QUARTERLY REPORT
AT SEPTEMBER 30, 2004

investments IFIL

Società per Azioni
Capital stock € 1,075,195,737, fully paid-in
Registered office in Turin - Corso Matteotti 26 - Turin Company Register No. 00914230016

TABLE OF CONTENTS

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This is an English translation of the Italian original document “Relazione trimestrale al 30 settembre 2004” approved by the IFIL Board of Directors on November 11, 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 “Relazione trimestrale al 30 settembre 2004” also available on the corporate website: http://www.ifil.it.

Board of Directors

Chairman and President
Gianluigi Gabetti

Managing Director and General Manager
Daniel John Winteler

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

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Fernando Massara

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Chairman
Gianluigi Gabetti

Tiberto Brandolini d'Adda
John Philip Elkann
Luigi Garosci
Daniel John Winteler

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Chairman
Luigi Garosci

Giancarlo Lombardi
Claudio Saracco

Compensation and Nominating Committee

Chairman
Gianluigi Gabetti

John Philip 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, according to the bylaws (art. 20), may legally represent the company. 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, according to the bylaws (art. 20), may legally represent the company 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 62.03% 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, controlled with 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 (Magneti Marelli) and the supply of related services, 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.

Worms & Cie (53.07% holding) 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 (Carbonless Europe was absorbed by ArjoWiggins as from January 1, 2004);
- Antalis (100% holding), the leading European group in the distribution of paper products for printing and writing;
- Permal Group (100% 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;

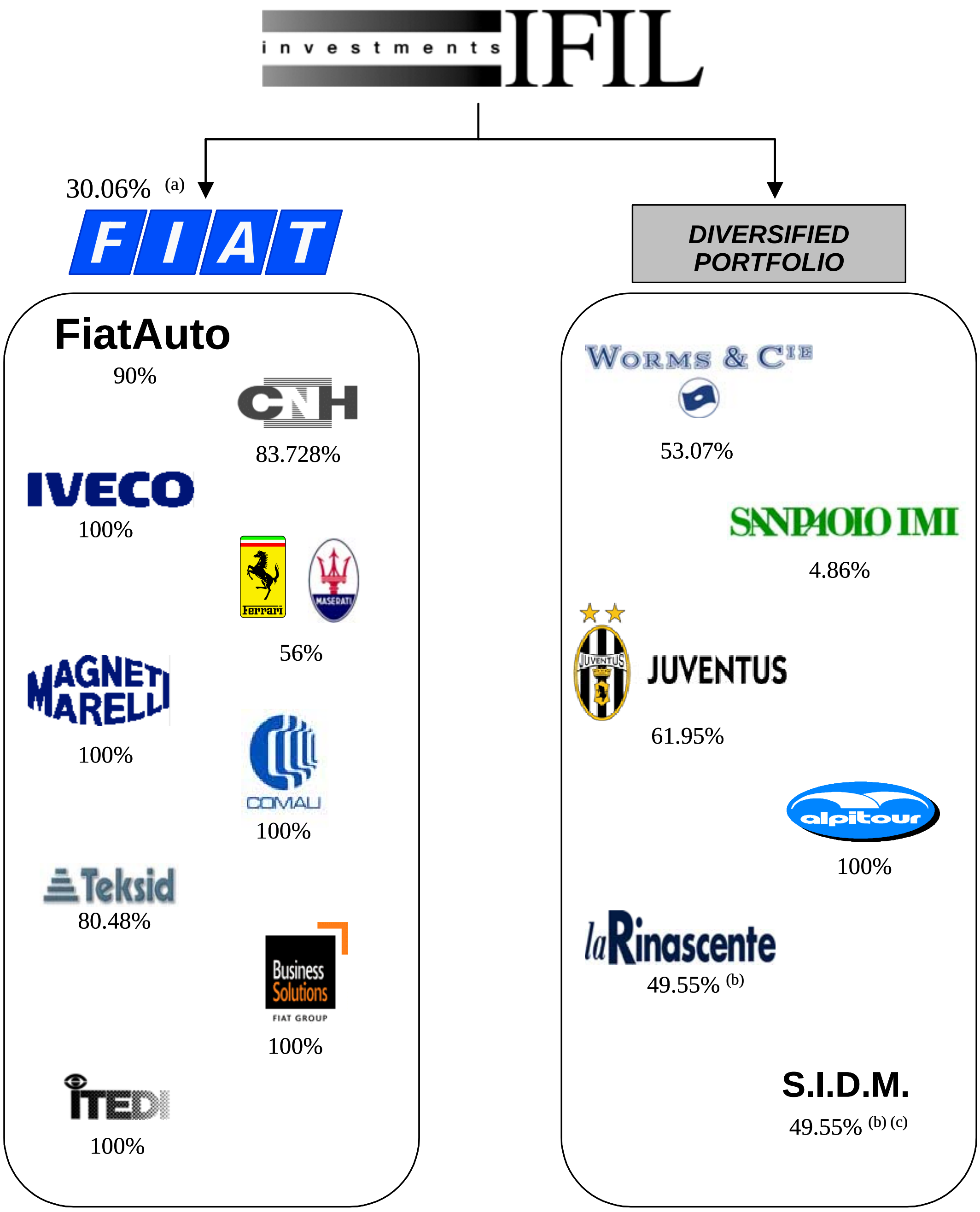
La Rinascente (jointly controlled with the Auchan Group, through Eurofind, which holds more than 99% of the ordinary capital stock) is one of the largest Italian retailers operating throughout Italy with department stores La Rinascente (19 points of sale) and multi-specialty stores UPIM (149 direct points of sale and 236 franchised points of sale);

SANPAOLO IMI (4.86% of ordinary capital stock), 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 (61.95% 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.

The following chart is updated to the beginning of November 2004 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) In capital stock.
(c) An agreement was reached for the sale of IFIL Group's investment in Società Italiana Distribuzione Moderna to the Auchan Group.

MAJOR EVENTS

Monetization of the investment in the Rinascente Group

In October 2004, La Rinascente S.p.A. has completed the demerger of the textile businesses (Grandi Magazzini and Upim) into a new company called La Rinascente S.p.A.

The other sectors of activities, which comprise the Auchan hypermarkets, the SMA supermarkets, 50% of SIB S.p.A. (Bricolage) and 51% of Gallerie Commerciali Italia S.p.A., are still headed by the demerged company newly named Società Italiana Distribuzione Moderna S.p.A. (S.I.D.M.).

La Rinascente and S.I.D.M. are currently held by Eurofind, a company jointly controlled by the IFIL Group and the Auchan Group, which holds 99.1% of the ordinary capital stock.

At the beginning of November 2004, an agreement between the IFIL Group and the Auchan Group was reached for the sale of the IFIL Group's indirect investment in the capital stock of S.I.D.M. to the Auchan Group for approximately € 1,063 million.

The closing of the deal, which is subject to approval by the competent antitrust authorities, is expected to take place by the end of this year. The transaction foresees a payment of € 810 million at closing with the payment of the balance by the middle of 2005.

At the same time, the Auchan Group and the IFIL Group also reached an agreement regarding La Rinascente and the sale through a competitive bidding process. Lazard Italia, the designated advisor, has begun the sale procedure.

Following these agreements, Eurofind will be totally demerged in two new separate companies: Eurofind Food, which will hold 99.1% of S.I.D.M.'s capital stock and Eurofind Textile, which will hold 99.1% of La Rinascente's capital stock.

Sale of the investment in Club Méditerranée

In October 2004, on the approval by the competent antitrust authorities, the subsidiary Mediterranean Capital sold 1,233,691 Club Méditerranée's shares (6.37% of capital stock) to Accor for a price of € 55.5 million (€ 45 per share), and will realize a gain on consolidation of € 24.4 million that will be registered in the fourth quarter of 2004.

The contract calls for a possible upward price adjustment, over the next two years, up to a maximum of € 12.3 million (€ 10 per share), in relation to Club Méditerranée's future economic and financial performance.

Preliminary agreement with Sviluppo Italia Turismo

In August 2004, the IFIL Group, together with Banca Intesa and the Marcegaglia Group, sealed a preliminary agreement with Sviluppo Italia to acquire stakes, through a capital increase especially reserved for them, in the subsidiary Sviluppo Italia Turismo, a company which holds some tourism real estate structures in the South of Italy. According to the agreement – which is subject to verification of the current development plans – the three private stockholders will have the right to subscribe to and progressively increase their initial investment in Sviluppo Italia Turismo. The parties are discussing the definitive conditions to carry out the transaction, as well as the total value of the subsidiary Ifil Investissements' investment.

CRITERIA USED IN THE PREPARATION OF QUARTERLY REPORTS

The quarterly consolidated report of the IFIL Group has been prepared pursuant to art. 82 of the "Rules containing the procedures for enacting Legislative Decree No. 58 dated February 24, 1998 for issuers of securities" (Consob resolution No. 11971 of May 14, 1999 as amended).

The quarterly consolidated report is unaudited and has been prepared according to principles which conform to those applied in the condensed annual and first-half financial statements; such presentation allows a uniform comparison of the quarterly data with the published data accompanying the first-half report and the annual consolidated financial statements prepared by using the line-by-line consolidation method pursuant to the law.

Certain more complex valuation procedures, particularly for the determination of eventual impairment losses of long-term assets, are generally carried out in a comprehensive manner only at the time of preparing the annual financial statements, when all the necessary information ultimately becomes available.

IFIL holds important investments through Dutch and Luxembourg holding companies. This control structure is the result of the Group's strategy to globalize investments and secure strategic agreements with leading foreign partners in the sectors of investment. Moreover, IFIL controls two companies incorporated under Irish law operating with the aim of optimizing the management of the financial resources of the Group and Soiem, a services company. In 2004, IFIL set up two organizations, with offices respectively in New York (Ifil Investments USA) and Hong Kong (Ifil Asia). IFIL also purchased 100% of the capital stock of Sadco, with head offices in Switzerland; these will significantly boost the opportunities of creating economic value for the company.

The aggregate of these companies constitutes the so-called "Holdings System".

The quarterly consolidated report, in condensed form, has been prepared by consolidating the financial holding companies and Soiem on a line-by-line or proportional basis and accounting for the other subsidiaries and associated companies using the equity method.

In detail, the scope of consolidation is as follows:

		% holding in capital stock outstanding		
		9/30/2004	12/31/2003	9/30/2003
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
	- Mediterranean Capital B.V., formerly Ifil Capital B.V. (Netherlands) (a)	100	100	100
	- Ifil Finance B.V. (Netherlands) (a)	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 New Business S.r.l. (Italy) (b)	100	100	-
	- IFIL Investments USA (c)	100	-	-
	- IFIL Asia (Hong Kong) (d)	100	-	-
	- Sadco S.A. (Switzerland) (d)	100	-	-
	Consolidated proportionally			
	- Eurofind S.A. (Luxembourg)	50	40.47	40.47
	- Eufin Investments Unlimited (United Kingdom)	50	40.47	40.47
OPERATING COMPANIES	**Accounted for using the equity method**			
	- Fiat Group	27.62	27.62	27.62
	- Worms & Cie Group	53.07	53.07	53.07
	- Rinascente Group (e)	49.55	40.10	40.09
	- NHT Group (f)	100	90	90
	- Juventus Football Club S.p.A.	61.95	62.01	62.01

(a) Company placed into a wind-up.
(b) The company (formerly New Business Quindici S.r.l.) is dormant.
(c) 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).
(d) Consolidated line-by-line starting from the third quarter of 2004.
(e) At September 30, 2004 Eurofind holds 99.09% of La Rinascente's capital stock outstanding (99.09% at December 31, 2003 and 99.07% at September 30, 2003).
(f) After the sale of its 100% stakes in Welcome Travel Group and Neos (June 2004) to Alpitour, New Holding for Tourism BV only holds a 100% stake in the capital stock of Alpitour. The Company will be placed into a wind-up.

ANALYSIS OF CONDENSED CONSOLIDATED RESULTS

Results for the first nine months of the year

The first nine months of 2004 closed with a consolidated net loss for the IFIL Group of € 281 million, compared to a consolidated net loss of € 20 million in the corresponding period of 2003. The negative change of € 261 million was due to IFIL's higher share of losses reported by the companies accounted for using the equity method (-€ 201.8 million), the extraordinary amortization of the entire difference on consolidation relating to the 10% of the capital stock of NHT purchased in January 2004 (-€ 23.6 million), the share of lower earnings posted (-€ 23.6 million), the elimination of the fiscally-instituted tax credit on dividends (-€ 11.9 million) and other net changes (-€ 0.1 million).

The main captions of the condensed consolidated statement of operations at September 30, 2004, are examined in the following paragraphs. Additional details and information are provided in the following section "Condensed consolidated financial statements".

The **Group's share of earnings (losses) of companies** accounted for using the equity method amounted to losses of € 238.9 million (losses of € 37.1 million at September 30, 2003); the change (-€ 201.8 million) was essentially due to the higher share of losses reported by the Fiat Group (-€ 191.3 million), the lower share of earnings reported by the Worms & Cie Group (-€ 10.1 million) and to the changes in the results of other holdings (-€ 0.4 million). The abovementioned changes included consolidation adjustments.

Dividends from other holdings, entirely in reference to SANPAOLO IMI, amounted to € 27.4 million (€ 21.1 million at September 30, 2003).

Gains, net, amounted to € 1.4 million (€ 25 million in 2003) and were substantially due to the sale of IFIL's shares in the capital stock of Club Méditerranée to Exor Group (+€ 2 million) and the write-down of securities recorded in current assets (-€ 0.7 million).

Amortization of differences on consolidation amounted to € 34.8 million (€ 10.3 million at September 30, 2003). They referred to the investments in Juventus Football Club (€ 2.9 million) and in the Rinascente Group (€ 8.3 million), in addition to the aforementioned extraordinary amortization charge for the difference on consolidation on 10% of the capital stock of NHT, equal to € 23.6 million.

Financial expenses, net, were € 17.1 million (€ 17.4 million at September 30, 2003).

General expenses, net, amounted to € 12.6 million and increased by € 2.9 million, compared to the corresponding period of 2003 (€ 9.7 million). The increase was substantially due to higher personnel costs as a result of a different mix of the work force and expenses incurred for the opening of the organizations in New York and Hong Kong as well as the line-by-line consolidation of Sadco.

Other expenses, net, amounted to € 6.4 million (€ 5.4 million at September 30, 2003) and included the amortization of the expenses related to the IFIL capital stock increases in 2003 (€ 1.7 million), remuneration voted on behalf of the directors of Eurofind (€ 1.5 million), consulting and legal assistance fees (€ 1.5 million) and, lastly, sundry expenses, net (€ 1.7 million).

Key data relating to the condensed consolidated balance sheet are presented in the following paragraphs. Additional details and information are provided in the following section "Condensed consolidated financial statements".

Financial fixed assets at September 30, 2004 amounted to € 4,028.6 million (€ 4,223.1 million at December 31, 2003).

Consolidated net financial position of the "Holdings System" at September 30, 2004 showed a net indebtedness position of € 411.8 million (€ 234.7 million at December 31, 2003), with a negative change of € 177.1 million.

Stockholders' equity – Group at September 30, 2004 amounted to € 3,652.8 million (€ 3,953.9 million at December 31, 2003).

Results for the third quarter of the year

In view of the fact that important components of the statement of operations are not evenly distributed over the course of the year, the results of the individual quarters may bear little resemblance to the overall performance of operations for a full year. Bearing this in mind, a review of the third-quarter 2004 results is presented below.

The **consolidated net loss – Group** for the third quarter of 2004 was € 170 million (compared to an income of € 25 million in the corresponding period of 2003).

The analysis of the main captions of the statement of operations for the third quarter of 2004 showed the following:

- the **Group's share of earnings (losses) of companies** accounted for using the equity method for the third quarter of 2004 resulted in losses of € 153.3 million (earnings of € 14.1 million in the corresponding period of 2003); the decrease of € 167.4 million was mainly due to a higher share of the losses reported by the Fiat Group (-€ 156.2 million), a lower share of earnings reported by the Worms & Cie Group (-€ 14 million) and to changes in the results of the other holdings (+€ 2.8 million). The aforementioned changes included consolidation adjustments;

- **Gains (losses), net**, equal to € 0.7 million, were mainly due to the write-down of securities recorded in current assets;

- **Financial expenses, net**, amounted to € 6.5 million (€ 4.7 million for the third quarter of 2003);

- **General expenses, net**, amounted to € 4.6 million; the increase of € 1.8 million, compared to the corresponding period of the prior year (€ 2.8 million), was mainly due to the line-by-line consolidation of the new companies Sadco, Ifil USA and Ifil Asia.

Details of the main captions of the condensed consolidated Statement of Operations and the condensed consolidated Balance Sheet are presented in the following paragraphs.

Condensed consolidated statement of operations

Year 2003	€ in millions	9 months to September 30 2004	2003	Change	III Quarter 2004	2003	Change
(49.7)	Group's share of earnings (losses) of companies accounted for using the equity	(238.9)	(37.1)	(201.8)	(153.3)	14.1	(167.4)
21.2	Dividends from other holdings	27.4	21.2	6.2	0.0	0.0	0.0
11.9	Dividend tax credits	0.0	11.9	(11.9)	0.0	0.0	0.0
25.0	Gains (losses), net	1.4	25.0	(23.6)	(0.7)	24.9	(25.6)
(13.7)	Amortization of differences on consolidation	(34.8)	(10.3)	(24.5)	(3.8)	(3.5)	(0.3)
(5.3)	Investment income (expenses), net	(244.9)	10.7	(255.6)	(157.8)	35.5	(193.3)
(23.6)	Financial expenses, net	(17.1)	(17.4)	0.3	(6.5)	(4.7)	(1.8)
(13.0)	General expenses, net	(12.6)	(9.7)	(2.9)	(4.6)	(2.8)	(1.8)
(6.1)	Other expenses, net	(6.4)	(5.4)	(1.0)	(1.1)	(3.0)	1.9
(48.0)	Income (loss) before taxes	(281.0)	(21.8)	(259.2)	(170.0)	25.0	(195.0)
0.1	Current taxes	0.0	0.2	(0.2)	0.0	0.0	0.0
2.9	Deferred taxes	0.0	1.6	(1.6)	0.0	0.0	0.0
(45.0)	Net Income (loss) - Group	(281.0)	(20.0)	(261.0)	(170.0)	25.0	(195.0)

Group's share of earnings (losses) of companies accounted for using the equity method

Year 2003	€ in millions	9 months to September 30 2004	2003	Change	III Quarter 2004	2003	Change
(410.4)	Fiat Group	(334.8)	(104.5)	(230.3)	(153.2)	(23.2)	(130.0)
59.2	Worms & Cie Group	53.9	55.9	(2.0)	13.7	23.1	(9.4)
80.4	Rinascente Group	(3.9)	(3.7)	(0.2)	(5.7)	(2.5)	(3.2)
(10.1)	NHT Group (a)	(31.3)	(29.7)	(1.6)	(7.7)	(7.1)	(0.6)
(5.5)	Juventus Football Club	0.6	(0.9)	1.5	(1.9)	(9.3)	7.4
0.2	Other	0.0	0.2	(0.2)	0.0	0.0	0.0
(286.2)		(315.5)	(82.7)	(232.8)	(154.8)	(19.0)	(135.8)
236.5	Consolidation adjustments	76.6	45.6	31.0	1.5	33.1	(31.6)
(49.7)	Group's share of earnings (losses) of companies accounted for using the equity method	(238.9)	(37.1)	(201.8)	(153.3)	14.1	(167.4)

(a) The first nine months coincide with the period November 1 - July 31.

At September 30, 2004, consolidation adjustments totaled € 76.6 million (€ 45.6 million at September 30, 2003) and regarded:

- the use of the remaining "Consolidation reserve for risks and future expenses" (+€ 69.6 million) for IFIL's share of Fiat Group's loss referring to the investment acquired in Fiat by IFIL in 2003 (17.039%); this reserve was utilized for € 18.8 million at September 30, 2003;
- NHT Group's result (+€ 5.9 million), for the reversal of the amortization of the difference on consolidation referring to Alpitour, booked in the past by IFIL, as a reduction of the consolidation reserve posted in consolidated stockholders' equity;
- Worms & Cie Group's result (+€ 1.1 million), for the reversal of the amortization of the difference on consolidation referring to the Permal Group, previously amortized entirely by IFIL.

Comments on the operating performance of the investment holdings are presented later in the report.

Amortization of differences on consolidation

€ in millions	Balance at 12/31/2003	Change in the nine months to September 30, 2004: Increase	Change in the nine months to September 30, 2004: Amortization	Balance at 9/30/2004
Rinascente Group (a)	155.9	25.9 (b)	(8.3)	173.5
Juventus Football Club (c)	36.4		(2.9)	33.5
NHT New Holding for Tourism	0.0	23.6 (d)	(23.6)	0.0
Total	192.3	49.5	(34.8)	207.0

(a) Amortized over 20 years.
(b) Originating from the purchase of 9.53% of Eurofind's capital stock.
(c) Amortized over 10 years, excluding € 42.8 million booked in the past as a reduction of the consolidation reserve recorded in consolidated stockholders' equity.
(d) Originating from the purchase of 10% of the capital stock of NHT New Holding for Tourism.

Condensed consolidated balance sheet

9/30/2003	€ in millions	9/30/2004	12/31/2003	Change	6/30/2004
	Financial fixed assets:				
4,752.0	- investments	3,979.4	4,174.0	(194.6)	4,152.3
44.5	- treasury stock	44.5	44.5	0.0	44.5
4.6	- long-term bonds	4.7	4.6	0.1	4.7
4,801.1		4,028.6	4,223.1	(194.5)	4,201.5
	Financial assets not held as fixed assets:				
200.6	- cash and short-term investments	201.3	434.6	(233.3)	203.2
1.6	- treasury stock	1.6	1.7	(0.1)	1.6
202.2		202.9	436.3	(233.4)	204.8
88.5	Other assets	74.3	87.3	(13.0)	75.2
5,091.8	Total assets	4,305.8	4,746.7	(440.9)	4,481.5
4,111.9	Stockholders' equity - Group	3,652.8	3,953.9	(301.1)	3,837.4
	Financial payables:				
310.7	- due within 2004	158.9	216.9	(58.0)	151.3
350.0	- due beyond 2004	450.0	450.0	0.0	450.0
660.7		608.9	666.9	(58.0)	601.3
290.0	Reserve for employee severance indemnities and reserves for risks and charges	31.8 (a)	99.6	(67.8)	31.4
29.2	Other liabilities	12.3	26.3	(14.0)	11.4
5,091.8	Total liabilities and stockholders' equity	4,305.8	4,746.7	(440.9)	4,481.5

(a) The remaining "Consolidation reserve for risks and future expenses" (€ 69.6 million at the end of 2003) was entirely utilized in 2004.

Financial fixed assets

9/30/2003	€ in millions	9/30/2004	12/31/2003	Change	6/30/2004
	Investments accounted for using the equity method				
2,285.6	Fiat Group	1,587.1	1,876.1	(289.0)	1,739.2
1,034.0	Worms & Cie Group	1,045.4	1,019.3	26.1	1,046.8
620.5	Rinascente Group	539.5	461.6	77.9	548.0
89.9	Juventus Football Club S.p.A.	81.9	84.2	(2.3)	85.5
59.4	NHT Group	67.4	70.6	(3.2)	73.3
4,089.4		3,321.3	3,511.8	(190.5)	3,492.8
	Investments valued at cost				
620.0	SANPAOLO IMI S.p.A.	620.0	620.0	0.0	620.0
35.2	Club Méditerranée S.A.	31.1	35.2	(4.1)	31.1
3.6	Warrants 2007 on Fiat ordinary shares	3.6	3.6	0.0	3.6
3.8	Other	3.4	3.4	0.0	4.8
662.6		658.1	662.2	(4.1)	659.5
4,752.0	Total investments	3,979.4	4,174.0	(194.6)	4,152.3
44.5	Treasury stock - IFIL ordinary shares	44.5	44.5	0.0	44.5
4.6	Ocean Club Méditerranée bonds	4.7	4.6	0.1	4.7
4,801.1	Total financial fixed assets	4,028.6	4,223.1	(194.5)	4,201.5

Investments accounted for using the equity method – Other information

€ in millions	Number of shares held	% holding of class of stock	% holding of capital stock	Carrying value Per share (€)	Carrying value Total (€ ml)
Investments accounted for using the equity method					
Fiat Group					
- ordinary shares	240,583,447	30.06	24.46	5.84	1,405.5
- preferred shares	31,082,500	30.09	3.16	5.84	181.6
			27.62		1,587.1
Worms & Cie Group	55,922,623	-	53.07	18.69	1,045.4
Rinascente Group					
- ordinary shares	148,278,135 (a)	49.60	36.62	2.69	398.8
- savings shares	50,934,941 (a)	49.53	12.58	2.69	137.0
- preferred shares	1,398,543 (a)	44.46	0.35	2.69	3.7
			49.55		539.5
Juventus Football Club S.p.A.	74,921,533	-	61.95	1.09	81.9
NHT Group	32,980	-	100.00	2,044.30	67.4
Total investments accounted for using the equity method					3,321.3

(a) Equal to 50% of the shares held by Eurofind.

Investments, treasury stock and bonds valued at cost – Comparison between carrying values and market prices

	Number of shares held		% holding of class of stock	Carrying value Unit (€)	Total (€ ml)		Average market price April/September Unit (€)		Total (€ ml)	September 2004 Unit (€)		Total (€ ml)
SANPAOLO IMI S.p.A. - ordinary shares	70,371,000		4.86	8.81	620.0		9.47		666.4	9.45		665.2
Club Méditerranée S.A. - shares	1,233,691		6.37	25.24	31.1	(a)	45.00	(b)	55.5	45.00	(b)	55.5
Warrants 2007 on Fiat ordinary shares	18,914,511		-	0.19	3.6		0.17		3.1	0.13		2.5
IFIL ordinary shares, treasury stock	11,927,410	(c)	1.15	3.73	44.5	(d)	2.81		33.5	2.78		33.2
Ocean Club Méditerranée bonds	76,614		-	61.66	4.7		63.25		4.8	64.24		4.9
Total					703.9				763.3			761.3

(a) Net of writedowns of € 76.5 million made in previous years.
(b) Sale price to Accor.
(c) Including 810,262 IFIL ordinary shares held by the subsidiary Soiem.
(d) Net of writedowns of € 19.3 million made in previous years.

Based on the aforementioned average stock market prices, IFIL ordinary shares showed an unrealized loss of approximately € 11 million; moreover, the carrying value per IFIL ordinary share (€ 3.73) was substantially in line with the per share value of the consolidated stockholders' equity of the IFIL Group at September 30, 2004 (€ 3.40).

IFIL ordinary treasury stock held in current assets
These refer to 700,000 IFIL ordinary treasury stock (0.07% of the class of stock) used to service stock option plans recorded at the estimated realizable value of € 1.6 million.

Stockholders' equity – Group

€ in millions		
Stockholders' equity - Group at December 31, 2003	3,953.9	
Dividends declared by IFIL S.p.A.	(69.7)	(a)
Share of translation adjustments (+€ 45.2 million) in the stockholders' equity of companies accounted for using the equity method and other changes, net (+€ 4.4 million)	49.6	
Consolidated net loss - Group	(281.0)	
Net change during the period	(301.1)	
Stockholders' equity - Group at September 30, 2004	3,652.8	

(a) The amount is net of intragroup dividends of € 0.1 million.

Consolidated net financial position of the “Holdings System”

6/30/2004				9/30/2004			12/31/2003		
Within 2004	Beyond 2004	Total	€ in millions	Within 2004	Beyond 2004	Total	Within 2004	Beyond 2004	Total
203.2		203.2	Cash and short-term investments	201.3		201.3	434.6		434.6
2.1		2.1	Other assets (receivables, financial accrued income and prepaid expenses)	0.6		0.6	0.2		0.2
205.3		205.3	Total financial assets	201.9		201.9	434.8		434.8
(81.6)	(150.0)	(231.6)	Borrowings from banks	(158.9)	(150.0)	(308.9)	(216.9)	(150.0)	(366.9)
	(200.0)	(200.0)	IFIL 2002/2005 bonds		(200.0)	(200.0)		(200.0)	(200.0)
	(100.0)	(100.0)	IFIL 2003/2006 bonds		(100.0)	(100.0)		(100.0)	(100.0)
(71.8)		(71.8)	Other liabilities (payables, financial accrued expenses and deferred income)	(4.8)		(4.8)	(2.6)		(2.6)
(153.4)	(450.0)	(603.4)	Total financial liabilities	(163.7)	(450.0)	(613.7)	(219.5)	(450.0)	(669.5)
51.9	(450.0)	(398.1)	Consolidated net financial position "Holdings System"	38.2	(450.0)	(411.8)	215.3	(450.0)	(234.7)

The negative change of € 177.1 million, compared to the balance at the end of 2003, was due to the following flows:

€ in millions		
Consolidated net financial position of the "Holdings System" at December 31, 2003		(234.7)
Dividends received from:		
- Worms & Cie	33.6	
- SANPAOLO IMI	27.4	
- La Rinascente	7.9	
Dividends received		68.9
Financial expenses, net		(17.1)
General expenses, net		(12.6)
Investments:		
- Eurofind, 9.53% of capital stock (from Mediobanca)	(116.1)	
- NHT New Holding for Tourism, 10% of capital stock (from the TUI Group)	(46.3)	
- Sadco, 100% of capital stock (from Exor Group)	(1.4)	
Investments		(163.8)
Sales:		
- Club Méditerranée, 0.82% of capital stock (to Exor Group)	6.1	
- Juventus Football Club, 0.06% of capital stock	0.1	
Sales		6.2
Other changes:		
- Dividends declared by IFIL S.p.A.	(69.7) (a)	
- Receivables collected from the tax authorities	8.8	
- Sale of receivables from the tax authorities to Group companies	3.7	
- Other, net	(1.5)	
Other changes		(58.7)
Net change during the period		(177.1)
Consolidated net financial position of the "Holdings System" at September 30, 2004		(411.8)

(a) The amount is net of intragroup dividends of € 0.1 million.

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, since the end of June 2003.

OTHER INFORMATION

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.
At the hearing on April 7, 2004, the Judge reserved its decision concerning the reciprocal requests for inquiries by the parties. Later, after dismissing the reservation, the Judge allowed formal questioning on some and rejected other evidence, holding the decision, at the request of the technical consultant appointed by the court (CTU), until after the outcome of the questioning, adjourning the continuation of the hearing to October 6, 2004. At the hearing on October 6, 2004, the Judge fixed the hearing for questioning of a legal officer of IFIL on December 14, 2004.
Both of the above complaints (request to declare the stockholders' resolution null and void and 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.

Possible Fiat S.p.A. capital increase in execution of the Mandatory Convertible Facility Agreements 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

For 2004, IFIL S.p.A., based on the data available to date, is expected to report a profit.

The consolidated result of the IFIL Group for 2004 will be directly related to the year-end results of the companies in the Group's portfolio, as well as the realization of the gain on the sale to the Auchan Group of IFIL's investment in Società Italiana Distribuzione Moderna, expected to take place by the end of the year.
Following this last transaction, the consolidated net financial position of the "Holdings System" will move from its current net indebtedness position to a significant liquidity position, which will be available for new investments.

The business outlook formulated by the Group companies is presented in the following paragraphs.

Fiat Group
For all of 2004, the Fiat Group expects to reach its stated year-end goals of attaining operating breakeven and reducing operating cash outflow.
Fiat Auto adopted a leader and more efficient organization on September 1, 2004 and is continuing to strengthen the management team that will lead its cultural transformation and provide fresh momentum for its operations. The Company, which operates in a very difficult European environment characterized by strong price competition, will end the fiscal year with a smaller operating loss than in 2003.
CNH and Iveco should end 2004 with a further improvement in profitability.

Worms & Cie Group
The Worms & Cie Group forecasts net profit before exceptionals for the year 2004 up compared with 2003. However, the cost of ArjoWiggins' restructuring plans, which is currently being evaluated, is likely to have a substantial impact on exceptional items and consequently on the net profit – Group share.

La Rinascente
In a market fraught by a persisting weakness in demand, La Rinascente (company which benefits from the demerger of the Rinascente Group's textile businesses) will continue with all the commercial initiatives geared by the two divisions La Rinascente and Upim in the first nine months of the year in order to confirm the growth in terms of sales and improve profitability.

NHT Group
The performance in the fourth quarter of the fiscal year 2003/2004 was influenced by the terrorist attempt in Taba (Red Sea) which generated negative effects on bookings for Egypt, as well as the hurricanes, in September 2004, that violently affected most of the main Caribbean destinations (Cuba, Mexico and Santo Domingo) generating exceptional costs for reprogramming and/or customers repatriation.

Despite the persisting weakness in the economic situation and the negative events, the NHT Group forecasts an increase in the results for the year 2003/2004, compared to the 2003 results, considering also the actions taken to reduce operating costs and simplify the organization and structure of the Company.

Juventus Football Club
The performance of Juventus Football Club for fiscal 2004/2005 will be considerably impacted by the results of the sports season, the total economic effects of the Transfer Campaign and any extraordinary transactions regarding other assets.

The following describes the operating performance of the major Group companies.
The percentages indicated are updated to the beginning of November 2004.

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

Year 2003			III Quarter			9 months to September 30		
			2004	2003		2004	2003	
Continuing Operations	Consolidated	€ in millions		Continuing Operations	Consolidated		Continuing Operations	Consolidated
44,498	47,271	Net Revenues	10,648	9,731	9,837	34,156	31,894	34,611
(714)	(510)	Operating result	(97)	(303)	(285)	(237)	(846)	(652)
(434)	(319)	EBIT	(238)	593	610	(462)	356	464
2,042	(1,948)	Net result before minority interest	(554)	(151)	(145)	(1,223)	(971)	(882)
n.d.	(1,900)	Group interest in net result	(554)	n.d.	(84)	(1,212)	n.d.	(792)
(3,780)	6,793	Stockholders' equity of the Group				5,747		
	(3,028)	Net financial position				(5,529)		

In the first nine months of 2004, transactions have affected the composition of the Fiat Group and, as a consequence, its scope of consolidation. To allow a meaningful comparison with 2003 data, the figures for the third quarter of 2004 used in the analyses presented hereinafter have been prepared on the basis of "continuing operations", i.e. excluding data of companies that were sold in 2003.
In the paragraphs below, the 2004 data are analyzed only with reference to the continuing operations in 2003.

Consolidated net revenues of the Group increased by 9.1% in the third quarter of 2004, due to higher volumes of activity at Fiat Auto and at most of the other sectors (CNH and Iveco). The increase in sales at CNH was partly reduced by the negative impact caused by the weakening of the US dollar.
In the first nine months of 2004, the Automobile market decreased by 2.3%, compared to the corresponding period of the prior year while the agricultural and construction equipment market continued growing briskly in the third quarter of 2004. Iveco also benefited from the positive trend in demand.

In the third quarter of 2004, the Fiat Group posted an **operating loss** of € 97 million, mainly due to the operating loss of € 270 million posted by Fiat Auto in the same period, while the continuing operations had reported an operating loss of € 331 million in the third quarter of 2003.
CNH and Iveco reported continuing sharp improvements in the third quarter of 2004, with respectively an operating income of € 90 million (€ 25 million in the third quarter of 2003) and € 76 million (operating loss of € 2 million in the third quarter of 2003).
Magneti Marelli also confirmed its positive performance, which benefited from the actions implemented to make the cost structure more competitive and develop its operating area.

The third quarter 2004 **E.B.I.T. (Earnings Before Interest and Taxes)** figures take into account that the third quarter 2003 figures (€ 464 million) included a € 1,258 million capital gain (net of transaction costs) on the sale of FiatAvio. Excluding the aforementioned positive items, the third quarter 2004 E.B.I.T. showed an improvement, which principally reflected the reduction of operating loss and lower restructuring costs.

Net loss before minority interest in the third quarter of 2004 was € 554 million, compared with the net loss of € 151 million in the same period of 2003 (continuing operations), which had benefited from gains on the disposal of FiatAvio (€ 781 million after taxes).
Net financial expenses in the third quarter of 2004 decreased from € 245 million to € 231 million.
Income taxes totaled € 85 million in the third quarter of 2004 and included € 35 million for IRAP (the Italian regional tax on production activities).

The most important results regarding the first nine months of 2004 are as follows:

- Group net revenues increased by 7.1%, compared with the same figure in the first nine months of 2003, due to higher volumes of activity of the main sectors;
- Operating loss decreased from € 846 million to € 237 million. A contraction of Fiat Auto's operating loss and higher operating income at CNH and Iveco accounted for this improvement.
- Consolidated net loss of the Group amounted to € 1.2 billion, approximately € 250 million greater than the net loss for the first nine months of 2003. At September 30, 2003, consolidated net loss included net gains totaling approximately € 1.1 billion.

Net invested capital at September 30, 2004 totaled € 11.9 billion, € 727 million higher than at June 30, 2004 and € 1.4 billion higher than at December 31, 2003.
The increase reported in the third quarter of 2004 was mainly attributable to the increase in working capital, partly due on one hand to higher trade receivables for Iveco and Fiat Auto and, on the other, to the seasonality in the volumes of activity of the Automotive sector that characterizes the summer season and leads to an increase in inventories and a reduction in trade payables.
In the third quarter of 2004, divestitures were carried out in "Fixed assets".

At September 30, 2004, the Fiat Group had a negative **net financial position** of € 5,529 million, compared with a negative € 4,254 million at June 30, 2004. The increase primarily reflected higher cash uses mainly due to the increase in working capital and a decrease in trade receivables sold.
At the same date, gross indebtedness totaled € 20.6 billion, below the targets contractually agreed upon with the Lending Banks (€ 23.6 billion) under the Mandatory Convertible Facility Agreement while the pro-forma net financial position (computed by substracting from the net financial position the Citigroup loan of approximately € 1.15 billion) exceeded the limit of € 3.6 billion contractually agreed for this parameter. The Lending Banks will therefore have the right, in accordance to the contractual terms and conditions, to proceed with the conversion of the facility into capital for an amount up to € 2 billion.

Worms & Cie Group

(53.07% of capital stock through Ifil Investissements)

Year 2003	€ in millions	9/30/2004	9/30/2003	Change
4,214	Turnover	3,181.0	3,108.6	72.4
179	Operating profit	153.3	128.9	24.4
(25)	Net financial expense	(11.0)	(14.5)	3.5
154	Net profit before exceptionals	134.2	106.4	27.8
31	Exceptional items net of tax	27.2	(1.0)	28.2
112	Net profit - Group share	101.5	105.4	(3.9)

For the first nine months of 2004, Worms & Cie reported a 26% increase in **net profit before exceptionals** to € 134.2 million, compared to the corresponding period of the previous year.

The increase in **net profit before exceptionals** reflected good performance and growth in the service businesses, while as for industrial activities, ArjoWiggins reported a decline in results. The new Company management team has embarked on a radical restructuring plan designed to improve productivity and profitability.

At September 30, 2004, **net profit – Group share** declined slightly by 3.7% to € 101.5 million, compared with € 105.4 million at September 30, 2003, after setting aside € 60 million for the amortization of differences on consolidation (€ 58 million in 2003).

NHT New Holding for Tourism Group
(100% of capital stock through Ifil Investissements and Ifil Finance)

Year		9 months to July 31 (a)			III Quarter		
10/31/2003	€ in millions	2004	2003	Change	2004	2003	Change
945.9	Net revenues	700.5	578.2	122.3	360.8	279.0	81.8
26.7	Operating income (loss)	(3.2)	(6.3)	3.2	9.4	5.5	3.9
(11.2)	Net loss - Group	(31.3)	(33.0)	1.7	(7.7)	(7.9)	0.2
(74.2)	Net financial position	(169.4)	(141.7)	(27.7)	-	-	-

(a) Corresponding to the period November 1 – July 31.

In order to be able to correctly interpret the results for the period, the very highly seasonal nature of the Group business should be taken into consideration in the analysis of margins and economic performance since the profit curve shows peak growth in the summer season while structure costs are incurred steadily over the course of the year.

Among the major events in the third quarter of 2004, at the beginning of June 2004, it is to be noted that NHT subscribed to the capital stock increase of Alpitour for € 17.8 million, of which € 6.5 million cash and € 11.3 million by contribution of 100% stakes in Welcome Travel Group and Neos. After the aforementioned transaction, Alpitour will be an operating holding company in the Tourism sector, dealing directly as a tour operator and controlling all the other sectors (incoming services, hotel management, distribution and airline).

Tourism sector, after a year characterized by a weak economic situation and impacted above all by negative external factors (political crisis in Iraq and SARS emergency in Eastern countries), confirmed the upturn in demand that started from the 2003 summer season.
Notwithstanding the persisting international political situation, which is still not much reassuring, sales reported an important increase in volumes in line with the forecasts.
The consolidated accounting situation of NHT Group at July 31, 2004 showed **net revenues** of € 700.5 million, an increase of approximately 21% compared to the same period of the prior year.

The **operating result** showed a loss of € 3.2 million, compared to a loss of € 6.3 million in the corresponding period of the prior year, which confirmed the increase in margins reported.
The abovementioned result can be also ascribed to the effects of the first-time line-by-line consolidation of Neos and Promoviaggi, as well as to the development of the hotel business in Italy by Altamarea, in terms of increase in net revenues, in services and personnel costs as well as in lease and rental costs (rental for hotel complexes and leasing of aircraft).

The positive performance of operations is similarly reflected in the pre-tax result, which showed a loss of € 29.8 million, compared to a loss of € 31.2 million in the corresponding period of the prior year. The improvement in pre-tax result is less relevant than the operating income predominantly on account of the increase in financial expenses and provisions to the reserve for risks and future expenses.
The **consolidated net result – Group** showed a loss of € 31.3 million, compared to a loss of € 33 million in the corresponding period of the prior year.

Consolidated net financial position at period-end showed a net indebtedness position of € 169.4 million, compared to a net indebtedness position of € 141.7 million at July 31, 2003. The negative change (€ 27.7 million), net of the positive effect brought by the first-time line-by-line consolidation of Neos, is principally attributable to investments relating to the purchase of new stakes in Neos, Jumboturismo and Blumarin Hotels Sicilia, as well as to cash outflows sustained for the construction of the new tourist complex of Arenella in Sicily.

Juventus Football Club
(61.95% of capital stock)

Year 2003/2004 (a)	€ in millions	9 months to September 30 (b) 2004	2003	Change	III Quarter (b) 2004	2003	Change
208.2	Operating revenues	155.2	155.2	0.0	36.7	36.6	0.1
37.1	Gross operating margin (c)	26.2	6.0	20.2	(4.0)	(1.0)	(3.0)
(18.5)	Net income (loss)	1.0	(8.6)	9.6	(3.0)	(14.9)	11.9
53.1	Net financial position	6.4	47.9	(41.5)			

(a) Corresponding to the period July 1, 2003 – June 30, 2004.
(b) Reclassified data. 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.
(a) Before amortization of the players' registration rights.

Operating revenues for the period January 1 – September 30, 2004 are likely the same compared to the corresponding period of 2003. However, there was a reduction in match revenues and revenues from television, radio and telephone rights principally due to fewer matches played by Juventus in the U.E.F.A. Champions League and also to a decrease in the amount of the abovementioned rights. This result stemmed from the increase in other revenues relating to agreements signed with the Mediaset Group in June 2004 concerning the sale of television broadcasting rights of the home matches in the forthcoming sports seasons.

Gross operating margin benefited from lower operating costs, decreasing from € 149.2 million to € 129 million. The reduction was mainly due to lower personnel costs (absence of bonuses paid to players and technical staff for the victory 2002/2003 and lower expenses connected with the acquisition of temporary title to players' registration rights and for insurance coverage.

As for the management of players' registration rights, the first stage of the 2004/2005 Transfer Campaign, which ended in August 2004, led to an economic effect positive for € 17 million (€ 4 million in 2003) as well as to a financial imbalance of a total of € 38.6 million.

Net income (loss) for the period was also impacted by the amortization of players' registration rights, amounting to € 46.5 million (€ 48.9 million in the first nine months of 2003) and extraordinary revenues, of which € 5.4 million followed from the agreement reached with the Tax Revenue Agency over refunds receivable for VAT on income from the U.E.F.A. Champions League.

The income statement for the third quarter of 2004 showed, with unchanged revenues, a reduction in gross operating margin due to higher operating costs, in particular personnel costs (-€ 2.2 million) as a result of the new agreements signed in the course of the first phase of the 2004/2005 Transfer Campaign.

Net result for the period, net of fiscal effects, benefited from the aforementioned income due to the management of players' registration rights compared to the same period of the prior year, as well as to the reduction in amortization for the abovementioned rights relating to the renewal of agreements signed with some important players (€ 1.5 million).

Net financial position at September 30, 2004 was positive for € 6.4 million (€ 47.9 million at September 30, 2003). The reduction in comparison with the positive result at June 30, 2004 was mainly due to important investments regarding the purchase of players' registration rights in the course of the first phase of the Transfer Campaign.

As for the judicial inquiry on the soccer sector by the Public Prosecutor's Office against the Managing Director and the Doctor regarding the affirmed improper use of drugs by Juventus players, it is to be noted that on October 25, 2004, the Prosecuting Attorney at the end of his statement of charges and penalty called for the sentence of the accused party. The Judge fixed the hearings for the Counsel for the Defense's pleading in the course of November 2004.

As for football, Juventus won the right to play in the first KO round of the U.E.F.A. Champions League.

Rinascente Group

(99.21% of ordinary capital stock and 99.06% of savings capital stock through Eurofind)

The following data reflect the structure of the Rinascente Group before the demerger of textile businesses. For further information, reference should be made to “Major events”.

Year		9 months to September 30			III Quarter		
2003	€ in millions	2004	2003	Change	2004	2003	Change
6,652.1	Gross sales	4,874.5	4,702.4	172.1	1,668.4	1,639.2	29.2
377.9	Gross operating profit	186.3	205.3	(19.0)	61.9	66.1	(4.2)
293.2	Income (loss) before taxes	37.1	28.0	9.1	(0.1)	4.9	(5.0)
200.4	Net income (loss) - Group	(7.8)	(9.1)	1.3	(11.5)	(6.0)	(5.5)
762.5	Stockholders' equity - Group	738.7	1,152.9	(414.2)	-	-	-
(481.2)	Consolidated net financial position	(780.1)	(382.9)	(397.2)	-	-	-

The consolidated results of the Rinascente Group during the third quarter of 2004 can be summarized as follows:

Gross sales for the first nine months of 2004 amounted to € 4,874.5 million, compared to € 4,702.4 million in the same period of the prior year (+3.7%); the increase in sales during the period July-September 2004 compared to the same quarter of 2003 was 1.8%. Such result was achieved in a market context fraught by a persisting weakness in demand.

Gross operating profit (gross cash flow) in the first nine months of 2004 was € 186.3 million, compared to € 205.3 million in the corresponding period of 2003; the decrease was mainly due to:

- the deconsolidation of 49% of Gallerie Commerciali business;
- the outsourcing of administration, personnel management and general services and information systems. Outsourcing caused the full cost of such services, including amortization and IRAP, to be charged against the gross operating result;
- higher VAT impact as a consequence of the transactions carried out by the Company to focus on each business.

Excluding such costs, the comparison between the two nine-month periods showed an increase of € 6.6 million, equal to 3.7%. The change in the result was also impacted by the effects of the commercial policy with stepped up promotions to revive demand, which declined in the food sector, and consumption that was basically sluggish in the non-food sector.

Income before taxes was € 37.1 million, compared to € 28 million in 2003, with an increase of € 9.1 million due mainly to gains on the sale of the three companies which owned buildings serving for the same number of Rinascente branches.
Taxes amounted to € 44.8 million, compared to € 36.8 million in 2003; the increase was due to the positive trend in profitability, the abrogation of DIT facilitation as well as to the non-deductibility of losses on investments.

Consolidated net financial position at September 30, 2004 was a net indebtedness position of € 780.1 million, compared to € 382.9 million at September 30, 2003 and to € 481.2 million at December 31, 2003. Cash flows in the first nine months of 2004 (-€ 298.9 million) showed an increase, compared to the figures in the corresponding period of 2003 (-€ 401.4 million).

It should be stressed that the result at September 30, 2004 was significantly influenced by seasonal factors and, therefore, cannot represent the basis for a full-year projection. In fact, for a more meaningful reading of the economic and financial performance, the following should be taken into account:

- the amount of sales for each of the first three quarters, owing to a seasonal structural effect, for a large-scale retail company, is lower than the average sales for a full year;
- the composition of the sales made during the last part of the year has a significant impact upon the seasonal aspect of the percentage margins, which are much higher during the last period owing to the effect of the mix, with a consequent impact on the gross margin;
- costs and expenses, on the contrary, are more evenly distributed over the course of the year.

Turin, November 11, 2004

For the Board of Directors
The Chairman and President
Gianluigi Gabetti