QUARTERLY REPORT
SEPTEMBER 30, 2006

investments IFIL

QUARTERLY REPORT AT SEPTEMBER 30, 2006

This is an English translation of the Italian original document "Relazione trimestrale al 30 settembre 2006" approved by the IFIL board of directors on November 14, 2006, 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

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Board of Directors

Chairman: Gianluigi Gabetti

Vice Chairmen: Tiberto Brandolini d'Adda, John Elkann

Chief Executive Officer and General Manager: Carlo Barel di Sant'Albano

Directors: Edoardo Ferrero Ventimiglia, Franzo Grande Stevens, Giancarlo Lombardi, Antonio Maria Marocco, Giuseppe Recchi, Claudio Saracco, Pio Teodorani-Fabbri, Daniel John Winteler

Secretary to the Board: Fernando Massara

Executive Committee

Gianluigi Gabetti (*Chairman*), Tiberto Brandolini d'Adda, John Elkann, Carlo Barel di Sant'Albano

Audit Committee

Antonio Maria Marocco (*Chairman*), Giancarlo Lombardi, Claudio Saracco

Compensation and Nominating Committee

John Elkann (*Chairman*), Gianluigi Gabetti, Giuseppe Recchi

Board of Statutory Auditors

Standing auditors: Cesare Ferrero *(Chairman)*, Giorgio Giorgi, Paolo Piccatti

Alternate auditors: Lionello Jona Celesia, Ruggero Tabone

Independent Auditors

Deloitte & Touche S.p.A.

Expiry of the terms of office
The terms of office of the board of directors and the board of statutory auditors, elected by the stockholders' meeting held on June 27, 2005, will expire concurrently with the stockholders' meeting that will be held to approve the statutory financial statements for the year ending December 31, 2007.
The appointment of the independent auditors will expire concurrently with the stockholders' meeting that will be held to approve the financial statements for the year ending December 31, 2011.

Corporate Governance
The chairman and vice chairmen may legally represent the company (art. 20 of the bylaws). Without specific authorization by resolution of the board of directors, they 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 chief executive officer and general manager may legally represent the company (art. 20 of the bylaws).
The board of directors' meeting held on May 24, 2006, however, took note that the chief executive officer, with regard to the scope of that provision of the bylaws, has limited his powers of company representation to the amount of € 150 million for each single transaction.

IFIL GROUP PROFILE

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. which holds 3% of ordinary capital stock directly and 65% of ordinary capital stock through IFI – Istituto Finanziario Industriale S.p.A.. The company commands two distinctive areas of operations: the active management of the 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, Lancia, Alfa Romeo, Ferrari and Maserati), agricultural and construction equipment (CNH Global), trucks and commercial vehicles (Iveco), automotive components and production systems (Fiat Powertrain Technologies, Magneti Marelli, Teksid and Comau), as well as publishing and communications (Itedi) and services (Business Solutions).

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

Sequana Capital (52.68% holding), a French-listed company, which recently resolved to place the focus of its operations on the paper sector where it operates through:

- 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;
- Antalis (100% holding), the leading European group in the distribution of paper products for printing and writing.

The Public Exchange Offering for 54.31% of Sequana Capital's capital stock for 23.8% of SGS' capital stock held by the same Sequana Capital is currently underway. At the conclusion of the offering, IFIL will hold more than 12% of the capital stock of SGS, a company listed on the Swiss stock exchange and leader in the verification, inspection and certification of product and service quality.

Sanpaolo IMI (5.85% holding of ordinary capital stock) is a leading national banking group with over 3,000 branches throughout Italy. On October 12, 2006, the board of directors of Sanpaolo IMI approved the plan for the merger by incorporation of Sanpaolo IMI into Banca Intesa which will be submitted for approval to the next special stockholders' meeting. The purpose of the plan is to create a group that will be one of the leaders of the banking system in Europe.

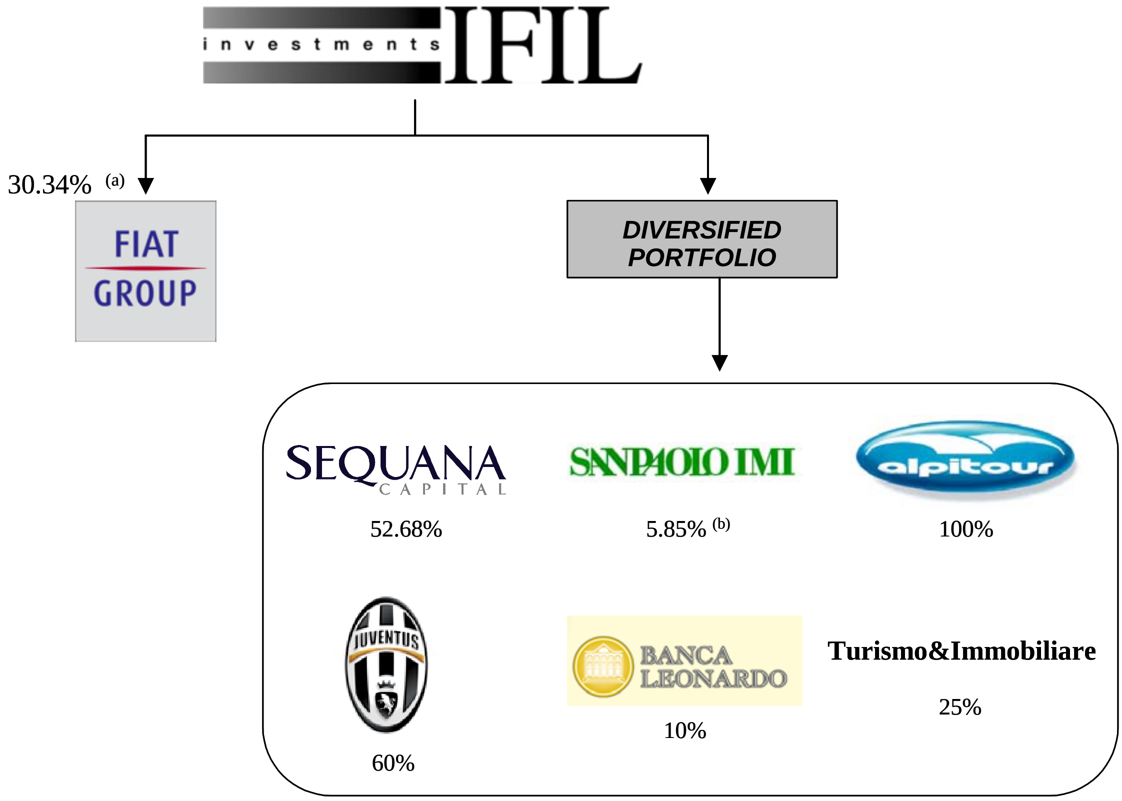
Banca Leonardo (10% holding) is an independent investment bank offering corporate finance advisory and asset management services, in addition to private equity services, under a joint venture with a leading European group.

Alpitour (100% holding) is the leading group in the tourist sector in Italy.

Juventus Football Club (60% holding) 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 (25% holding) is a company with a 49% stake in 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 November 2006 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 4.96% of capital stock.

MAJOR EVENTS

Public Exchange Offering approved by the subsidiary Sequana Capital
On September 6, 2006, the board of directors of the subsidiary Sequana Capital approved the project to place Sequana Capital's focus on the paper sector (in which it operates through the wholly-owned subsidiaries Arjowiggins and Antalis). Consequently, it approved the Public Exchange Offering of a maximum of 57,646,980 Sequana Capital shares (54.31% of capital stock at August 1, 2006) for a maximum of 1,859,580 SGS shares (23.8% of capital stock) held by Sequana Capital itself, in a ratio of 1 SGS share for every 31 Sequana Capital shares tendered in the Offering. Alternatively, the stockholders may opt to receive the price of € 21 in cash for each Sequana Capital share sold to the company.

The offering period, approved by the French securities and exchange commission and by the special stockholders' meeting held on October 30, 2006, opened on November 7, 2006 and will end on November 28, 2006.

The IFIL Group participated in the Offering exchanging a part of the Sequana Capital shares it currently holds for SGS shares. The stake in SGS will be higher than 12%.

Sanpaolo IMI and Banca Intesa merger plan
On October 12, 2006, the board of directors of Sanpaolo IMI approved the plan for the merger by incorporation of Sanpaolo IMI into Banca Intesa which will be submitted for approval to the next special stockholders' meeting. The purpose of the plan is to create a group that will be one of the leaders of the banking system in Europe.

Increase in the stake in Fiat
On November 9 and 10, 2006, IFIL purchased 3,000,000 Fiat ordinary shares (0.28% of the class of stock) on the market for an investment of € 44.6 million. This follows the incentive plan announced by the Fiat board of directors and the anticipated capital stock increase to service the relative stock options. The purchase, which confirms IFIL's confidence in the positive prospects of its major holding and in the exceptional capacity of its management, will allow IFIL to retain a more-than-30% stake in Fiat even after the issue of the new shares estimated to service the plan.

IFIL currently holds 331,333,447 Fiat ordinary shares, equal to 30.34% of the class of stock, and 31,082,500 Fiat preferred shares, equal to 30.09% of the class of stock. The investment represents 28.415% of Fiat issued capital stock.

ACCOUNTING PRINCIPLES ADOPTED IN THE PREPARATION OF QUARTERLY REPORTS

The consolidated quarterly report of the IFIL Group at September 30, 2006 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.

IFIL holds some important investments through Dutch and Luxembourg subsidiaries and controls two companies incorporated under Irish law (operating with the aim of optimizing the management of the financial resources of the Group), Soiem (a services company), as well as two companies contributing to investment activities (IFIL USA and IFIL Asia). The aggregate of these companies constitutes the so-called "Holdings System".

In order to facilitate the analysis of the financial position and results of operations of the Group, it is IFIL's practice to present condensed financial statements (balance sheet and income statement) for the period prepared by applying the "condensed" consolidation criteria. Such condensed consolidated financial statements are presented along with the annual consolidated financial statements and the interim consolidated financial statements for the first-half of each year. The quarterly consolidated data is also presented in the condensed format in the quarterly reports at March 31 and September 30 of each year.

In the preparation of the condensed consolidated balance sheet and income statement, the financial statements or accounting data drawn up in accordance with IFRS by the parent and by the subsidiaries in the "Holdings System" are consolidated line-by-line; the investments in the operating subsidiaries and associates (Fiat, Sequana Capital, Alpitour, Juventus Football Club and Turismo&Immobiliare) are accounted for by the equity method, always on the basis of their financial statements or accounting data prepared in accordance with IFRS.
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 September 30, 2006 is unaudited.

The following table shows the consolidation and valuation methods used for the investments in subsidiaries and associates.

		% holding in capital stock outstanding		
		9/30/2006	12/31/2005	9/30/2005
HOLDINGS SYSTEM	**Consolidated line-by-line** (a)			
	- 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 USA Inc (b)	**100**	100	100
	- IFIL Asia Ltd (Hong Kong)	**100**	100	100
	- IFIL New Business S.r.l. (Italy) (c)	**100**	100	100
	- Eufin Investments Unlimited (United Kingdom)	**100**	100	100
	- Sadco S.A. (Switzerland) (d)	**100**	100	100
OPERATING COMPANIES	**Accounted for by the equity method**			
	- Fiat Group	**28.28**	28.28	28.28
	- Sequana Capital Group	**52.68**	52.78	52.84
	- Alpitour Group	**100**	100	100
	- Juventus Football Club S.p.A.	**60.00**	60.00	60.00
	- Turismo&Immobiliare S.p.A.	**25.00**	25.00	-

(a) Certain wholly-owned subsidiaries, after the distribution of almost all their earnings and capital reserves, were wound up (Mediterranean Capital B.V. and Ifil Finance B.V.) or put into a wind-up (NHT New Holding for Tourism S.A.) and, therefore, since December 31, 2005, have been accounted for by the equity method (they had previously been consolidated line-by-line).

(b) Ifil Capital Partners L.P., Ifil America L.P. and Ifil Investments LLC (previously grouped with Ifil USA Inc.) were wound up in December 2005.

(c) Dormant company.

(d) Sadco S.A. was put into a wind-up at the end of 2005 but is again consolidated line-by-line at September 30, 2006 since it still has a certain amount of liquid resources.

REVIEW OF THE CONDENSED INTERIM CONSOLIDATED RESULTS

RESULTS FOR THE NINE MONTHS TO SEPTEMBER 30, 2006

The **consolidated profit of the IFIL Group** for the nine months to September 30, 2006 amounts to € 271 million. This is a decrease of € 644.8 million from the profit for the first nine months of 2005 (€ 915.8 million) which, however, included significant net nonrecurring income realized directly (the gain of € 459.1 million on the sale of the investment in La Rinascente) and through the Fiat Group (€ 507.9 million at the IFIL level).

The **Group's share of the earnings (losses) of operating subsidiaries and associates accounted for by the equity method** is an earnings figure of € 218.9 million (€ 439.8 million for the nine months to September 30, 2005). The negative change of € 220.9 million is mainly due to the lower profit contribution by the Fiat Group (-€ 190 million) which, as mentioned above, in 2005, included significant net nonrecurring income.

The **consolidated net financial position of the "Holdings System"** at September 30, 2006 is a positive € 433.5 million, with an increase of € 85.2 million from the end of 2005 (€ 348.3 million). The change is due to the receipt of dividends from holdings (+€ 237.6 million), the investment made in Banca Leonardo S.p.A. (-€ 47 million), dividends paid out by IFIL (-€ 85.6 million) and other net changes (-€ 19.8 million).

The **consolidated equity of the Group** at September 30, 2006 amounts to € 5,524.9 million (€ 5,186 million at the end of 2005). The increase of € 338.9 million is due to the fair value adjustment of the investment in Sanpaolo IMI (+€ 282 million, net of deferred taxes), consolidated profit of the Group for the period (+€ 271 million), translation differences (-€ 131.6 million), dividends paid out by IFIL (-€ 85.6 million) and other net changes (+€ 3.1 million).

The carrying amount of **investments accounted for by the equity method** at September 30, 2006 is € 3,484.2 million. The decrease of € 92.6 million from the end of 2005 (€ 3,576.8 million) is due to IFIL's share of the change in the equity of the operating subsidiaries and associates.

RESULTS FOR THE THIRD QUARTER OF 2006

The **consolidated profit of the Group** for the third quarter of 2006 is € 81.5 million (€ 291.7 million in the corresponding period of 2005). The negative change of € 210.2 million is mainly due to the lower profit contribution by the Fiat Group which, in the third quarter of 2005, included significant net nonrecurring income.
In fact, the **Group's share of the earnings (losses) of operating subsidiaries and associates** accounted for by the equity method for the third quarter of 2006 is an earnings figure of € 75 million (earnings of € 294.4 million for the third quarter of 2005) with a decrease of € 219.4 million.

The **condensed interim consolidated income statement** and **balance sheet** and notes on the most significant items are presented on the following pages.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

Year			9 months to September 30			III Quarter		
2005	€ in millions	Note	**2006**	2005	Change	**2006**	2005	Change
622.0	Group's share of earnings (losses) of operating subsidiaries and associates accounted for by the equity method	1	**218.9**	439.8	(220.9)	**75.0**	294.4	(219.4)
	Net financial income:							
43.7	- Dividends		**53.1**	43.7	9.4	**0.0**	0.0	0.0
1.8	- Gains		**0.0**	1.8	(1.8)	**0.0**	0.0	0.0
3.4	- Impairment (losses)/reversals on investments and securities		**(0.6)**	2.1	(2.7)	**0.6**	1.1	(0.5)
2.9	- Other financial income (expenses)		**5.3**	2.5	2.8	**1.6**	1.3	0.3
51.8	Net financial income		**57.8**	50.1	7.7	**2.2**	2.4	(0.2)
459.1	Gain on the sale of the investment in La Rinascente		**0.0**	459.1	(459.1)	**0.0**	0.0	0.0
(1.7)	(Accruals) uses of provisions		**7.8**	(1.1)	8.9	**7.8**	(0.3)	8.1
(41.1)	Net general expenses	2	**(13.4)**	(32.2)	18.8	**(3.5)**	(4.8)	1.3
(0.1)	Income taxes		**(0.1)**	0.1	(0.2)	**0.0**	0.0	0.0
1,090.0	**Profit - Group**		**271.0**	915.8	(644.8)	**81.5**	291.7	(210.2)

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

€ in millions	Note	**9/30/2006**	12/31/2005	Change
Non-current assets				
Property, plant and equipment		**13.3**	13.5	(0.2)
Investments accounted for by the equity method	3	**3,484.2**	3,576.8	(92.6)
Other financial assets	4	**1,609.7**	1,238.3	371.4
Total non-current assets		**5,107.2**	4,828.6	278.6
Current assets				
Trade receivables and other receivables		**44.0**	43.7	0.3
Financial assets	6	**741.0**	793.5	(52.5)
Cash and cash equivalents		**4.5**	4.2	0.3
Total current assets		**789.5**	841.4	(51.9)
TOTAL ASSETS		**5,896.7**	5,670.0	226.7
Equity - Group	7	**5,524.9**	5,186.0	338.9
Non-current liabilities				
Provisions for employee benefits and provisions for other liabilities and charges		**2.4**	2.2	0.2
Bonds and other debt	8	**200.0**	0.0	200.0
Deferred tax liabilities and other liabilities		**44.9**	1.2	43.7
Total non-current liabilities		**247.3**	3.4	243.9
Current liabilities				
Provisions for employee benefits and provisions for other liabilities and charges		**0.0**	7.8	(7.8)
Bonds and other debt	8	**112.9**	449.7	(336.8)
Trade payables and other liabilities		**11.6**	23.1	(11.5)
Total current liabilities		**124.5**	480.6	(356.1)
TOTAL EQUITY AND LIABILITIES		**5,896.7**	5,670.0	226.7

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Group's share of the earnings (losses) of operating subsidiaries and associates accounted for by the equity method

Year		9 months to September 30			III Quarter		
2005	€ in millions	**2006**	2005	Change	**2006**	2005	Change
373.8	Fiat Group	**173.2**	363.2	(190.0)	**55.1**	231.4	(176.3)
183.7	Sequana Capital Group	**66.3**	54.1	12.2	**10.1**	15.2	(5.1)
(10.7)	Alpitour Group	**(11.6)** (a)	(24.1) (a)	12.5	**5.9**	(0.2)	6.1
(10.0)	Juventus Football Club S.p.A.	**(11.0)** (b)	(12.3) (b)	1.3	**3.3**	(10.9)	14.2
(0.4)	Turismo&Immobiliare S.p.A.	**(0.3)**	0.0	(0.3)	**0.0**	0.0	0.0
536.4		**216.6**	380.9	(164.3)	**74.4**	235.5	(161.1)
85.6	Consolidation adjustments	**2.3**	58.9	(56.6)	**0.6**	58.9	(58.3)
622.0	**Total**	**218.9**	439.8	(220.9)	**75.0**	294.4	(219.4)

(a) Data for the period November 1 – July 31.
(b) Data for the period January 1 – September 30 prepared for purposes of consolidation in IFIL.

For a review of the performance of the major subsidiaries and associates, reference should be made to the specific section of this report.

2. Net general expenses

Net general expenses for the first nine months of 2006 amount to € 13.4 million and do not include significant nonrecurring expenses. Net general expenses in the corresponding period of 2005 amounted to € 32.2 million and included extraordinary compensation approved for the chairman and president and also nonrecurring personnel expenses.

3. Investments accounted for by the equity method

Details are as follows:

	Carrying amount at		
€ in millions	**9/30/2006**	12/31/2005	Change
Investments in operating subsidiaries and associates accounted for by the equity method			
Fiat Group	**2,404.3**	2,335.7	68.6
Sequana Capital Group	**1,002.1**	1,140.9	(138.8)
Alpitour Group	**58.8**	69.9	(11.1)
Juventus Football Club S.p.A.	**15.6**	26.6	(11.0)
Turismo&Immobiliare S.p.A.	**3.4**	3.7	(0.3)
Total	**3,484.2**	3,576.8	(92.6)

4. Other non-current financial assets

Details are as follows:

€ in millions	Carrying amount at 9/30/2006	Carrying amount at 12/31/2005	Change
Other investments - available-for-sale			
Sanpaolo IMI S.p.A. (a)	**1,554.4**	1,228.6	325.8
Banca Leonardo S.p.A.	**47.0**	0.0	47.0
Other investments - sundry			
Subsidiaries of the "Holdings System" in liquidation and others	**0.1**	1.1	(1.0)
Securities			
Ocean Club Méditerranée bonds	**5.0**	4.8	0.2
Fiat ordinary share warrants 2007 (a)	**2.3**	3.5	(1.2)
Sundry	**0.9**	0.3	0.6
Total other financial assets	**1,609.7**	1,238.3	371.4

(a) Measured at fair value on the basis of the market price on the last day of the period with recognition of the unrealized gains or losses in equity (Sanpaolo IMI) or in the income statement (Fiat ordinary share warrants).

5. Comparison between carrying amounts and market prices of listed investments and other listed financial assets

Details are as follows:

		Carrying amount		Market price at September 30, 2006		Market price at November 9, 2006	
	Number	Per share (€)	Total (€ ml)	Per share (€)	Total (€ ml)	Per share (€)	Total (€ ml)
Fiat Group							
- ordinary shares	328,333,447	6.69	**2,196.6**	12.50	**4,103.8**	14.99	**4,921.4**
- preferred shares	31,082,500	6.69	**207.7**	10.05	**312.3**	12.57	**391.5**
			2,404.3		**4,416.1**		**5,312.9**
Sequana Capital Group	55,922,623	17.92	**1,002.1**	22.74	**1,271.7**	24.00	**1,342.1**
Sanpaolo IMI S.p.A.	93,071,000	16.70	**1,554.4**	16.70	**1,554.4**	16.81	**1,564.2**
Juventus Football Club S.p.A.	72,560,500	0.21	**15.6**	1.70	**123.5**	1.94	**140.5**
Ocean Club Méditerranée bonds	76,614	64.67	**5.0**	66.00	**5.0**	65.00	**5.0**
Fiat ordinary share warrants 2007	18,914,511	0.12	**2.3**	0.12	**2.3**	0.16	**3.0**
Total			**4,983.7**		**7,373.0**		**8,367.7**

6. Current financial assets

Current financial assets amount to € 741 million (€ 793.5 million at the end of 2005) and mainly include investments on the money market in time deposits, short-term Italian government securities and other short-term financial instruments.

7. Equity - Group

Details are as follows:

€ in millions	**9/30/2006**	12/31/2005	Change
Capital and reserves	**5,577.0**	5,238.1	338.9
Treasury stock	**(52.1)**	(52.1)	0.0
Total	**5,524.9**	5,186.0	338.9

The changes during the period can be analyzed as follows:

€ in millions		
Equity - Group at December 31, 2005	**5,186.0**	
Fair value adjustment of the investment in Sanpaolo IMI (+€ 325.7 million, net of -€ 43.7 million of deferred taxes)	282.0	
Share of translation differences in the equity of subsidiaries and associates (-€ 131.6 million) and other net changes (+€ 3.1 million)	(128.5)	
Dividends paid out by IFIL S.p.A.	(85.6)	(a)
Profit - Group	271.0	
Net change during the period	**338.9**	
Equity - Group at September 30, 2006	**5,524.9**	

(a) Net of € 0.1 million of infragroup dividends.

In the first nine months of 2006, there were no transactions involving treasury stock which, at September 30, 2006, can be analyzed as follows:

	No. of IFIL ordinary shares		% of class of stock	% of capital stock	Amount Per share (€)	Amount Total (€ ml)
Held by IFIL S.p.A.	13,785,778	(a)	1.33	1.28	3.58	49.3
Held by the subsidiary Soiem S.p.A.	810,262		0.08	0.08	3.41	2.8
Balance at September 30, 2006	**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 expiring on December 31, 2006, recorded at the per share carrying amount of € 2.28 which corresponds to the sales price.

In October and November 2006, after 464,800 options granted in 2002 were exercised under the stock option plan approved in May 2000, IFIL sold the same number of IFIL ordinary shares to some recipients at the price of € 4.52 per share for a total of € 2.1 million (recorded as an increase in equity).

8. Bonds and other debt

Bonds and other debt include the following:

- IFIL 2003/2006 bonds of face value € 100 million, repayable in a one-time payment at maturity on December 19, 2006 and carried at amortized cost;
- IFIL 2006/2011 bonds of face value € 200 million, repayable in a one-time payment at maturity on June 9, 2011 and carried at amortized cost;
- other debt of € 12.9 million (€ 349.7 million at December 31, 2005).

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

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

6/30/2006				**9/30/2006**			12/31/2005		
Current	Non-current	Total	€ in millions	**Current**	**Non-current**	**Total**	Current	Non-current	Total
736.0	1.0	737.0	Financial assets	**741.0**	**0.9**	**741.9**	793.5	0.3	793.8
7.5	0.0	7.5	Cash and cash equivalents	**4.5**	**0.0**	**4.5**	4.2	0.0	4.2
743.5	1.0	744.5	**Total financial assets**	**745.5**	**0.9**	**746.4**	797.7	0.3	798.0
(100.0)	0.0	(100.0)	IFIL 2003/2006 bonds	**(100.0)**	**0.0**	**(100.0)**	(100.0)	0.0	(100.0)
0.0	(200.0)	(200.0)	IFIL 2006/2011 bonds	**0.0**	**(200.0)**	**(200.0)**	0.0	0.0	0.0
(5.7)	0.0	(5.7)	Other debt and bank debt	**(12.9)**	**0.0**	**(12.9)**	(349.7)	0.0	(349.7)
(105.7)	(200.0)	(305.7)	**Total financial liabilities**	**(112.9)**	**(200.0)**	**(312.9)**	(449.7)	0.0	(449.7)
637.8	(199.0)	438.8	**Consolidated net financial position of the "Holdings System"**	**632.6**	**(199.1)**	**433.5**	348.0	0.3	348.3

The positive change of € 85.2 million from the balance at the end of 2005 is due to the following flows:

€ in millions		
Consolidated net financial position of the "Holdings System" at December 31, 2005		**348.3**
Dividends received from:		
- Sequana Capital	184.5	
- Sanpaolo IMI	53.1	
		237.6
Dividends paid out by IFIL S.p.A.		(85.6) (a)
Investment in Banca Leonardo S.p.A., 10% of capital stock		(47.0) (b)
Other net changes:		
- Other financial income (expenses), net	5.3	
- General expenses	(13.4)	
- Other changes	(11.7)	
		(19.8)
Net change during the period		**85.2**
Consolidated net financial position of the "Holdings System" at September 30, 2006		**433.5**

(a) Net of € 0.1 million of infragroup dividends.
(b) Includes the expenses incurred for the purchase of the investment of € 0.4 million.

At September 30, 2006, IFIL S.p.A. has irrevocable credit lines for € 360 million due beyond September 30, 2007. Moreover, the company has irrevocable credit lines for € 420 million expiring prior to that date.

The rating assigned by Standard & Poor’s to IFIL’s long-term debt is “BBB+”, whereas the rating on short-term debt is “A-2”, both with a stable outlook.

10. **Update on the disputes surrounding the sale of La Rinascente**
On February 14, 2006, the buyer of the investment in La Rinascente filed for arbitration action against Ifil Investissements seeking compensation for an amount of approximately € 37.6 million (in addition to interest, monetary revaluation, court expenses and legal fees) for extraordinary expenses relating to certain points of sale.
Ifil Investissements is submitting to the arbitration proceedings and is taking exception to the claims which it believes are invalid and unacceptable and, in any case, completely unfounded. Moreover, the question that is raised regards aspects that have either been excluded or are not covered by guarantees in the contract.
Furthermore, on September 5, 2006, the buyer filed another arbitration claim against Ifil Investissements seeking a total of approximately € 14.8 million in compensation principally in connection with the accounting treatments used in the financial statements at December 31, 2004.
Ifil Investissements has agreed to submit to arbitration maintaining that such claims are invalid and groundless. In any case, according to Ifil Investissements, such requests nevertheless remain covered by exclusions or limitations regarding the obligations for compensation as stated in the contract.

11. **Update on the investigations by Consob and the Judicial Authorities**
The administrative proceedings relating to the objections under art. 187-septies of Legislative Decree No. 58/1998 notified by Consob last February 21, 2006 in relation to the content of the press release dated August 24, 2005, as well as the preliminary investigations by the Turin District Attorney's Office regarding the same objections raised by Consob are currently in progress.

BUSINESS OUTLOOK

For the year 2006, IFIL S.p.A. is expected to report a profit.

As for the consolidated financial statements, taking into account the forecasts formulated by the major holdings, for 2006, the IFIL Group expects to show a profit, although lower than the profit reported in 2005, which included significant nonrecurring income and was the highest in the Group's history.

REVIEW OF THE OPERATING PERFORMANCE OF THE MAJOR SUBSIDIARIES AND ASSOCIATES

Fiat Group
(30.34% of ordinary capital stock and 30.09% of preferred capital stock)

The consolidated results of the Fiat Group in the first nine months of 2006 and in the third quarter of 2006 can be summarized as follows:

III Quarter			9 Months	
2006	2005	€ in millions	**2006**	2005
11,809	10,597	Net revenues	**37,973**	33,404
427	232	Trading profit	**1,409**	639
427	409	Operating income	**1,409**	1,854
200	826	Net income before minority interest	**681**	1,336
195	818	Group interest in net income	**613**	1,293

€ in millions	**9/30/2006**	12/31/2005
Total assets	**61,216**	62,454
Net debt	**17,228**	18,523
of which: Net industrial debt	***2,610***	*3,219*
Stockholders' equity before minority interest	**9,590**	9,413
Group interest in stockholders' equity	**8,921**	8,681
Employees at period-end (number)	**173,932**	173,695

Group **net revenues** in the first nine months of 2006 reached € 37,973 million, an increase of 13.7% from the corresponding period of 2005, thanks to strong sales in the Automobiles business area and the positive performance of the principal industrial Sectors.

In the January to September period, **trading profit** totals € 1,409 million (3.7% of revenues), more than double the trading profit of € 639 million reported in the same period of 2005 (1.9% of revenues) with significant improvements in the Automobiles business area and at Iveco. The trading profit of the Automobiles business area was driven by Fiat Auto, which reported trading profit of € 196 million, an improvement of € 498 million from the first nine months of 2005, when the company recorded a trading loss of € 302 million. Iveco posted an increase of € 172 million, from € 217 million to € 389 million (+79%).

Operating income in the first nine months of 2006 totals € 1,409 million and coincides with trading income since nonrecurring income (expenses) offset each other. During the corresponding period of the 2005, operating income amounted to € 1,854 million and included, in unusual items, the income on the settlement of the Master Agreement with General Motors of € 1,134 million and the Italenergia Bis gain (€ 878 million), net of restructuring costs of € 502 million and the negative balance of other unusual income (expenses) of € 318 million.

Net income before minority interest is € 681 million against net income of € 1,336 million in the corresponding period of last year. Excluding the impact of the above-mentioned unusual items and the unusual financial income related to the Mandatory Convertible Facility transaction, there would have been a net loss of € 460 million in the first nine months of 2005. On a comparable basis, the net result in 2006 would have increased by € 1,141 million.

Net industrial debt at the end of the quarter is € 2.6 billion, down € 0.6 billion from the beginning of the year. The positive operating performance and the proceeds from the sale of non-strategic assets (mainly Banca Unione di Credito) more than offset seasonal absorption of the third quarter. At the end of the third quarter, the Group net industrial debt to stockholders' equity ratio is 0.27 (0.34 at the end of 2005).

The Group's **cash position** (cash, cash equivalents and current securities) amounts to € 5.5 billion at the end of the quarter, compared to € 7 billion at the end of 2005.

The Fiat Group remains on track towards achieving the upward revised targets for the year 2006: trading profit of € 1.85 billion (of which € 250 million comes from Fiat Auto), net income of € 800 million (excluding one-off gains) and net industrial debt slightly higher than € 2 billion (subject to the completion of the Fidis transaction by the end of the year).

Sequana Capital Group
(52.68% of capital stock through Ifil Investissements)

The consolidated results of the Sequana Capital Group in the first nine months of 2006 can be summarized as follows:

€ in millions	**9 months to 9/30/2006**	9 months to 9/30/2005	Change Amount	Change %
Share of earnings (losses) of operating companies	**79.4**	136.8	(57.4)	-42.0
Financial income (expenses)	**5.3**	0.8	4.5	ns
General and income tax expenses	**(10.0)**	(15.1)	5.1	-33.8
Trading profit	**74.7**	122.5	(47.8)	-39.0
Nonrecurring income (expenses)	**51.2**	(20.2)	71.4	ns
Profit - Group	**125.9**	102.3	23.6	23.1

The share of earnings (losses) of operating companies decreased by 42% (21% on a comparable consolidation basis, that is, excluding the share of the earnings of Permal). This reduction is due to the current difficulties in the paper sector: energy and raw material cost increases and market stagnation.

Group net income grew 23% thanks to nonrecurring income. Such income principally refers to the gross gain of € 38 million from the sale of 100% of the Legg Mason shares received as a partial payment on the sale of Permal Group and insurance compensation received for the Fox River dispute.

With regard to Arjowiggins, the second half of 2006 should show a decline which, however, will be less than that of the first half of 2006 compared to 2005 due to some encouraging signs in price trends and a pause in energy price hikes. Trading profit of Arjowiggins in 2006 will still be lower than that of 2005. However, the trading profit of Antalis will be at least in line with that of the prior year.

As a result of the sale of the investment in SGS through the Public Exchange Offering (see the previous comments under major events), the consolidated net result of the Group in 2006 will be significantly higher than that of 2005.

Juventus Football Club
(60% of capital stock)

The following data and comments are taken from the first quarterly report on the financial year 2006/2007 prepared, for the first time, using IFRS.
Since Juventus F.C.'s financial year ends on June 30 of every year, and in view of the highly seasonal nature typical of this sector, the data presented cannot represent the basis for a full-year projection.

		I Quarter July 1 - September 30		
€ in millions		**2006**	2005	Change
Operating revenues	(a)	**61.5**	43.7	17.8
Operating income (loss)		**16.4**	(15.5)	31.9
Net income (loss)		**11.8**	(17.3)	29.1

(a) Includes the income from players' registration rights.

In the first quarter of 2006/2007, Juventus reported operating revenues of € 61.5 million, an increase of € 17.8 million (+40.6%) over the corresponding period of 2005. This increase is due to higher income from the management of players' rights for € 32.8 million and to lower sundry operating revenues (revenues from games, radio and television rights and media income and revenues from sponsorships and advertising) for a total of € 15 million. To this end, note should also be taken of the fact that revenues for the current year are negatively impacted by Juventus' absence from the Champions League, as well as reductions in the amounts received on certain contracts following their renegotiation.

Considering the above, Juventus put into place an incisive cost reduction plan especially targeting salaries and wages and the amortization charges of deferred players' registration rights which led to the sale of important players, playing on various National Teams. In the quarter under examination, operating costs therefore total € 39.4 million (including the expenses from the management of players' registration rights), a decrease of € 6.5 million compared to the corresponding period of the prior year. The amortization and writedown of players' registration rights, instead, are equal to € 5.6 million, a reduction of € 7.6 million due to transactions effected during the course of the 2006/2007 transfer campaign and the early renewal of some players' contracts.

In addition to the above variations, the net income for the period was penalized by net financial expenses of € 0.4 million (+€ 0.4 million compared to the corresponding period of 2005) and the accrual for income taxes for a total of € 4.2 million, of which € 1 million refers to deferred taxes (-€ 3.2 million).

Stockholders' equity at the end of September 2006 is € 26 million.

From a financial standpoint, the first stage of the 2006/2007 transfer campaign closed at the end of August and gave rise to a positive financial impact of € 77.2 million.
The net financial position at the end of September is a net debt position of € 83.4 million (a net debt position of € 12.9 million at June 30, 2006).

On September 6, 2006, Juventus filed for arbitration requesting, among other things, a reduction in the sanctions imposed by the previous levels of the sports justice authorities.

The ruling issued by the C.O.N.I. Conciliation and Arbitration Board on October 27, 2006 reduced the penalty points imposed on the company from 17 to 9 points, to be taken into account in the current Serie B championship.

The ruling also upheld the revocation of Juventus' title as champion of Italy 2004/2005, the non-recognition of Juventus' title as champion of Italy 2005/2006 and the fine of € 120,000. It also changed the sanction for the disqualification of the stadium into the obligation of donating the proceeds from the first three home games of the current season to F.I.G.C..

The results of the financial year 2006/2007 will be influenced by the Juventus' relegation to Serie B and could be affected by the second stage of the Transfer Campaign, by any extraordinary transactions involving other assets, as well as the results of the soccer season.

Alpitour Group
(100% of capital stock through Ifil Investissements)

The consolidated results of the Alpitour Group in the first nine months of the financial year 2005/2006 can be summarized as follows:

€ in millions	**9 months to 7/31/2006** (a)	9 months to 7/31/2005 (a)	Change Amount	%
Sales	**877.0**	723.0	154.0	21.3
Operating loss	**(8.5)**	(10.1)	1.6	-15.8
Loss - Group	**(11.6)**	(24.1)	12.5	-51.9

(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's business should be taken into consideration since revenues are principally concentrated in the summer season while structure costs are basically incurred regularly throughout the course of the year.

The first nine months of the financial year 2005/2006 are still penalized by the difficult market scenario which came about after the terrorist attacks at Sharm El Sheikh and at Dahab (Red Sea) in the last year and as a result of the continuing uncertainty caused by political unrest in the Middle East, factors which negatively impacted the demand for Egypt and Tunisia as destination points. Added to this is the effect of the hurricane which hit the Gulf of Mexico, particularly the Mayan Riviera, at the end of October 2005, hurting the demand for tourism in the entire Caribbean area.

Compared to the corresponding period of the prior year, **sales** in the first nine months of the financial year 2005/2006 showed an increase of +21.3%. This was largely achieved thanks to the "Torino Winter Olympics 2006" event, as well as a different sales mix highlighting an appreciable jump in travel to the Maldives which, last year, had been significantly penalized by the tsunami which hit on December 26, 2004, causing a decline in travel to Tunisia and Egypt which report considerably lower average bookings.

The **contribution margin** increased by approximately € 23.2 million (from € 97.3 million in 2004/2005 to € 120.5 million in 2005/2006). As a percentage of sales, the contribution margin is 13.7% (13.5% in the corresponding period of last year).

The **operating loss**, instead, shows an improvement of € 1.6 million over the same period of the prior year. This is due to the combined effect of a better contribution margin net of higher aircraft lease costs by Neos and higher rent for the hotel resorts in Italy.

The **consolidated result of the Group** is a net **loss** of € 11.6 million (-€ 24.1 million in the first nine months of the prior year). The result includes the net gain of € 13.9 million from the sale of the "Club El Mandarin" hotel resort located in Cancun and is after depreciation and amortization of € 11.4 million and deferred income tax benefits of € 3.3 million.

The **consolidated net financial position** at the end of the third quarter is a net debt position of € 139 million, compared to a net debt position of € 209.2 million at July 31, 2005. The improvement of € 70.2 million is due to control over working capital, as well as proceeds of more than € 38 million received on the sale of "Club El Mandarin".

As regards the outlook for the full-year 2005/2006, margins (particularly at the operating level) should show a significant improvement over 2004/2005.

Turin, November 14, 2006

On behalf of the Board of Directors
The Chairman
Gianluigi Gabetti