods adopted;

- we checked the accuracy of the calculations on which basis the exchange ratio was fixed by the board of directors and the Advisor;

- we obtained a representation letter signed by the legal representative of IFI, stating that, to the best of his knowledge, as of the date of this report, no events had occurred that would require adjustments to the data and content of the documentation analysed or to the valuations made by the board of directors for the calculation of the exchange ratio.

9 Comments on the suitability of the valuation methods and on the soundness of their results

With reference to this engagement, the decision-making process of IFI's board of directors mainly aimed at estimating the economic values of the individual companies involved in the merger project by applying consistent criteria, so that it may fix the exchange ratio. Indeed, the ultimate aim of merger valuations is not the calculation of the absolute value of the economic capitals of the companies involved, but the identification of comparable values useful for the calculation of the exchange ratio. Therefore, merger valuations are meaningful only in their relative aspects and cannot be used as estimates of the absolute values of the companies involved in transactions other than the merger with respect to which they have been carried out and, accordingly, cannot be used for any other purposes.

That being said, the main considerations, in terms of reasonableness and non-arbitrariness under these circumstances, about the valuation methods used by the directors are as follows:

- the valuation methods adopted are those generally accepted at both national and international level and are widely accepted by financial and corporate theories dealing with valuations of companies with similar characteristics to those of the companies involved in the merger;
- the boards of directors adopted criteria based on the principle of consistent valuation and applied them in the same way for the two companies. Their results are not only comparable for the purpose of fixing the exchange ratio but also capture the particular characteristics of each asset being valued;
- the valuations have been made on a stand-alone basis, ie, regardless of any synergies that may arise from the merger (eg, the prospected combination of the operating activities of the two companies);
- with reference to the market price method, the directors' decision to take a date immediately prior to that on which the majority shareholder announced that it had purchased 10,000,000 IFI preference shares and its intention, in the light of the above, to assess any available assumptions and options, as the reference date for the analysis adequately limits the effects of any share price distortions arising from any speculative transactions;
- in this respect, the decision to extend the analysis of historical market prices up to a twelve month period and averaging and weighting amounts over various timing intervals is appropriate in general and especially in connection with highly volatile financial markets;

- with reference again to the market price method, the final decision to make reference to the six month average prices for the calculation of the exchange ratios is adequate, since such time frame is not only the interim timing interval of the entire period considered, but is also that often used by best practice and expressly referred to by legislation in connection with extraordinary transactions;
- also in connection with the NAV method, the directors have made reference to market-derived prices in valuing investments, as an indirect valuation. This decision is justified since the investments involved are largely in listed companies;
- the final measurement of the proposed exchange ratio is based on the arithmetic average of the ratios arising from the application of the market price and NAV methods. The directors have therefore given the same importance to the two methods, in that they have considered it necessary to include both the market price direct indications and the indications arising from the analysis of the asset structure and precise valuation of investments in their valuations;
- in order to fix the exchange ratio, the directors have taken the differences in dividend, property and voting rights of the different share classes into account, based on the overall structure of the transaction and in line with best practice.

10 Particular limitations identified during our work

In addition to those already mentioned by the board of directors, the main difficulties and limitations encountered in performing this engagement are as follows:

- with reference to the market price method: although stock market prices reflect the actual values expressed by the market, they are nevertheless subject to (significant) fluctuations deriving from the volatility of the markets. However, the effect of the market volatility on stock market prices should be contained, even if not eliminated, by the use of long time intervals and average historical market prices;
- in this case, the above is especially true in the current market conditions that are characterised by a high level of uncertainty and particularly turbulent situations;
- after 22 August 2008, stock exchange prices in general have continued to fall, therefore also affecting IFI and IFIL share prices. The effects deriving from the announcement of the transaction and those relating to the bearish market conditions cannot be separately measured;
- with reference to the NAV method, the directors have started from the balance sheet assets and liabilities of the two companies as of 30 June 2008. They have then estimated the financial effects of significant events that took place from 30 June to 31 August 2008. Such effects, which were due to investments and disinvestments, have affected both the existing assets and net financial positions of the two companies;

- with reference again to the NAV method, the same application issues and limitations as those of the market price method for the valuation of listed investments apply;

- in measuring the exchange ratios for the different share classes of the two companies, the directors had to consider that currently available market prices for IFI only refer to preference shares. As a general rule, direct references to market prices are the best indications of the value that can be marginally attributed to differences in dividend, property and voting rights. In these circumstances, in the absence of explicit reference to market prices, the directors compared the relevant values and considered the empirical evidence that was otherwise available.

The above issues have been taken into account for the purposes of the preparation of this report on the suitability, in terms of reasonableness and non-arbitrariness, of the share exchange ratio.

11 Conclusions

Based on the documentation examined and the procedures listed above, and taking into account the nature and scope of our work, as disclosed in this report, we believe that the valuation methods adopted by the board of directors, including on the basis of the recommendations of its Advisor, are adequate as they are, in the circumstances, reasonable and not arbitrary. Moreover, we believe that such methods have been applied correctly for the purposes of fixing the share exchange ratio, included in the merger project, at:

- **0.265 newly-issued IFI ordinary shares with a nominal unit value of €1 for each IFIL ordinary share with a nominal unit value of €1 each;**

- **0.265 newly-issued IFI saving shares with a nominal unit value of €1 for each IFIL savings share with a nominal unit value of €1 each.**

There will be no cash settlement.

Turin, 28 October 2008

KPMG S.p.A.

(signed on the original)

Piercarlo Miaja
Director