QUARTERLY REPORT
MARCH 31, 2005

investments IFIL

QUARTERLY REPORT AT MARCH 31, 2005

This is an English translation of the Italian original document "Relazione trimestrale al 31 Marzo 2005" approved by the IFIL Board of Directors on June 9, 2004, which has been prepared solely for the convenience of the reader. The version in Italian takes precedence. For complete information about IFIL S.p.A. and the Group, reference should be made to the full original report in Italian also available on the corporate website: http://www.ifil.it.

investments IFIL

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

External Relations and Press Office
Tel. +39.011.5090320
Fax +39.011.5090386
relazioni.esterne@ifil.it

Institutional Investors and
Financial Analysts Relations
Tel. +39.011.5090360
Fax +39.011.535600
relazioni.investitori@ifil.it

Stocks and Bonds Service
Tel. +39.011.5090323
Tel. +39.011.5090205
Fax +39.011.5090321
servizio.titoli@ifil.it

Board of Directors

Chairman and President
Gianluigi Gabetti

Managing Director and General Manager
Daniel John Winteler

Directors
Tiberto Brandolini d'Adda
John Elkann
Edoardo Ferrero
Franzo Grande Stevens
Mario Greco
Giancarlo Lombardi
Antonio Maria Marocco
Giuseppe Recchi
Claudio Saracco
Pio Teodorani-Fabbri

Secretary to the Board
Fernando Massara

Executive Committee

Chairman
Gianluigi Gabetti

Tiberto Brandolini d'Adda
John Elkann
Daniel John Winteler

Audit Committee

Chairman
Antonio Maria Marocco

Giancarlo Lombardi
Claudio Saracco

Compensation and Nominating Committee

Chairman
Gianluigi Gabetti

John Elkann
Mario Greco

Board of Statutory Auditors

Chairman	Piero Locatelli
Standing Auditors	Cesare Ferrero
	Natale Ignazio Girolamo
Alternate Auditors	Giorgio Giorgi
	Paolo Piccatti

Independent Auditors

Deloitte & Touche S.p.A.

Expiry of term of office

The three-year terms of office of the Board of Directors and the Board of Statutory Auditors, elected by the Stockholders' Meeting on May 27, 2002, expire concurrently with the Stockholders' Meeting for the approval of the financial statements for the year ending December 31, 2004.

The Independent Auditors are appointed for the three-year period 2003-2005.

Corporate Governance

The Chairman and President may legally represent the Company (art. 20 of the bylaws). The Chairman and President, without specific authorization by the Board of Directors, may carry out all acts falling under the corporate business purpose, except as restricted by law.

The Board of Directors has conferred all powers necessary for the management of the Company to the Executive Committee, except those powers which are expressly entrusted to the Board of Directors by law.

The Managing Director and General Manager may legally represent the Company (art. 20 of the bylaws) up to the amounts established by resolution of the Board of Directors on June 11, 2004.

THE INVESTMENT PORTFOLIO

IFIL Investments S.p.A. is the investment company of the Group headed by Giovanni Agnelli e C. S.a.p.az. (through IFI – Istituto Finanziario Industriale S.p.A. which holds approximately 63.6% of its ordinary capital stock). It commands two distinctive areas of operations: the active management of the controlling investment in Fiat and the dynamic management of the other holdings.

Fiat, in which IFIL has a holding of more than 30% of ordinary and preferred capital stock, operates in the national and international automotive market as a manufacturer and distributor of automobiles (Fiat Auto, Ferrari and Maserati), agricultural and construction equipment (CNH Global), commercial vehicles (Iveco), automotive components for these vehicles and the supply of related services (Magneti Marelli, Comau and Teksid), as well as publishing and communications (Itedi) and services for corporations (Business Solutions).

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

Sequana Capital (52.96% holding) - ex-Worms & Cie - is a French-listed holding company with a portfolio comprising the following major investments:

- ArjoWiggins (100% holding), the world leader in the manufacture of high value-added paper products and, in Europe, leader in the manufacture of carbonless paper (ArjoWiggins absorbed Carbonless Europe as from January 1, 2004);
- Antalis (100% holding), the leading European group in the distribution of paper products for printing and writing;
- Permal Group (77% holding), one of the leaders in the management of investment funds;
- SGS (23.8% holding), a company listed on the Swiss stock exchange and leader in the verification, inspection and certification of product and service quality;

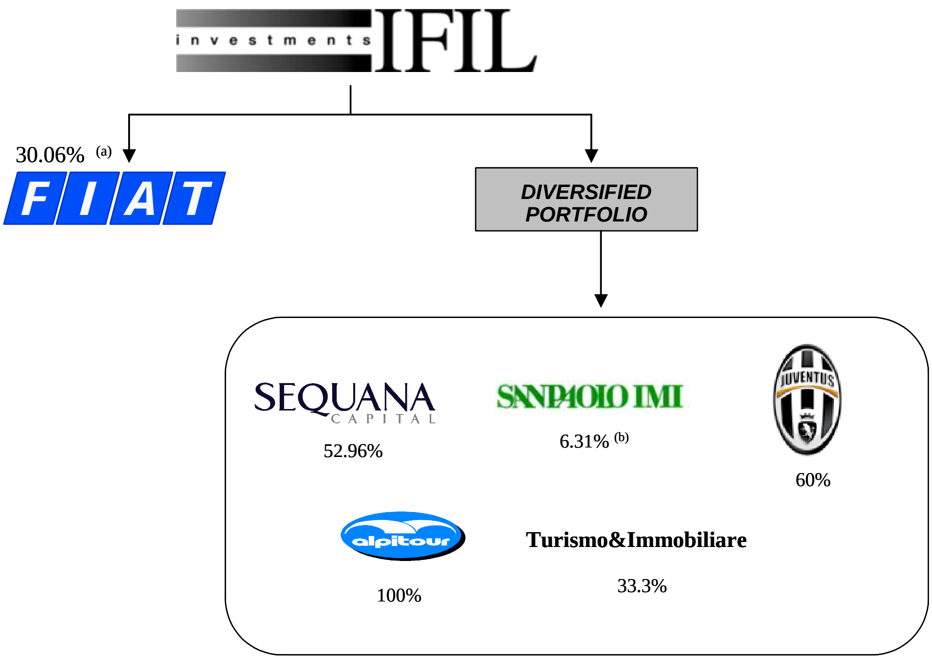
SANPAOLO IMI (6.31% holding of ordinary capital stock by IFIL) is a leading national banking group with over 3,000 branches throughout Italy;

Alpitour (100% holding) is the leading group in Italian tourism;

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

Turismo&Immobiliare (equally-owned holding by IFIL, Banca Intesa and the Marcegaglia Group) is a company with a 49% stake in Italia Turismo (ex-Sviluppo Italia Turismo), the largest Italian real estate company for tourist and hotel properties with important investments in Apulia, Calabria, Basilicata, Sicily and Sardinia.

The following chart is updated to the end of May 2005 and presents the simplified structure of the investment portfolio. Percentage holdings refer to ordinary capital stock.



(a) IFIL also holds 30.09% of preferred capital stock.
(b) Equal to 4.99% of capital stock.

MAJOR EVENTS

Increase in the investment in SANPAOLO IMI

During March and April 2005, IFIL purchased on the market 22,700,000 SANPAOLO IMI ordinary shares (1.54% of the class of stock) for an investment of € 263.5 million.
At the end of May 2005, IFIL holds 93,071,000 SANPAOLO IMI ordinary shares, equal to 6.31% of ordinary capital stock (4.99% of capital stock).

Financial transaction with the subsidiary Juventus Football Club

At the end of March 2005, IFIL purchased trade receivables with recourse from the subsidiary Juventus Football Club for € 17.6 million, with a nominal value of € 18 million, due December 15, 2005, from Sky Italia, for the sale of TV broadcasting rights. The transaction was effected at market terms.

Investment in Italia Turismo (ex-Sviluppo Italia Turismo)

In April 2005, the agreement was executed between IFIL, Banca Intesa, the Marcegaglia Group and Sviluppo Italia for the partial privatization of Sviluppo Italia Turismo (SIT). Once approval was obtained from the European antitrust authority, Turismo&Immobiliare (the company in which the three private stockholders each own equal stakes) subscribed to SIT's capital stock increase of € 60 million and purchased a 49% stake in the company from Sviluppo Italia for € 16 million. The total investment is € 76 million (IFIL's share is equal to € 25.5 million).
Furthermore, SIT took the new name of Italia Turismo and the agreement provides for the possibility of Turismo&Immobiliare gaining control over Italia Turismo's stock by 2009.
The alliance will make it possible to refurbish and build up Italia Turismo's structures so that it can expand its offering and increase the flow of tourists. The first concrete step in this direction will be the start of an investment program in Apulia, Calabria and Sicily.

Sale of La Rinascente S.p.A.

On May 6, 2005, after authorization was obtained from the antitrust authority, 99.09% of Rinascente S.p.A.'s capital stock held by Eurofind Textile S.A. – the Luxembourg company controlled by Auchan and IFIL – was sold to Tamerice S.r.l., a company leading a group composed of Investitori Associati SGR S.p.A., DB Real Estate Global Opportunities IB L.P., Pirelli RE S.p.A. and the Borletti family, for a price of € 888 million.

Eurofind Textile has provided the buyer with statements and guarantees regarding the Rinascente Group, the subject of the transaction, and its activities, with the usual limitations and exclusions. Such conventional statements and guarantees regard, among other things, full ownership and title, free and clear of detrimental encumbrances and registrations, of the shares of the companies of the Rinascente Group and real estate properties, the lease relationships, the true and correct representation of the financial statements and tax, social security and legal/labor matters. The limitations and exclusions agreed within the framework of the sale process regard specific events considered by the buyer during the course of the due diligence. Such limitations and exclusions provide for the obligation of compensation in excess of a threshold of significance per individual indemnifiable event (de minimis) and as a whole (with an exempted amount) as well as, for certain matters, a maximum limit of responsibility for the seller.
IFIL will guarantee the commitments undertaken by Eurofind Textile with the buyer until their maturity.

On May 17, 2005, the subsidiary Ifil Investissements purchased the remaining 50% of Eurofind Textile capital stock from the Auchan Group for € 349.5 million. As a result of these transactions, which will be booked in the second quarter of 2005, the IFIL Group received net proceeds of approximately € 530 million and realized a gain of more than € 450 million, with no significant tax effects for the Group.

Capital stock increase by IFIL

By the power vested in it by the Stockholders' Meeting on May 25, 2001, the Board of Directors, on February 7, 2005, voted to increase capital stock to service a stock option plan for the managers of the Company and its parent company.
The transaction was completed in April 2005 with the issue of 800,000 IFIL ordinary shares (0.07% of capital stock) of par value € 1, which were subscribed in cash at the unit price of € 1.85 for a total of € 1,480,000. Following this increase, IFIL's capital stock amounts to € 1,075,995,737 and consists of 1,038,612,717 ordinary shares and 37,383,020 savings shares, all with a par value of € 1.

ACCOUNTING PRINCIPLES ADOPTED IN THE PREPARATION OF QUARTERLY REPORTS

The consolidated quarterly report of the IFIL Group at March 31, 2005 has been prepared in accordance with Article 82 of the "Regulations for the Implementation of Legislative Decree No. 58 of February 24, 1998 on the Activities of Issuers of Securities", as amended by Consob Resolution No. 14990 of April 14, 2005, in compliance with Annex 3D of the Regulation.

The accounting principles adopted in the preparation of the consolidated quarterly report are the same as those that will be used for the preparation of the consolidated financial statements at December 31, 2005, insofar as they are applicable. In particular, following the coming into force of European Regulation No. 1606 of July 2002, beginning January 1, 2005 the IFIL Group adopted IAS/IFRS issued by the International Accounting Standards Board. In this quarterly report, the comparative data for the corresponding period of 2004 has thus been restated in accordance with the new accounting standards.

As regards the presentation of the financial statements included in the quarterly report (balance sheet and income statement), in order to facilitate the analysis of the financial position and the results of operations of the IFIL Group and in compliance with Annex 3D of the above Consob Regulation, these financial statements have been presented by applying the "condensed" basis of consolidation used in the Directors' reports on operations presented with the annual consolidated financial statements and the first-half report.

It should be noted that IFIL holds some important investments through Dutch and Luxembourg holding companies and controls two companies incorporated under Irish law operating with the aim of optimizing the management of the financial resources of the Group, as well as Soiem, a services company. In 2004, organizations were set up in New York (Ifil Investments USA) and Hong Kong (Ifil Asia) and the company Sadco was purchased (with headquarters in Switzerland); such structures play a role in the investment activities of the Group. In this consolidated quarterly report, prepared in the "condensed" form, these companies, which make up the "Holdings System", are consolidated line-by-line or proportionally, while the other operating subsidiaries and associates (Fiat, Sequana Capital, Alpitour and Juventus Football Club) are accounted for by the equity method. The basis of consolidation and the methods of valuation of the investment holdings applied in this quarterly report are disclosed in detail on the following page.

For more information on the content of the new standards used in the preparation of the quarterly report as a result of the application of International Financial Reporting Standards (IAS/IFRS), as well as the effect of their adoption on the 2004 condensed consolidated data that has already been published in accordance with Italian accounting principles (Italian GAAP), reference should be made to the specific Appendix of this quarterly report.

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

The consolidated quarterly report of the IFIL Group at March 31, 2005 is unaudited.

The basis of consolidation and the methods of valuation of the investments in subsidiaries and associates applied in this quarterly report are described below.

		% holding in capital stock outstanding		
		3/31/2005	12/31/2004	3/31/2004
HOLDINGS SYSTEM	**Consolidated line-by-line**			
	- IFIL Investments S.p.A.	-	-	-
	- Ifil Investment Holding N.V. (Netherlands)	100	100	100
	- Ifil Investissements S.A. (Luxembourg)	100	100	100
	- Ifilgroup Finance Ltd (Ireland)	100	100	100
	- Ifil International Finance Ltd (Ireland)	100	100	100
	- Soiem S.p.A. (Italy)	100	100	100
	- IFIL Investments USA (a)	100	100	100
	- IFIL Asia (Hong Kong)	100	100	-
	- Sadco S.A. (Switzerland)	100	100	-
	- IFIL New Business S.r.l. (Italy) (b)	100	100	100
	- NHT New Holding for Tourism S.A. (Luxembourg) (c)	100	100	-
	- Mediterranean Capital B.V., ex-Ifil Capital B.V., (Netherlands) (c)	100	100	100
	- Ifil Finance B.V. (Netherlands) (c)	100	100	100
	Consolidated proportionally			
	- Eurofind S.A. (Luxembourg) (d)	-	-	50
	- Eurofind Textile S.A. (Luxembourg) (d)	50	50	-
	- Eufin Investments Unlimited (United kingdom)	50	50	50
OPERATING COMPANIES	**Accounted for by the equity method**			
	- Fiat Group	27.74	27.74	27.74
	- Sequana Capital Group (ex-Worms & Cie)	52.96	52.96	53.11
	- Alpitour Group (NHT Group at 3/31/2004)	100	100	100
	- Juventus Football Club S.p.A.	60.00	61.69	62.01

(a) This line groups the companies set up in March 2004 (Ifil USA Inc., Ifil Capital Partners L.P., Ifil America L.P. and Ifil Investments LLC).
(b) Dormant company.
(c) Companies put or to be put into a wind-up.
(d) Following the proportional total spin-off of Eurofind (December 2004), the IFIL Group came to hold 50% of the capital stock of Eurofind Food (sold to the Auchan Group in December 2004) as well as 50% of the capital stock of Eurofind Textile which controlled 99.09% of the outstanding capital stock of La Rinascente, the beneficiary company of the spin-off of the textile businesses, Department Stores and Upim, of the Rinascente Group). At March 31, 2005, the investment in La Rinascente is classified in assets held for sale at the amount determined, up to December 31, 2004, by the equity method.

The first quarter of 2005 closes with a **consolidated income for the IFIL Group** of € 81.4 million (compared to a consolidated loss of € 83.3 million in the corresponding period of the prior year). The positive change of € 164.7 million is mainly due to better results by the Fiat Group.

The **share of earnings (losses) of operating subsidiaries and associates accounted for by the equity method** amounts to earnings of € 87.1 million (losses of € 45.1 million reported in the first quarter of 2004). The positive change of € 132.2 million is due to better results posted by Fiat (+€ 156.9 million) and to lower results reported by Sequana Capital (-€ 16.8 million), Alpitour (-€ 6.8 million) and Juventus Football Club (-€ 1.1 million). The aforementioned changes include consolidation adjustments (+€ 35 million in the first quarter of 2004).

The **consolidated net financial position of the "Holdings System"** at March 31, 2005 shows a net cash position of € 613.9 million, a decrease of € 66.1 million compared to the balance at year-end 2004 (€ 680 million), mainly as a result of the purchase of SANPAOLO IMI shares in March 2005 (for € 60.1 million).
At the end of May 2005, the consolidated net cash position of the "Holdings System" increased to € 1,003 million mainly as a consequence of the sale of the investment in La Rinascente, the increase in the investment in SANPAOLO IMI and dividends received from holdings.

Stockholders' equity – Group at March 31, 2005 amounts to € 4,041.1 million (€ 3,794.1 million at the end of 2004). The increase of € 247 million is due to the fair value adjustment of the investment in SANPAOLO IMI of € 108.6 million, the consolidated income of the Group for the first quarter of 2005 of € 81.4 million and other net positive changes for the remaining € 57 million.

The carrying amount of **investments** at March 31, 2005 is € 3,302.5 million. The increase of € 313.5 million compared to the figure at year-end 2004 (€ 2,989 million) stems from the fair value adjustment of the investment in SANPAOLO IMI (+€ 108.6 million), purchases of shares of the latter in March 2005 (+€ 60.1 million), IFIL's share of the changes in the stockholders' equity of operating subsidiaries and associates (+€ 144.6 million) and other positive changes (€ 0.2 million).

Net Asset Value at the end of May 2005 amounts to € 4,995 million and is composed as follows:

€ in millions		
Investment portfolio	3,992	(a)
Positive balance of the consolidated net financial position of the "Holdings System"	1,003	
Net Asset Value at end of May 2005	4,995	

(a) Valuing the listed investments held at May 31, 2005 at the same-day market closing price.

CONDENSED CONSOLIDATED INCOME STATEMENT

Year 2004	€ in millions	Notes	I Quarter 2005	I Quarter 2004	Change
(395.4)	Share of earnings (losses) of operating subsidiaries and associates accounted for by the equity method	1	87.1	(45.1)	132.2
27.4	Dividends from other holdings		0.0	0.0	0.0
603.3	Gains	2	1.8	0.0	1.8
(2.3)	Share of earnings (losses) of companies held for sale	3	0.0	(4.4)	4.4
(74.4)	Impairment losses of investments and securities	4	0.0	(23.7)	23.7
(20.9)	Net financial expenses	5	(0.6)	(5.2)	4.6
(22.2)	Net general expenses	6	(6.5)	(4.0)	(2.5)
0.3	(Accruals to)/releases of provisions		(0.4)	(0.9)	0.5
10.8	Income taxes		0.0	0.0	0.0
126.6	Income (loss) - Group		81.4	(83.3)	164.7

CONDENSED CONSOLIDATED BALANCE SHEET

€ in millions	Notes	Balance at 3/31/2005	Balance at 12/31/2004	Change
Assets				
Investments in operating subsidiaries and associates accounted for by the equity method	7	2,388.7	2,244.1	144.6
Other investments	7	913.8	744.9	168.9
Non-current securities	8	7.3	7.3	0.0
Property, plant and equipment and intangible assets		13.5	13.6	(0.1)
Assets held for sale	9	72.3	72.4	(0.1)
Marketable securities	10	852.8	1,047.9	(195.1)
Current receivables and other assets	11	256.0	300.2	(44.2)
Cash and cash equivalents		12.7	4.2	8.5
Total assets		4,517.1	4,434.6	82.5
Equity and liabilities				
Capital and reserves		4,093.2	3,844.1	249.1
Treasury stock	12	(52.1)	(50.0)	(2.1)
Stockholders' equity - Group	13	4,041.1	3,794.1	247.0
Provisions		8.7	8.4	0.3
Bonds	14	300.6	300.6	0.0
Current and non-current bank debt		157.4	323.9	(166.5)
Other current and non-current liabilities		9.3	7.6	1.7
Total equity and liabilities		4,517.1	4,434.6	82.5

NOTES

1. Share of earnings (losses) of operating subsidiaries and associates accounted for by the equity method

Year 2004	€ in millions	Earnings (losses) of holdings I Quarter 2005	Earnings (losses) of holdings I Quarter 2004	IFIL's share I Quarter 2005	IFIL's share I Quarter 2004	Change
(453.3)	Fiat Group	295.0	(390.0)	81.8	(108.2)	190.0
(12.5)	Sequana Capital Group	32.9	64.4	17.4	34.2	(16.8)
5.7	Alpitour Group	(14.7)	(9.8)	(14.7)	(9.8)	(4.9)
(5.6)	Juventus Football Club	4.3	6.0	2.6	3.7	(1.1)
(465.7)				87.1	(80.1)	167.2
70.3	Consolidation adjustments			0.0	35.0	(35.0)
(395.4)	Total			87.1	(45.1)	132.2

In 2004, consolidation adjustments referred to:

Year 2004	€ in millions	I Quarter 2005	I Quarter 2004	Change
69.6	Use of the remaining "Consolidation reserve for risks and future expenses" for IFIL's share of Fiat Group's loss for the year 2004 referring to the investment in Fiat conferred by IFI in 2003	0.0	33.1	(33.1)
0.7	Adjustments to NHT/Alpitour results	0.0	1.9	(1.9)
70.3	Total consolidation adjustments	0.0	35.0	(35.0)

2. Gains

Gains in the first quarter of 2005 amount to € 1.8 million and refer to the sale on the market of a marginal interest (1.69% of capital stock) in Juventus Football Club.

3. Share of earnings (losses) of companies held for sale

In the first quarter of 2004, this caption included IFIL's share of the earnings (losses) of the Rinascente Group (- € 4.4 million).

4. Impairment losses of investments and securities

Impairment losses of investments and securities in the first quarter of 2004 amounted to € 23.7 million and basically referred to the entire difference on consolidation (€ 23.6 million) stemming from the purchase of 10% of the capital stock of New Holding for Tourism from the TUI Group.

5. Net financial expenses

Net financial expenses in the first quarter of 2005 amount to € 0.6 million and decreased by € 4.6 million compared to the first quarter of 2004 (€ 5.2 million). The reduction is due to a return to a net cash position in the consolidated net financial position of the "Holdings System".

6. Net general expenses

Net general expenses went from € 4 million in the first quarter of 2004 to € 6.5 million in the first quarter of 2005. The increase is basically due to the consolidation of the companies set up or purchased starting from the second quarter of 2004 (Ifil Investments USA, Ifil Asia and Sadco) as well as the payment of nonrecurring bonuses to some employees for their work in connection with extraordinary transactions.

7. Investments

Details are as follows:

€ in millions	Number of shares held	Carrying amount at 3/31/2005 Per share (€)	Carrying amount at 3/31/2005 Total (€ mn)	Carrying amount at 12/31/2004 Total (€ mn)
Investments in operating subsidiaries and associates accounted for by the equity method				
Fiat Group				
- ordinary shares	240,583,447	4.86	1,169.4	1,057.5
- preferred shares	31,082,500	4.86	151.0	136.6
			1,320.4	1,194.1
Sequana Capital Group	55,922,623	17.24	963.9	932.8
Alpitour Group	35,450,000	1.83	64.8	79.2
Juventus Football Club S.p.A.	72,560,500	0.55	39.6	38.0
Total			2,388.7	2,244.1
Other investments - available-for-sale				
SANPAOLO IMI S.p.A.	75,704,618	12.07	913.6	744.9
Sundry	-	-	0.2	0.0
Total investments			3,302.5	2,989.0

The comparison between carrying amounts and market prices at March 31, 2005 of listed investments is described below:

	Number of shares held	Carrying amount Per share (€)	Carrying amount Total (€ mn)	Market price at 3/31/2005 Per share (€)	Market price at 3/31/2005 Total (€ mn)	Difference
Fiat Group						
- ordinary shares	240,583,447	4.86	1,169.4	5.61	1,349.7	180.3
- preferred shares	31,082,500	4.86	151.0	4.11	127.7	(23.3)
			1,320.4		1,477.4	157.0
Sequana Capital Group	55,922,623	17.24	963.9	23.48	1,313.1	349.2
Juventus Football Club S.p.A.	72,560,500	0.55	39.6	1.39	100.9	61.3
SANPAOLO IMI S.p.A.	75,704,618	12.07	913.6	12.07	913.6	0.0
Total			3,237.5		3,805.0	567.5

8. Non-current securities

These include 76,614 Ocean Club Méditerranée bonds, due November 1, 2008 (€ 4.7 million), and 18,914,511 Fiat ordinary share warrants 2007 (€ 2.6 million).

9. Assets held for sale

The balance of € 72.3 million includes the carrying amount (€ 70.1 million) of the 50% stake in La Rinascente held by Eurofind Textile (sold to Tamerice in May 2005), as well as the carrying amount (€ 2.2 million) of a building owned by the subsidiary Sadco, which will be sold in the near future.

10. Marketable securities

These amount to € 852.8 million and mainly include investments on the money market in time deposits, short-term Italian government securities and other short-term financial instruments.

11. Current receivables and other assets

The amount of € 256 million includes the remaining receivable of € 186.5 million due from the Auchan Group on the sale of the 50% stake in Eurofind Food (collected in May), a receivable of € 17.6 million from the subsidiary Juventus Football Club due in December 2005 (on the purchase of trade accounts receivable of nominal value € 18 million due from Sky Italia), receivables from the tax authorities of € 43.9 million and, lastly, other current assets of € 8 million.

12. Treasury stock

This caption includes IFIL ordinary shares held by IFIL and its subsidiary Soiem; the change compared to the end of 2004 is presented below.

	No. of ordinary shares	% of class of stock	% of capital stock	Amount Per share (€)	Total (€ in mn)
Balance at December 31, 2004:					
- held by IFIL S.p.A.	13,155,472 (a)	1.27	1.22	3.59	47.2
- held by the subsidiary Soiem S.p.A.	810,262	0.08	0.08	3.41	2.8
Total at December 31, 2004	13,965,734	1.35	1.30	3.58	50.0
Purchases during period by IFIL S.p.A.	630,306	0.06	0.06	3.38	2.1
Balance at March 31, 2005	14,596,040	1.41	1.36	3.57	52.1

(a) Of which 532,000 shares are to be used to service stock option plans at € 2.28 per share.

13. Stockholders' equity - Group

The changes during the period are analyzed as follows:

€ in millions	
Stockholders' equity - Group at December 31, 2004	3,794.1
Fair value adjustment of the investment in SANPAOLO IMI	108.6
Share of translation differences (€ 65.6 million) in the stockholders' equity of subsidiaries and associates and other net changes (-€ 6.5 million)	59.1
Purchase cost of IFIL ordinary shares	(2.1)
Income - Group	81.4
Net change during the period	247.0
Stockholders' equity - Group at March 31, 2005	4,041.1

14. Bonds

Details are provided below:

	Due date	Nominal value	Amortized cost
IFIL 2002/2005 bonds	12/20/2005	200	200.7
IFIL 2003/2006 bonds	12/19/2006	100	99.9
		300	300.6

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

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

	3/31/2005			12/31/2004		
€ in millions	Current	Non-Current	Total	Current	Non-Current	Total
Marketable securities	852.8	0.0	852.8	1,047.9	0.0	1,047.9
Current receivables and other assets	206.4	0.0	206.4	252.4	0.0	252.4
Cash and cash equivalents	12.7	0.0	12.7	4.2	0.0	4.2
Total financial assets	1,071.9	0.0	1,071.9	1,304.5	0.0	1,304.5
IFIL 2002/2005 bonds	(200.7)	0.0	(200.7)	(200.7)	0.0	(200.7)
IFIL 2003/2006 bonds	0.0	(99.9)	(99.9)	0.0	(99.9)	(99.9)
Bank debt	(157.4)	0.0	(157.4)	(323.9)	0.0	(323.9)
Total financial liabilities	(358.1)	(99.9)	(458.0)	(524.6)	(99.9)	(624.5)
Consolidated net financial position of the "Holdings System"	713.8	(99.9)	613.9	779.9	(99.9)	680.0

Since the end of June 2003, Standard & Poor’s Rating Services has assigned an “A-“ rating to IFIL’s long-term debt and an “A2” rating to its short-term debt, with a negative outlook.

The negative change of € 66.1 million compared to the balance at the end of 2004 is due to the following flows:

€ in millions	
Consolidated net financial position of the "Holdings System" at December 31, 2004	680.0
Purchase of SANPAOLO IMI shares (0.36% of the class of stock)	(60.1)
Purchase of IFIL ordinary shares (0.06% of the class of stock)	(2.1)
Sale of Juventus Football Club shares (1.69% of capital stock)	2.8
Net financial expenses	(0.6)
Net general expenses	(6.5)
Other net changes	0.4
Net change during the period	(66.1)
Consolidated net financial position of the "Holdings System" at March 31, 2005	613.9

At the end of May 2005, the positive balance of the consolidated net financial position of the “Holdings System” changed as follows:

€ in millions		
Consolidated net financial position of the "Holdings System" at March 31, 2005		613.9
Purchase of SANPAOLO IMI ordinary shares (1.18% of the class of stock)		(203.4)
Capitalization of Turismo&Immobiliare		(4.5)
Net proceeds from the sale of the investment in La Rinascente		530.0
Collection of dividends from:		
- SANPAOLO IMI	43.7	
- Sequana Capital	22.4	
		66.1
IFIL S.p.A. capital increase (exercise of stock options)		1.5
Other net changes		(0.6)
Net change during the period		389.1
Consolidated net financial position of the "Holdings System" at the end of May 2005		1,003.0

For further details, reference should be made to “Major events”.

16. Pending litigation

By notification on May 8, 2003, inferring illegal acts due to a conflict of interest and the unlawful valuation of the contributions in kind, the stockholder K Capital contested the resolution to increase IFIL's capital stock reserved for Istituto Finanziario Industriale S.p.A. passed by the Extraordinary Stockholders' Meeting of IFIL held on April 23, 2003 and sought compensation from IFIL for (alleged) damages (economic and non-economic) suffered as a result of the unlawful conduct (allegedly) by IFI. During the case and with reference only to (alleged) economic damages, K Capital stated its request for compensation (which originally had not been quantified) in approximately € 17 million.

The preliminary hearing is now concluded. The judge has, in fact, set the date to state the conclusions for October 26, 2005, reserving the decision on a possible assessment (CTU) to the group of judges (requested by K Capital, but at this time not yet ordered by the judge). Both requests by K Capital (request to declare the stockholders' resolution null and void and the request to seek a sum of compensation for damages) appear to be inadmissible and groundless and therefore at this time the Company does not believe that any contingent liabilities or losses will arise as a consequence.

Earlier, the appeal filed under ex article 2378, paragraph 4, of the Italian Civil Code by which the stockholder K Capital had sought the suspension of the execution of the resolution was denied by the Turin Court, by decree filed on June 9, 2003.

17. Possible Fiat S.p.A. capital increase in execution of the Convertible Mandatory Facility Agreement dated July 26, 2002

In the eventuality that IFIL decides not to exercise, in whole or in part, the option rights to which it is entitled or should it not be in a condition to exercise, in whole or in part, such rights, the investment held by IFIL in Fiat could be diluted to below 30% of the capital stock with voting rights.

BUSINESS OUTLOOK

Considering the forecasts formulated by the major holdings (discussed later in the report) and other estimates currently available, including the gain on the sale of La Rinascente, the 2005 consolidated financial statements of the IFIL Group are expected to show a profit.

As for IFIL S.p.A., the profit for 2005 is expected to be higher than that of the prior year (€ 80.2 million).

Fiat Group

With the closing of 2004, the Fiat Group put an end to a period of net losses. Looking forward to 2005, the Fiat Group confirms its stated objective of continuing on the road to regaining its strength and expects to report a further improvement in trading profit and to achieve positive net income after unusual items.

Sequana Capital Group

The Sequana Capital Group forecasts that Antalis will confirm the improvement in its results following three years of reorganization and that ArjoWiggins will show a positive reaction to the restructuring process in 2005 and, to a greater extent, in 2006.
It is upon these factors, combined with the excellent prospects of growth of SGS and Permal Group, that the Sequana Capital Group reckons to lay the groundwork for the start of a new phase of development.

Alpitour Group

The powerful tsunami which hit important tourist spots in the East and the consequences of the terrorist attacks that hurt Egypt as a destination point led to a reduction in the results for the first quarter of 2005 both against budget and compared to the results for the first quarter of the prior year. The Alpitour Group believes that a recovery in the next few months can be assumed as long as the market is not negatively upset yet again by extraordinary external factors.

Juventus Football Club

Juventus, in light of the economic and balance sheet performance for the first nine months of the year and information available to date, should register a negative net result for the year 2004/2005. Such result could nevertheless be significantly affected by any extraordinary transactions regarding its assets.

Following the coming into force of European Regulation No. 1606 dated July 2002, the Fiat Group, the Sequana Capital Group and the Alpitour Group adopted the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and certified by the European Commission. These groups have prepared their quarterly consolidated accounting data according to those standards.
Juventus Football Club has drawn up its quarterly report for the period January 1, - March 31, 2005 in accordance with those same IAS/IFRS.
The 2004 comparative data has been restated by the companies to comply with the new accounting standards.

Fiat Group

(30.06% of ordinary capital stock and 30.09% of preferred capital stock)

The consolidated results of the Fiat Group in the first quarter of 2005 can be summarized as follows:

€ in millions	I Quarter 2005	I Quarter 2004	Change Amount	Change %
Net revenues	10,755	11,024	(269)	-2.4
Trading profit (a)	47	24	23	95.8
Operating income (b)	729	71	658	n.s.
Income (loss) before taxes	561	(267)	828	n.s.
Income (loss) - Group	295	(390)	685	n.s.

	3/31/2005	12/31/2004	Change Amount
Stockholders' equity - Group	4,760	4,304	456
Net debt	(25,925)	(25,423)	(502)

(a) Trading profit/(loss) is a new indicator that measures the regular company operations. It is equal to revenues, less cost of sales, R&D expenditures, selling, general and administrative expenses and other income and expenses.
(b) Operating income/(loss) is currently defined as the sum of trading profit or loss, gains or losses on the sale of equity investments, restructuring charges and unusual items.

Consolidated **net revenues** total € 10.8 billion, in the first quarter of 2005, compared to € 11 billion in the first quarter of 2004. The 2.4% decrease is due to lower unit sales in the Automobiles business area (-8.3%), offset in part by gains from Iveco (+4.8%), CNH (+1.6% notwithstanding the negative foreign exchange effect) and the Components and Production Systems area (+6%). Excluding Automobiles activities, revenues were up 3.2% compared to the first quarter of 2004.

In the first quarter of 2005, the Fiat Group earned a **trading profit** of € 47 million, up from € 24 million in the first three months of 2004. This gain is chiefly the result of lower losses in the Automobiles business area and improved results by Iveco and CNH, partly offset by the decline in the Components and Production Systems area.

In the first quarter of 2005, the **Automobiles business area** reported a trading loss of € 166 million, compared to a loss of € 185 million in the first three months of 2004. In particular:

- Fiat Auto had a trading loss of € 129 million in the first quarter of 2005, representing a slight improvement with respect to the loss of € 146 million in the first quarter of 2004. The substantial savings realized on overhead, lower research costs, and the preference for sale channels with higher profit margins, more than offset the contraction in volumes;
- Ferrari - Maserati closed the first quarter of 2005 with a trading loss of € 37 million, which was penalized by the seasonal trend in Formula 1 competition operating costs. The improvement with respect to the trading loss of € 39 million in the first quarter of 2004 is mainly attributable to major efficiency gains on product costs, which were offset by the less favorable sales mix, the negative foreign exchange effect, and higher research and development costs in Maserati.

CNH closed the first quarter of 2005 with a trading profit of € 124 million, compared to a trading profit of € 118 million in the first three months of 2004. The improvement in sales prices, higher volumes for construction equipment, and efficiency gains on production costs were offset by the lower volumes posted in the agricultural business, which is particularly penalized by lower sales of high margin products, and increased raw material costs.

Iveco had a trading profit of € 65 million in the first quarter of 2005, an improvement of € 5 million with respect to the first quarter of 2004. The positive contribution from the increase in volumes and the efficiencies realized on product costs was absorbed by increased raw material prices, higher research and development costs, and expenses for the support of commercial activities.

The Components and Production Systems area reported a trading profit of € 29 million, in the first quarter of 2005, against € 35 million in the first quarter of 2004. In particular:

- Magneti Marelli reported a trading profit of € 33 million, in the first quarter of 2005, which includes the positive effect of the change in the scope of consolidation for € 13 million. The decrease of € 12 million on a comparable consolidation basis with respect to the first quarter of 2004 stems from the negative impact of lower sales volumes and the unfavorable price/cost ratio, which were partly offset by efficiency gains on production and overhead.
- Teksid closed the first quarter of 2005 with a trading profit of € 5 million, against € 11 million in the first quarter of 2004. The sharp increase in raw material costs was fully recovered through sale prices, but lower volumes at the Magnesium Business Unit and reduced sundry income had a significant negative impact.
- Comau reported a trading loss of € 9 million in the first quarter of 2005, as compared to a trading loss of € 8 million for the same period of 2004. Unfavorable price trends, resulting from strong competitive pressures were substantially offset by efficiency gains on contract work and overhead.

In the first quarter of 2005, the Other Activities registered a trading loss of € 5 million, compared to a trading loss of € 4 million in the first quarter of 2004. Among Other Activities:

- Business Solutions posted a trading profit of € 2 million, compared to a trading profit of € 11 million in the first quarter of 2004. The reduction was determined by the negative impact of volumes.
- Itedi closed the first quarter of 2005 with a trading profit of € 5 million. The improvement with respect to the € 2 million trading profit reported in the first quarter of 2004 is mainly attributable to efficiency gains, reduced partly by the negative impact of lower revenues.

In the first quarter of 2005, the consolidated operating income rose to € 729 million, compared to € 71 million in the same period last year. This increase reflects an unusual gain of € 715 million recognized following the settlement with General Motors. The portion of the expected gain posted in the first quarter was pro-rated to the proceeds received during the period of € 1 billion out of an agreed total settlement of € 1,550 million. The balance, estimated at € 400 million, will be recognized in the second quarter of 2005 upon completion of the unwinding of the joint venture.

The income (loss) before taxes improved from a loss of € 267 million in the first three months of 2004 to an income of € 561 million euros in the first quarter of 2005. The € 828 million improvement mainly reflects a € 658 million increase in operating income and a € 176 million reduction in net financial expenses.
Financial expenses decreased to € 199 million, compared to € 375 million in the first three months of 2004, when it included a net charge of € 155 million due to the partial closing of an equity swap on General Motors shares and related end-of-period fair market valuations.

At March 31, 2005, consolidated net debt totals € 25.9 billion, up € 0.5 billion from the € 25.4 billion at December 31, 2004 due to translation differences and operating requirements (seasonal growth in working capital and decrease in sales of Fiat Auto), only partly offset by the collection of € 1 billion from General Motors.

Sequana Capital Group

(52.96% of capital stock through Ifil Investissements)

The IFRS-compliant consolidated results of the Sequana Capital Group for the first quarter of 2005 are commented below.

€ in millions	I Quarter 2005	I Quarter 2004 (a)	Change Amount	%
Net revenues	1,076.4	1,061.4	15.0	1.4
Current operating income	48.1	55.9	(7.8)	-14.0
Operating income	62.9	70.6	(7.7)	n.s.
Consolidated income - Group	32.9	64.4	(31.5)	-48.9

(a) Data restated in accordance with IFRS.

Against an economic backdrop that varied greatly among Sequana Capital's various business areas, current operating income of the Group in the first quarter of 2005 totals € 48.1 million (compared to € 55.9 million in the first quarter of 2004). Performance was generally in line with targets, except at ArjoWiggins, which continues to face a very difficult market.

Unlike the first quarter of 2004, the Sequana Capital Group did not benefit from any significant unusual gains during the current quarter. This basically explains the change in its consolidated income - Group between the first quarter of 2005 and the corresponding period of the prior year.

Alpitour Group

(100% of capital stock through Ifil Investissements and Ifil Finance)

At March 31, 2004, NHT New Holding for Tourism still held controlling stakes (100%) in Welcome Travel Group and in Neos that were later conferred to the subsidiary Alpitour. For purposes of comparison, data of the Alpitour Group for the first quarter of 2005 is therefore compared to data of the NHT Group for the same period of 2004.
The consolidated data of the Alpitour Group for the first quarter of 2004/2005 can be summarized as follows:

€ in millions	I Quarter 2004/2005 11/1/2004-1/31/2005	I Quarter 2003/2004 11/1/2003-1/31/2004	Change Amount	%
Net revenues	154.4	159.9	(5.5)	-3.4
Operating loss	(16.4)	(6.2)	(10.2)	n.s.
Loss - Group	(14.7)	(7.7)	(7.0)	n.s.

In order to be able to correctly interpret the results for the period, the very highly seasonal nature of the Group's business should be taken into consideration since revenues are concentrated in the summer season while structure costs are incurred throughout the course of the year.

The first quarter of the year 2004/2005 was severely penalized by the drop in demand for some of the Group's most important destinations. The decline followed the devastating tsunami which hit on December 26, 2004 and the effects of protracted international tension, especially in reference to the attack at Taba (Egypt) in October 2004. As a result, the tour operating business suffered a decrease in volumes, most particularly with regard to certain destinations producing high margins.
The economic result is also negatively impacted by the increase in air carrier costs ensuing from the crisis of the Volare Group.

Those unfavorable factors have produced consolidated accounting data of the Alpitour Group at January 31, 2005 which shows net revenues of € 154.4 million, a reduction of 3.4% compared to the NHT Group proforma data for the first quarter of the prior year.

The decrease in sales volumes, largely to destinations with high margins such as the Maldives and Egypt, produced a decline in profitability.
In fact, gross profit decreased by € 7.5 million, from € 24.3 million in 2003/2004 to a corresponding amount of € 16.8 million in 2004/2005.
As far as the operating result is concerned, the increase in the loss from the first quarter of last year is € 10.2 million. This is more than the change in gross profit principally on account of higher lease costs in connection with the payments on aircraft leased by Neos, now five instead of the three aircraft previously, and higher rent on the hotels which will start to operate from the summer season.
The consolidated loss – Group is € 14.7 million. This figure is after amortization and depreciation of € 3.7 million and deferred tax benefits of € 5.6 million, compared to a loss of € 7.7 million reported in the first quarter of the prior year.

The consolidated net financial position at the end of the quarter is a debt position of € 188.9 million, compared to a corresponding net debt position of € 140.1 million at January 31, 2004 (NHT comparative data). The change is principally due to investments during the last year, the economic situation and the different classification of credit advices presented for collection which last year had been included in the financial position.

Juventus Football Club
(60% of capital stock)

€ in millions	I Quarter 2005 (a)	I Quarter 2004 (a)	Change Amount	%
Operating revenues	71.0	61.8	9.2	14.9
Gross operating margin (b)	25.0	18.8	6.2	n.s.
Net income	4.3	6.0	(1.7)	n.s.

	3/31/2005	12/31/2004	Change amount
Stockholders' equity - Group	66.0	61.7	4.3
Net financial position	(26.7)	(20.5)	(6.2)

(a) Reclassified data and IAS/IFRS compliant. In view of the fact that Juventus F.C.'s fiscal year ends on June 30 of every year and the highly seasonal nature of the sector, it should be stressed that the data shown cannot represent the basis for a full-year projection.
(b) Before amortization of players' registration rights.

In the first quarter of 2005, Juventus played fewer home Championship games than in the corresponding period of the previous season. This led to lower revenues from games, TV and other commercial rights which were more than compensated by the recognition of income (€ 18 million) on the sale of the option rights to Oilinvest B.V., the Dutch company which owns the Tamoil trademark, for the new official sponsorship contract. The contract, signed at the end of March 2005, will last five years starting from July 1, 2005, against payment of a total sum of € 110 million, and includes the right, sold for € 8 million, to extend the contract for five more years against payment of a total sum of € 130 million. If this right is not exercised, Oilinvest will pay Juventus a penalty of € 10 million.
Furthermore, the agreement can be extended a second time up to June 30, 2020, at comparable terms, against an option right worth € 10 million.

Gross operating profit, although benefiting from an increase in revenues, is lower because of some higher expenses, and amounts to € 25 million.

The second phase of the 2004/2005 Transfer Campaign took place during the quarter and resulted in an overall financial outlay of € 45.6 million. The positive economic effect stemming from disposals and terminations of player sharing is € 18.5 million.
As a consequence of investments made, depreciation and amortization for the first three months of 2005 amount to € 17.6 million, an increase from € 13.4 million for the same period of 2004.

Income for the first three months of 2005 is € 4 million, after taxes of € 3.2 million (for IRAP, in particular), compared to income of € 5.3 million, with basically a nil net tax effect, for the corresponding period of the prior year.

The net financial position at March 31, 2005 is negative for € 26.7 million (negative for € 20.5 million at December 31, 2004) and mainly consists of bank debt.

Following the sentence against the company physician, Riccardo Agricola, after the investigation conducted by the judicial authorities concerning the alleged improper use of medicines by Juventus players, an appeal was filed in April 2005. At the same time, the public prosecutor presented an appeal against the Court sentence.

In February and April 2005, the documentation required to obtain the U.E.F.A. license for the 2005/2006 season was filed at the relevant F.I.G.C. office. The documentation provided by Juventus Football Club S.p.A. is in line with that envisaged by the regulations.

As regards the sport season, the First Team won the Italian Championship for the 28th time and was eliminated in the quarter finals of the U.E.F.A. Champions League.

Turin, June 9, 2005

For the Board of Directors
The Chairman and President
Gianluigi Gabetti

APPENDIX – TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IAS/IFRS)

FOREWORD

As provided by European Regulation No. 1606 dated July 19, 2002, starting from January 1, 2005 the IFIL Group has adopted the International Financial Reporting Standards (IAS/IFRS) issued by the International Accounting Standards Board and endorsed by the European Commission. Therefore, the 2005 consolidated financial statements will be prepared in accordance with these "IFRS". 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").

Since this first consolidated quarterly report for 2005 has been prepared in accordance with the IFRS that will be adopted in the consolidated financial statements for the year 2005, as provided by art. 82 of Consob Regulation No. 11971, which introduces the regulations for the implementation of Legislative Decree No. 58 dated February 24, 1998, on the subject of issuers of securities, as amended by Consob resolution 14990 dated April 14, 2005, this Appendix to the quarterly report has been drawn up in conformity with art. 82-bis, paragraph 4 of the same Regulation in order to provide the reconciliations required by paragraphs No. 39 and No. 40 of IFRS 1: First-time Adoption of International Financial Reporting Standards, together with the related explanatory notes on the basis of preparation and on the reconciling items.

In this specific case, however, it should again be noted that for purposes of facilitating the analysis of the financial position and the results of operations of the Group and in compliance with Annex 3D of the above Consob Regulation, it is the Company's practice to present the quarterly financial statements (balance sheet and income statement) by applying the "condensed" basis of consolidation as used in the analysis of the performance of the Group included in the Directors' reports on operations presented with the annual consolidated financial statements and the first-half report of each year. (For a detailed description of the condensed basis of consolidation mentioned herein, reference should be made to the following section of this Appendix).

Accordingly, also the reconciliations of the balance sheets and income statements to IFRS presented in this report have been adjusted to conform to the "condensed" form of presentation adopted in the quarterly financial statements, without changing the amounts of the consolidated stockholders' equity and the consolidated net income of the Group. The reconciliations of the consolidated balance sheets at January 1, 2004 and December 31, 2004 and the 2004 consolidated income statement to IFRS according to the line-by-line consolidation method as provided by IFRS will be presented together with the consolidated first-half report at June 30, 2005.

The Appendix provides:

- a description of the accounting principles adopted in the preparation of the condensed consolidated financial statements starting from January 1, 2005;
- the reconciliations between consolidated stockholders' equity and net income of the Group under previous accounting principles (Italian GAAP) and consolidated stockholders' equity and net income of the Group under IFRS for the previous periods presented for comparative purposes, as required by IFRS – First-time adoption of IFRS, together with related explanatory notes;
- the reconciliations between the condensed consolidated balance sheet and the condensed consolidated income statement under previous GAAP and the condensed consolidated balance sheet and the condensed consolidated income statement under IFRS together with related explanatory notes.

This information has been prepared as part of the Group conversion to IFRS and in accordance with the aforementioned art. 82-bis of Consob Regulation No. 11971; it does not include all of the statements, comparative information and disclosures which would be necessary for a full presentation of the financial position and results of operations of the Group at December 31, 2004 in conformity with IFRS.

PRINCIPLES OF CONSOLIDATION ADOPTED IN THE PREPARATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Scope of consolidation

In the preparation of the condensed consolidated balance sheet and income statement, the financial statements of the Parent Company and the subsidiaries in the "Holdings System" are consolidated line-by-line (proportionally in the case of jointly controlled entities) on the basis of financial statements prepared in accordance with IFRS. The investments in operating subsidiaries and associates are accounted for by the equity method, always on the basis of the financial statements prepared in accordance with principles conforming to Group principles (IFRS). Additional details are provided in the paragraph Accounting principles adopted in the preparation of quarterly reports on page 7 of this quarterly report at March 31, 2005, presented at the beginning of this document.

Transactions eliminated on consolidation

All significant intragroup balances and transactions among companies consolidated line-by-line and any unrealized gains and losses arising from transactions among the same companies are eliminated. Unrealized gains and losses arising from transactions with companies consolidated proportionally or accounted for by the equity method are eliminated to the extent of the Group's interest in those entities.

Consolidation of foreign entities

The assets and liabilities of foreign companies that are consolidated are translated using the exchange rates in effect at the balance sheet date (the current method). Income and expenses are translated at the average exchange rate for the year. Translation differences resulting from the application of this method are classified as equity until the disposal of the investment.
Goodwill and fair value adjustments arising on the acquisition of a foreign entity are recorded in the relevant foreign currency and are translated using the period-end exchange rate.
In the context of IFRS First-time adoption, the cumulative translation differences arising from the consolidation of foreign operations was set at nil, as allowed by IFRS 1; gains or losses on subsequent disposal of any foreign operation will only include accumulated translation differences arising after January 1, 2004.

SIGNIFICANT ACCOUNTING POLICIES ADOPTED IN THE PREPARATION OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Investments in operating subsidiaries and associates

Investments in operating subsidiaries and associates are accounted for by the equity method on the basis of the financial statements prepared by them in accordance with IFRS.

Non-current other investments and financial assets

<u>Other investments – available-for-sale</u> are measured at fair value which coincides, for listed securities, at the market price on the last day of the period. Unrealized gains and losses are recognized directly in stockholders' equity. When there are objective reasons supporting the fact that the assets have suffered an impairment loss, the cumulative impairment loss which had been recognized directly in stockholders' equity is reversed to the income statement. Such impairment losses may not later be reversed through the income statement.

<u>Non-current held-to-maturity securities</u> are recognized and measured at amortized cost.

<u>Those available-for-sale</u> are recognized at cost less any impairment losses and are subsequently measured at fair value. The difference is recognized in stockholders' equity.

Goodwill

In the case of acquisitions of businesses, the acquired identifiable assets, liabilities and contingent liabilities are recorded at fair value at the date of acquisition. The positive difference between the cost of acquisition of the business combination and the Group's interest in the fair value of those assets and liabilities is included in the carrying amount of the investment accounted for by the equity method. If this difference is negative (negative goodwill), it is recognized in the income statement at the time of acquisition.
Goodwill is not amortized, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, in accordance with IAS 36 – Impairment of assets. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

On disposal of part of or the whole of a business which was previously acquired and which gave rise to the recording of acquisition goodwill, the residual amount of the related goodwill comprised in the carrying amount of the same investment is included in the determination of the gain or loss on disposal.
In the context of IFRS First-time adoption, the Group elected not to apply IFRS 3 - Business combinations retrospectively to the business combinations that occurred before January 1, 2004; as a consequence, goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous Italian GAAP amounts, subject to being tested for impairment at that date.

Property, plant and equipment

Property, plant and equipment are stated at acquisition cost and are not revalued. Subsequent expenditures are capitalized only if they increase the future economic benefits embodied in the related item of property, plant and equipment. All other expenditures are expensed as incurred.
Land is recognized separately and is not depreciated as it has an indefinite life. The building, plant, motor vehicles and equipment are depreciated on a straight-line basis over the estimated useful life of the assets and taking into account the estimated realizable value.
Property, plant and equipment are periodically tested to identify whether they may be impaired. The assets are adjusted for impairment losses in the income statement.

Intangible assets

Purchased and internally-generated intangible assets are recognized as assets in accordance with IAS 38 – Intangible assets, where it is probable that the use of the asset will generate future economic benefits and where the costs of the asset can be determined reliably.
Such assets are measured at purchase and manufacturing cost and amortized on a straight-line basis over their estimated useful lives, if these assets have finite useful lives. Intangible assets with indefinite useful lives are not amortized, but tested for impairment annually or more frequently, whenever there is an indication that the asset may be impaired.

Assets held for sale

Assets which are highly likely to be sold within the next year are classified in a specific caption of the balance sheet.
Assets held for sale are measured at the lower of their carrying amount and fair value less disposal costs.

Marketable securities

Marketable securities include securities and other forms of investment of liquidity and are recorded at market value at the balance sheet date and any difference from the purchase cost is recognized in the income statement.

Receivables and payables

Receivables are initially recognized at fair value, represented by the present value of the amount that will be collected. Afterwards they are measured at amortized cost less any impairment loss.
Payables are measured at amortized cost using the effective interest method.

Bonds

They are measured at amortized cost using the effective interest method.

Derivative financial instruments

Derivative financial instruments are only used for hedging purposes, in order to reduce interest rate risks. If the conditions to qualify for hedge accounting under IAS 39 are met, that is:

- if at inception of the hedge, there is formal designation and documentation of the hedging relationship;
- if the hedge has been highly effective insofar as the variations in the cash flows of the hedged position and the relative hedging instrument do not exceed the range of 80 – 125%,

the derivative financial instruments are measured at fair value and the difference is recognized directly in stockholders' equity.

If the conditions of IAS 39 are not met, the transactions, even if they have been set up for the purpose of managing risk exposure (inasmuch as the Group's policy does not permit speculative transactions) are designated as "trading".
In that case, the difference with fair value is recognized in the income statement.

Employee benefits – Pension plans

The Group maintains several employee benefit plans, including employee severance indemnities (TFR), which are considered defined benefit pension plans. These are therefore measured by actuarial techniques using the Projected Unit Credit Cost method.

Net cumulative actuarial gains and losses that arise after January 1, 2004 (which exceed the greater of 10% of the present value of the defined benefit obligation and 10% of the fair value of plan assets at the end of the previous year) are amortized over the average remaining service lives of the employees according to the "corridor approach".

All net cumulative actuarial gains and losses that existed at January 1, 2004 have been recognized with a contra-entry to stockholders' equity.

Employee benefits - Stock option plans

In accordance with IFRS 2 – Share-based payment, the full amount of the fair value of stock options on the date of grant is expensed in payroll costs on a straight-line basis over the period from the grant date to the vesting date, with a contra-entry recognized directly in stockholders' equity. Changes in fair value after the grant date have no impact on the initial measurement.

In accordance with IFRS 2, the Group has applied this standard to stock options granted after November 7, 2002 and not yet vested at the effective date of IFRS 2 (January 1, 2005).

Provisions

The Group records provisions when it has an obligation, legal or constructive, to a third party, when it is probable that an outflow of Group resources will be required to satisfy the obligation and a reliable estimate of the amount can be made.

Changes in estimates are reflected in the income statement in the period in which the change occurs.

Treasury stock

The cost of treasury stock and the proceeds of any subsequent sale are recorded as movements in stockholders' equity.

Dividends

Dividends are recorded in the year in which they are approved by the stockholders.

Taxes

Current income taxes are calculated according to the tax laws in force.

Temporary differences between the amounts of assets and liabilities in the financial statements and the corresponding amounts for tax purposes give rise to deferred tax liabilities recorded in a specific provision under liabilities or eventually to deferred tax assets recorded in "receivables – deferred tax assets" only if there is reasonable certainty of future recovery. Deferred tax assets are also recognized for the tax benefit connected with tax loss carryforwards whenever specific requisites for recoverability are met. Deferred tax assets and liabilities are offset when they refer to the same company and there is a legally enforceable right of offset.

Deferred tax assets and liabilities are shown separately from other receivables and taxes payable in a specific caption under non-current assets or liabilities.

Foreign currency transactions

Transactions in foreign currencies are recorded at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate prevailing at that date. Exchange differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period or in previous financial statements, are recognized in the income statement.

Sales and purchases of receivables

These transactions may be with or without recourse on the seller. Receivables sold with recourse remain in the balance sheet of the assignor which records a payable due to the buyer against collection and financial expenses to be borne. Receivables sold without recourse are only derecognized if it can be demonstrated that the risks and benefits of ownership of the asset have been substantially transferred to the assignee (IAS 39).

Recognition of revenues and costs

Revenues and costs are recognized only when the related risks and rewards are substantially transferred from the assignor to the assignee. Until that date, the transaction is not recognized as a sale.

The transfer of the title of ownership of electronically-recorded stock traded on the screen market coincides with the time of settlement of the transaction. In the case of sale, therefore, if the year-end closing date (or any interim closing dates) falls between the date of the contract and the date of the settlement of the transaction, for the assignor, the transaction will have no economic effects as these will be recognized in the subsequent period.

In the case of the purchase or sale of unlisted securities, the passage of title of ownership is identified contractually between the parties and reference is made to that time for accounting purposes.

Use of estimates

The application of IFRS requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. Estimates and assumptions are reviewed periodically and the effects of any changes are reflected immediately in the income statement.

RECONCILIATIONS REQUIRED BY IFRS 1

As required by IFRS 1, the following describes the policies adopted in preparing the IFRS opening condensed consolidated balance sheet at January 1, 2004, the main differences with the Italian GAAP used to prepare the condensed consolidated financial statements until December 31, 2004, as well as the consequent reconciliations between the figures already published, prepared in accordance with Italian GAAP, and the corresponding figures remeasured in accordance with IFRS.

The 2004 restated IFRS consolidated balance sheet and income statement have been prepared in accordance with IFRS 1 – *First-time Adoption of IFRS*. In particular, the IFRS applicable from January 1, 2005, as published as of December 31, 2004, have been adopted, including the following:

- IAS 39 – *Financial Instruments: Recognition and Measurement* in its entirety. In particular, the Group adopted derecognition requirements retrospectively from the date in which financial assets and financial liabilities had been derecognized under Italian GAAP.
- IFRS 2 – *Share-based Payment*, which was published by the IASB on February 19, 2004 and adopted by the European Commission on February 7, 2005.

FIRST-TIME ADOPTION OF IFRS

General principle

The IFRS accounting standards in force at December 31, 2004 have been applied retrospectively to all periods presented in the first condensed financial statements and to the relative opening balance sheet, except for some exemptions adopted, as allowed by IFRS 1, as described in the following subsection.

These 2004 condensed financial statements will constitute the comparative data published in the Directors' report on operations presented with the consolidated financial statements at December 31, 2005, subject to any adjustments that may be necessary if any international standards are revised or amended during 2005. It should be noted that revised versions or interpretations of IFRS may be issued prior to publication of the Group's full year 2005 consolidated financial statements at December 31, 2005, possibly with retroactive effects. If this happens, it will affect the 2004 restated IFRS consolidated balance sheet and income statement presented in this document.

The opening condensed consolidated IFRS balance sheet at January 1, 2004 will reflect the following differences as compared to the condensed consolidated balance sheet at December 31, 2003 prepared in accordance with Italian GAAP:

- all assets and liabilities qualifying for recognition under IFRS, including assets and liabilities that were not recognized under Italian GAAP, have been recognized and measured in accordance with IFRS;

- all assets and liabilities recognized under Italian GAAP that do not qualify for recognition under IFRS have been eliminated;
- certain balance sheet items have been reclassified in accordance with IFRS.

The impact of these adjustments is recognized directly in opening equity at the date of transition to IFRS (January 1, 2004).

Optional exemptions adopted by the Group

Business combinations: the Group elected not to apply IFRS 3 - Business combinations retrospectively to the business combinations that occurred before the date of transition to IFRS.

Employee benefits: the Group elected to recognize all cumulative actuarial gains and losses that existed at January 1, 2004, even if it decided to use the corridor approach for later actuarial gains and losses.

Cumulative translation differences: The cumulative translation differences arising from the consolidation of foreign operations have been set at nil as at January 1, 2004. Gains or losses on subsequent disposal of any foreign operation will only include accumulated translation differences after January 1, 2004.

AUDIT ACTIVITY ON THE RECONCILIATIONS REQUIRED BY IFRS 1

The IFRS reconciliations of consolidated balance sheets of the Group at January 1, 2004 and December 31, 2004, and of consolidated income statement of the Group for the year ended December 31, 2004, together with the related explanatory notes, have been subjected to full audit procedures. The auditors, Deloitte & Touche, have completed their work and their report is hereinafter attached.

IFIL INVESTMENTS GROUP
RECONCILIATION OF THE CONDENSED CONSOLIDATED BALANCE SHEET
AT JANUARY 1, 2004 (DATE OF TRANSITION TO IFRS) AND RELATED EXPLANATORY NOTES

€ in millions	Italian GAAP	Effects of transition to IFRS: Adjustments		Effects of transition to IFRS: Reclassifications		IFRS	
Assets							**Assets**
Investments	4,174.0	(262.8)	a	(662.2)		3,249.0	Investments in operating subsidiaries and associates accounted for by the equity method
		112.8	b	620.0	b	732.8	Other investments
Financial fixed assets - Bonds	4.6	0.3	c	3.6		8.5	Non-current securities
Financial fixed assets -Treasury stock	44.5			(44.5)	h		
Financial assets recorded in current assets - Treasury stock	1.7			(1.7)	h		
Other assets	87.3	(7.7)	d	(66.5)		13.1	Property, plant and equipment and intangible assets
		6.6	e	35.2	e	41.8	Assets held for sale
Cash and short-term investments	434.6			(2.6)		432.0	Marketable securities
				65.1		65.1	Current receivables and other assets
				2.8		2.8	Cash and cash equivalents
Total assets	4,746.7	(150.8)		(50.8)		4,545.1	**Total assets**
Liabilities and stockholders' equity							**Equity and liabilities**
Stockholders' equity-Group	3,953.9	(159.6)				3,794.3	Capital and reserves
				(46.2)	h	(46.2)	Treasury stock
	3,953.9	(159.6)		(46.2)		3,748.1	Stockholders' equity-Group
Reserve for employee severance indemnities and reserves for risks and charges	99.6			(3.4)		96.2	Provisions
Financial payables, medium-term	450.0	0.7	f	(150.7)		300.0	Bonds
Financial payables, short-term	216.9	8.1	g	152.1		377.1	Current and non-current bank debt
Other payables	26.3			(2.6)		23.7	Other current and non-current liabilities
Total liabilities and stockholders' equity	4,746.7	(150.8)		(50.8)		4,545.1	**Total equity and liabilities**

a. The negative adjustment of € 262.8 million represents IFIL's share of the effects of the first-time application of IFRS on the stockholders' equity of operating subsidiaries and associates accounted for by the equity method and, consequently, on the carrying amount of these investments. Details are as follows:

	Stockholders' equity of holdings		IFIL's share		
€ in millions	Italian GAAP	IFRS	Italian GAAP	IFRS	Difference
FIAT Group	6,793.0	5,910.0	1,876.1	1,640.5	(235.6)
Sequana Capital Group	1,998.0	1,959.9	1,060.4	1,040.9	(19.5)
Alpitour/NHT Group	227.2	222.9	204.5	200.6	(3.9)
Juventus Football Club	77.0	70.9	47.8	44.0	(3.8)
					(262.8)

The effects of the first-time adoption of IFRS on the carrying amount of the investment in the Fiat Group, accounted for by the equity method, are principally attributable to the adoption of IAS 38 – Intangible assets (in reference to development costs), IAS 19 – Employee benefits, IAS 18 – Revenue recognition and IAS 39 – Financial Instruments: Recognition and measurement, in addition to other effects that are detailed in depth in the specific document presented in the Quarterly report for the first quarter of 2005 made public by Fiat S.p.A.. For the other holdings, the differences indicated are principally due to the application of IAS 19 – Employee benefits and IAS 39 – Financial Instruments: Recognition and measurement.

b. The positive adjustment of € 112.8 million is due to the alignment of the original purchase cost (€ 8.81 per share for a total of € 620 million) of the investment in SANPAOLO IMI to the market price at December 31, 2003 (€ 10.41 per share for a total of € 732.8 million). This investment is reclassified to "Other investments available-for-sale".

c. The positive adjustment of € 0.3 million is due to the alignment of the per unit carrying amount (€ 0.19) of Fiat ordinary share warrants 2007 to the market price at December 31, 2003 (€ 0.20). Such warrants are reclassified to "Non-current securities".

d. The net negative amount of € 7.7 million includes the derecognition of the remaining balance of deferred charges (-€ 9.4 million, largely referring to IFIL S.p.A. capital increases) and the reversal of accumulated depreciation on the amount of the land separated from the carrying amount of the building owned by the subsidiary Soiem (+€ 1.7 million).

e. The positive adjustment of € 6.6 million is due to the alignment of the carrying amount (€ 25.2 per share) of the investment in Club Méditerranée to the market price at December 31, 2003 (€ 29.9 per share). This investment is reclassified in "Assets held for sale".

f., g. The adjustments represent the measurement of derivative instruments used to hedge interest rate risk (swaps) on bonds and bank debt.

h. The reclassifications are made to deduct from stockholders' equity (€ 46.2 million) the carrying amount of IFIL ordinary treasury stock previously recorded in fixed assets (€ 44.5 million) and in current assets (€ 1.7 million).

IFIL INVESTMENTS GROUP
RECONCILIATION OF CONSOLIDATED STOCKHOLDERS' EQUITY - GROUP
AT JANUARY 1, 2004 (DATE OF TRANSITION TO IFRS)

€ in millions			Notes
Consolidated stockholders' equity of IFIL Group at December 31, 2003 (Italian GAAP)		3,953.9	
	IFIL's share of the effects of the adoption of IFRS on the stockholders' equity of operating subsidiaries and associates accounted for by the equity method	(262.8)	a
IAS 39 -	Fair value adjustment of the investment in SANPAOLO IMI	112.8	b
IAS 39 -	Fair value adjustment of Fiat ordinary share warrants 2007	0.3	c
IAS 38 -	Derecognition of intangible assets	(9.4)	d
IAS 16 -	Reversal of accumulated depreciation on land	1.7	d
IAS 39 -	Fair value adjustment of the investment in Club Méditerranée	6.6	e
IAS 39 -	Measurement of instruments used to hedge interest rate risk	(8.8)	f,g
		(159.6)	
IAS 1 -	Reclassification of the carrying amount of treasury stock	(46.2)	h
Consolidated stockholders' equity of IFIL Group at January 1, 2004 (IAS/IFRS)		3,748.1	

The explanatory notes are reported on page 29.

IFIL INVESTMENTS GROUP
RECONCILIATION OF CONDENSED CONSOLIDATED BALANCE SHEET AT DECEMBER 31, 2004 AND RELATED EXPLANATORY NOTES

€ in millions	Italian GAAP	Effects of transition to IFRS				IFRS	
		Adjustments		Reclassifications			
Assets							**Assets**
Investments	3,128.9	(188.9)	a	(695.9)		2,244.1	Investments in operating subsidiaries and associates accounted for by the equity method
		124.9	b	620.0	b	744.9	Other investments
Financial fixed assets - Bonds	4.8			2.5		7.3	Non-current securities
Financial fixed assets -Treasury stock	44.5			(44.5)	i		
Financial assets recorded in current assets - Treasury stock	5.5			(5.5)	i		
Other assets	70.7	(4.6)	c	(52.5)		13.6	Property, plant and equipment and intangible assets
		0.2	d	72.2	l	72.4	Assets held for sale
Cash and short-term investments	1,051.1	0.1	e	(3.3)		1,047.9	Marketable securities
				300.2		300.2	Current receivables and other assets
Receivables from Auchan Group	252.4			(252.4)			
				4.2		4.2	Cash and cash equivalents
Total assets	4,557.9	(68.3)		(55.0)		4,434.6	**Total assets**
Liabilities and stockholders' equity							**Equity and liabilities**
Stockholders' equity-Group	3,916.8	(72.7)				3,844.1	Capital and reserves
				(50.0)	i	(50.0)	Treasury stock
	3,916.8	(72.7)		(50.0)		3,794.1	Stockholders' equity-Group
Reserve for employee severance indemnities and reserves for risks and charges	12.1	(0.3)	f	(3.4)		8.4	Provisions
Financial payables, medium-term	100.0	0.7	g	199.9		300.6	Bonds
Financial payables, short-term	518.6	4.0	h	(198.7)		323.9	Current and non-current bank debt
Other payables	10.4			(2.8)		7.6	Other current and non-current liabilities
Total liabilities and stockholders' equity	4,557.9	(68.3)		(55.0)		4,434.6	**Total equity and liabilities**

a. The negative adjustment of € 188.9 million represents IFIL's share of the effects of the application of IFRS on the stockholders' equity of operating subsidiaries and associates accounted for by the equity method and, consequently, on the carrying amount of these investments. Details are as follows:

	Stockholders' equity of holdings		IFIL's share		
€ in millions	Italian GAAP	IFRS	Italian GAAP	IFRS	Difference
FIAT Group	5,099.0	4,304.0	1,408.3	1,194.1	(214.2)
Sequana Capital Group	1,776.2	1,838.5	940.8	973.8	33.0
Alpitour Group	79.6	79.2	79.6	79.2	(0.4)
Juventus Football Club	71.2	61.7	43.9	38.0	(5.9)
					(187.5)
Consolidation adjustments					(1.4)
					(188.9)

The differences between the measurement of the investments at December 31, 2004 under Italian GAAP and under IFRS are of the same nature as those existing at the beginning of the year and updated to take into account the changes during the period.

b. The positive adjustment of € 124.9 million is due to the alignment of the original purchase cost (€ 8.81 per share for a total of € 620 million) of the investment in SANPAOLO IMI to the market price at December 31, 2004 (€ 10.58 per share for a total of € 744.9 million). This investment is reclassified to "Other investments available-for-sale".

c. The negative amount of € 4.6 million includes the derecognition of the remaining balance of deferred charges (-€ 6.3 million, largely referring to IFIL S.p.A. capital increases) and the reversal of accumulated depreciation on the amount of the land separated from the carrying amount of the building owned by the subsidiary Soiem (+€ 1.7 million).

d. The positive adjustment of € 0.2 million is due to the reversal of the amortization on the difference on consolidation included in the carrying amount of the investment in La Rinascente.

e. The positive adjustment of € 0.1 million represents the fair value adjustment of current securities.

f. The adjustment of € 0.3 million is to adjust the provision for employee severance indemnities (TFR) according to the calculation criteria in IAS 19.

g., h. The adjustments represent the measurement of derivative instruments used to hedge interest rate risk (swaps) on bonds and bank debt.

i. The reclassifications are made to deduct from stockholders' equity (€ 50 million) the carrying amount of IFIL ordinary treasury stock previously recorded in fixed assets (€ 44.5 million) and in current assets (€ 5.5 million).

l. The figure mainly includes the carrying amount of the investment in La Rinascente for € 70.1 million.

IFIL INVESTMENTS GROUP
RECONCILIATION OF CONSOLIDATED STOCKHOLDERS' EQUITY - GROUP
AT DECEMBER 31, 2004

€ in millions			Notes
Consolidated stockholders' equity of IFIL Group at December 31, 2004 (Italian GAAP)		3,916.8	
	IFIL's share of the effects of the adoption of IFRS on the stockholders' equity of operating subsidiaries and associates accounted for by the equity method	(188.9)	a
IAS 39 -	Fair value adjustment of the investment in SANPAOLO IMI	124.9	b
IAS 38 -	Derecognition of intangible assets	(6.7)	c
IAS 16 -	Reversal of accumulated depreciation on land	1.7	c
IAS 16 -	Reversal of depreciation on building	0.4	c
IFRS 3 -	Reversal of amortization on differences on consolidation	0.2	d
IAS 39 -	Fair value adjustment of current securities	0.1	e
IAS 19/39 -	Adjustment of provision of employee severance indemnities (TFR) and discounting of INPS payable	0.3	f
IAS 39 -	Measurement of instruments used to hedge interest rate risk	(4.7)	g,h
		(72.7)	
IAS 1 -	Reclassification of the carrying amount of treasury stock	(50.0)	i
Consolidated stockholders' equity of IFIL Group at December 31, 2004 (IAS/IFRS)		3,794.1	

The explanatory notes are reported on page 32.

IFIL INVESTMENTS GROUP
RECONCILIATION OF CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2004 AND RELATED EXPLANATORY NOTES

€ in millions	Italian GAAP	Effects of transition to IFRS: Adjustments		Effects of transition to IFRS: Reclassifications		IFRS	
Group's share of earnings (losses) of companies accounted for using the equity method	(402.0)	4.3	a	2.3	g	(395.4)	Share of earnings (losses) of operating subsidiaries and associates accounted for by the equity method
Dividends from other holdings	27.4					27.4	Dividends from other holdings
Gains, net	611.3	(8.3)	b	0.3		603.3	Gains on disposal of equity investments
				(2.3)	g	(2.3)	Share of earnings (losses) of companies held for sale
Amortization of differences on consolidation	(81.4)	8.5	c	72.9	h		
		0.2	d	(74.6)	h	(74.4)	Impairment losses of investments and securities
Financial expenses, net	(20.9)					(20.9)	Net financial expenses
General expenses, net	(18.7)	0.7	e	(4.2)		(22.2)	Net general expenses
				0.3		0.3	(Accruals to)/releases of provisions
Other expenses, net	(7.0)	2.2	f	4.8			
Income taxes	10.3			0.5		10.8	Income taxes
Net income - Group	119.0	7.6		0.0		126.6	Income - Group

a. The positive adjustment of € 4.3 million represents IFIL's share of the effects of the adoption of IFRS on the earnings (losses) for the year 2004 of operating subsidiaries and associates accounted for by the equity method. Details are as follows:

€ in millions	Earnings (losses) of holdings: Italian GAAP	Earnings (losses) of holdings: IFRS	IFIL's share: Italian GAAP	IFIL's share: IFRS	Difference
FIAT Group	(1,586.0)	(1,634.0)	(438.0)	(453.3)	(15.3)
Sequana Capital Group	(64.0)	(23.5)	(33.7)	(12.5)	21.2
Alpitour Group	3.4	5.7	3.4	5.7	2.3
Juventus Football Club	(5.8)	(9.1)	(3.5)	(5.6)	(2.1)
					6.1
Consolidation adjustments					(1.8)
					4.3

The differences indicated for the individual holdings are principally due to the effects on net income for the year of the application of IAS 38 – Intangible assets, IAS 19 – Employee benefits, IAS 36 – Impairment of assets, IAS 39 – Financial Instruments: Recognition and measurement and IFRS 3 – Business combinations (in reference to the elimination of the amortization of goodwill).

b., c. The negative adjustment of € 8.3 million is due to the reduction of the gain on the disposal of the investment in SIDM, following the reversal of the charge for amortization (€ 8.3 million, included in the amount of € 8.5 million) of the difference on consolidation on the same investment, with a consequent increase of the same amount on the carrying value of the investment.

d. The positive adjustment of € 0.2 million is due to the reversal of impairment losses on IFIL ordinary treasury stock and marketable securities.

e. The positive adjustment of € 0.7 million is due to the reversal of the amortization of deferred charges and the depreciation of the building of the subsidiary Soiem (+€ 1 million) and the accrual for stock option costs (-€ 0.3 million).

f. The positive adjustment of € 2.2 million is due to the reversal of the amortization of the deferred charges derecognized from assets.

g. The reclassification is made to show the share of the earnings (losses) of SIDM (-€ 6.6 million) and La Rinascente (+€ 4.3 million) in the caption “Share of earnings (losses) of companies held for sale”.

h. The reclassification of € 72.9 million is made to show the extraordinary amortization of the differences on consolidation on Alpitour (-€ 36.5 million) and on Juventus Football Club (-€ 36.4 million) in the caption “Impairment losses of equity investments and securities”.

IFIL INVESTMENTS GROUP
RECONCILIATION OF CONSOLIDATED INCOME - GROUP
FOR THE YEAR ENDED DECEMBER 31, 2004

€ in millions			Notes
Consolidated income of IFIL Group for the year ended December 31, 2004 (Italian GAAP)		119.0	
	IFIL's share of the effects of the adoption of IFRS on the earnings (losses) of operating subsidiaries and associates accounted for by the equity method	4.3	a
IFRS 3 -	Reversal of amortization of differences on consolidation	0.2	b,c
IAS 39 -	Fair value adjustment of marketable securities	0.1	d
IAS 1 -	Reversal of impairment losses on treasury stock	0.1	d
IAS 16 -	Reversal of depreciation on building	0.4	e
IFRS 2 -	Stock option costs	(0.3)	e
IAS 38 -	Derecognition of intangible assets	2.8	e,f
Net difference		7.6	
Consolidated income of IFIL Group for the year ended December 31, 2004 (IAS/IFRS)		126.6	

The explanatory notes are reported on pages 34 and 35.

IFIL INVESTMENTS GROUP
RECONCILIATION OF CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE FIRST QUARTER 2004 AND RELATED EXPLANATORY NOTES
(UNAUDITED)

€ in millions	Italian GAAP	Effects of transition to IFRS: Adjustments		Effects of transition to IFRS: Reclassifications		IFRS	
Group's share of earnings (losses) of companies accounted for using the equity method	(6.8)	(42.7)	a	4.4	e	(45.1)	Share of earnings (losses) of operating subsidiaries and associates accounted for by the equity method
Amortization of differences on consolidation	(27.3)	3.7	b	23.6			
		(0.1)		(23.6)		(23.7)	Impairment losses of investments and securities
				(4.4)	e	(4.4)	Share of earnings (losses) of companies held for sale
Financial expenses, net	(5.2)					(5.2)	Net financial expenses
General expenses, net	(4.2)	0.2	c			(4.0)	Net general expenses
				(0.9)		(0.9)	(Accruals to)/releases of provisions
Other expenses, net	(1.5)	0.6	d	0.9			
Income taxes	0.0					0.0	Income taxes
Net loss - Group	(45.0)	(38.3)		(0.0)		(83.3)	Loss - Group

a. The negative adjustment of € 42.7 million represents IFIL's share of the effects of the adoption of IFRS on the earnings (losses) for the first quarter of 2004 of operating subsidiaries and associates accounted for by the equity method. Details are as follows:

	Earnings (losses) of holdings		IFIL's share		
	Italian GAAP	IFRS	Italian GAAP	IFRS	Difference
FIAT Group	(194.0)	(390.0)	(53.6)	(108.2)	(54.6)
Sequana Capital Group	43.8	64.4	23.3	34.2	10.9
Alpitour Group	(10.8)	(9.8)	(10.8)	(9.8)	1.0
Juventus Football Club	5.3	6.0	3.3	3.7	0.4
					(42.3)
Consolidation adjustments					(0.4)
					(42.7)

b. The positive adjustment of € 3.7 million includes the reversal of the amortization of the differences on consolidation of the investments in La Rinascente (+€ 2.8 million) and Juventus Football Club (+€ 0.9 million).

c. The net positive adjustment of € 0.2 million is due to the reversal of the amortization of the deferred charges derecognized from assets (+€ 0.3 million) and the accrual for stock option costs (-€ 0.1 million).

d. The positive adjustment of € 0.6 million is due to the reversal of the amortization of the deferred charges derecognized from assets.

e. The reclassification is made to show the share of the earnings (losses) of the Rinascente Group (-€ 4.4 million) in the caption "Share of earnings (losses) of companies held for sale".

Deloitte.

Deloitte & Touche S.p.A.
Galleria San Federico, 54
10121 Torino
Italia

Tel: +39 011 55971
Fax: +39 011 544756
www.deloitte.it

**SPECIAL PURPOSE AUDITOR'S REPORT
ON THE STATEMENTS OF RECONCILIATION
TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**
(Translation from the Original Issued in Italian)

**To the Board of Directors of
IFIL INVESTMENTS S.p.A.**

1. We have audited the accompanying statements of reconciliation to International Financial Reporting Standards ("IFRS") of the consolidated shareholders' equity as of January 1 and December 31, 2004 and of consolidated net income for the year ended December 31, 2004 of IFIL Investments S.p.A. ("IFIL") and subsidiaries (the "IFIL Group"), as presented in the Appendix to the Quarterly Report for the First Quarter 2005 (hereinafter, the "IFRS Reconciliation Statements"). The consolidated shareholders' equity and the consolidated net income presented in the IFRS Reconciliation Statements are based on the consolidated financial statements of the IFIL Group as of December 31, 2003 and 2004, prepared in accordance with the applicable Italian statutory provisions governing the criteria for their preparation, which we have previously audited and on which we issued our auditor's reports dated May 13, 2004 and April 7, 2005, respectively. The IFRS Reconciliation Statements have been prepared as part of the Group's conversion to IFRS as adopted by the European Commission, in accordance with the criteria and principles set out in article 82-bis of CONSOB Regulation no. 11971/1999 as amended by Resolution no. 14990 of April 14, 2005, which establishes the basis for the preparation of the IFRS reconciliation statements in Italy. These IFRS Reconciliation Statements are the responsibility of the Directors of IFIL Investments S.p.A. Our responsibility is to express an opinion on these IFRS Reconciliation Statements based on our audit.

2. We conducted our audit in accordance with generally accepted auditing standards in Italy. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the IFRS Reconciliation Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the IFRS Reconciliation Statements. An audit also includes assessing the adequacy and the fairness of the accounting principles used and the reasonableness of the estimates made by the Directors. We believe that our audit provides a reasonable basis for our opinion.

The audit of the data for certain subsidiaries and affiliates included in the accompanying IFRS Reconciliation Statements is the responsibility of other auditors. With reference to the previously published consolidated financial statements as of December 31, 2003 and 2004 prepared in accordance with the applicable Italian statutory provisions (the most recent complete consolidated financial statements available at the date of this report), such subsidiaries and associates audited by other auditors represented 10% of consolidated total assets as of January 1, 2004 and December 31, 2004 and 13% of consolidated revenues for the year 2004.

3. In our opinion, the IFRS Reconciliation Statements identified in paragraph 1., taken as a whole, have been prepared in all material respects in accordance with the criteria and principles set out in article 82-bis of the above-mentioned CONSOB Regulation no. 11971/1999 and with the specific criteria and principles set out in the explanatory notes.

4. For a better understanding of the IFRS Reconciliation Statements, we draw attention to the following matters described in more detail in the explanatory notes:

   (a) As a result of new versions, changes or interpretations of IFRS, the data presented in the IFRS Reconciliation Statements may require adjustment before its inclusion as comparative information in the consolidated financial statements as of and for the year ending December 31, 2005, when the Group prepares its first set of consolidated financial statements in accordance with IFRS as adopted by the European Commission.

   (b) The IFRS Reconciliation Statements identified in paragraph 1. are presented in the Appendix to the Quarterly Report for the First Quarter 2005 together with balance sheet and income statement data prepared on a so-called "condensed" consolidation basis not contemplated by IFRS, but used by management in the quarterly reports and in the annual and semi-annual reports on operations in order to facilitate analysis of the financial position and results of operations of the Group. Our opinion does not extend to such condensed balance sheet and income statement data, other than to the consolidated shareholders' equity and consolidated net income.

   (c) Because the IFRS Reconciliation Statements have been prepared solely for the purposes of the transition process for the preparation of the Group's first annual consolidated financial statements in accordance with IFRS, they do not include all of the statements, comparative information and explanatory notes which would be necessary for a full presentation of the financial position and results of operations of the IFIL Group in conformity with IFRS.

DELOITTE & TOUCHE S.p.A.

Signed by
Colin Johnston
Partner

Turin, Italy
June 9, 2005

This report has been translated into the English language solely for the convenience of international readers