IFI
Istituto Finanziario Industriale

Quarterly Report
March 31, 2005

QUARTERLY REPORT AT MARCH 31, 2005

This is an English translation of the Italian original document "Relazione trimestrale al 31 Marzo 2005" approved by the IFI Board of Directors on June 9, 2004, which has been prepared solely for the convenience of the reader. The version in Italian takes precedence. For complete information about IFI 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.gruppoifi.com

IFI
Istituto Finanziario Industriale

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IFI
Istituto Finanziario Industriale

Board of Directors

Chairman	Gianluigi Gabetti
Deputy Chairman	Pio Teodorani-Fabbri
Directors	Annibale Avogadro di Collobiano
	John Elkann
	Luca Ferrero Ventimiglia (*)
	Gabriele Galateri di Genola
	Franzo Grande Stevens
	Andrea Nasi
	Lupo Rattazzi

(*) Coopted by the Board of Directors meeting on June 23, 2004.

Secretary to the Board	Pierluigi Bernasconi

General Manager

Virgilio Marrone

Board of Statutory Auditors

Chairman	Cesare Ferrero
Standing Auditors	Giorgio Giorgi
	Lionello Jona Celesia
Alternate Auditors	Giorgio Ferrino
	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 29, 2003, expire concurrently with the Stockholders' Meeting for the approval of the financial statements for the year ending December 31, 2005.
The Independent Auditors are appointed for the three-year period 2003-2005.

Corporate Governance
The Chairman, according to the bylaws (art. 21), may represent the Company, also before a court of law, and has signature powers. Specific operating powers have been conferred to the Deputy Chairman and the General Manager.

IFI GROUP PROFILE

THE INVESTMENT PORTFOLIO

IFI – Istituto Finanziario Industriale S.p.A., is the controlling financial holding company of the Group led by Giovanni Agnelli e C. S.a.p.az.. The Company's assets are represented by investments in IFIL Investments S.p.A., equal to 63.59% of ordinary capital stock, and in Exor Group, equal to 29.3% of capital stock.

IFIL Investments S.p.A. (IFIL) is the investment company of the Group commanding two distinctive areas of operations: the active management of the controlling investment in Fiat and the dynamic management of the other holdings.

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

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

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

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

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

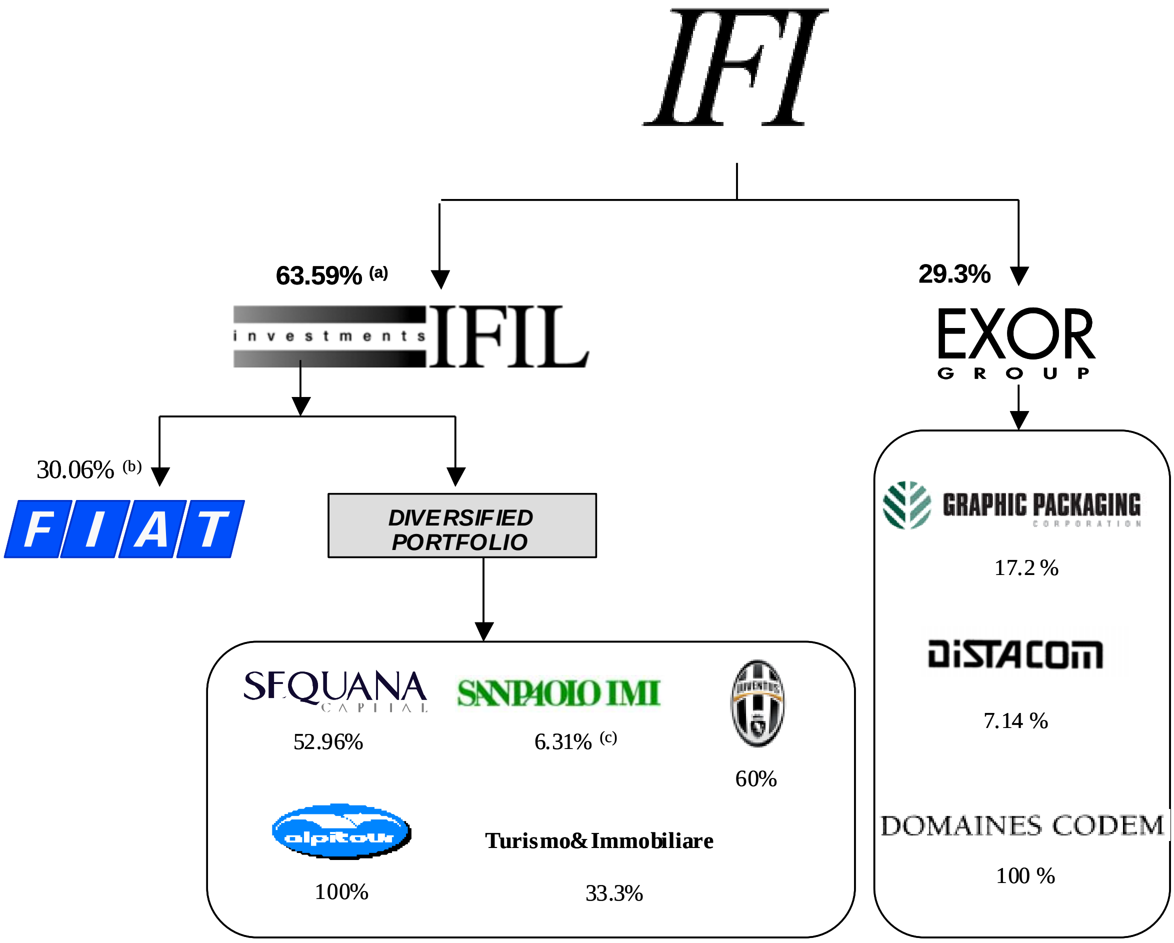
Alpitour (100% holding) is the leading group in Italian tourism;

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

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

Exor Group is a Luxembourg holding company; its principal investments are the 17.2% stake in Graphic Packaging Corporation (a U.S.A. listed company in the packaging sector), the 100% holding in Domaines Codem (a French wine company) and the 7.14% stake in Distacom (a company headquartered in Hong Kong operating in the telecommunications sector).

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



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

MAJOR EVENTS

Increase in the investment in IFIL

In March and April 2005, IFI purchased on the market 16,708,441 IFIL ordinary shares (1.61% of the class of stock) for € 55.6 million, as well as 1,866,420 IFIL savings shares (4.99% of the class of stock) for € 6.4 million.
At the end of May 2005, IFI holds 660,491,840 IFIL ordinary shares, equal to 63.59% of ordinary capital stock and 1,866,420 IFIL savings shares, equal to 4.99% of savings capital stock. The investment represents 61.56% of capital stock.

ACCOUNTING PRINCIPLES ADOPTED IN THE PREPARATION OF QUARTERLY REPORTS

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

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

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

Under the "condensed" basis of consolidation, the investments held in IFIL (61.65% of outstanding capital stock) and in Exor Group (29.3% of outstanding capital stock) are accounted for by the equity method in the financial statements of the company IFI S.p.A. drawn up in conformity with IFRS.

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

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

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

ANALYSIS OF CONDENSED CONSOLIDATED RESULTS

The first quarter of 2005 closes with a **consolidated income for the IFI Group** of € 49.1 million (compared to a consolidated loss of € 54.4 million in the first three months of 2004). The positive change of € 103.5 million is mainly due to an improvement in the results posted by the IFIL Group, which benefits in turn from better results recorded by the Fiat Group.

The **share of earnings (losses) of operating subsidiaries and associates accounted for by the equity method** amounts to earnings of € 52.7 million (losses of € 50.1 million reported in the first quarter of 2004). The positive change of € 102.8 million is due to better results posted by IFIL (+€ 100.5 million) and Exor Group (+€ 0.8 million), as well as higher consolidation adjustments (+€ 1.5 million).

The **net financial position of IFI S.p.A.** at March 31, 2005 shows a net debt position of € 302.9 million, an increase of € 37.2 million compared to the end of 2004 (-€ 265.7 million), mainly due to the purchase of IFIL shares in March 2005 (equal to € 34.2 million).

Stockholders' equity – Group at March 31, 2005 amounts to € 2,320 million (€ 2,166.9 million at the end of 2004). The increase of € 153.1 million is due to the consolidated income of the Group for the first quarter of 2005 of € 49.1 million and other positive net changes for the remaining € 104 million.

The carrying amount of **investments** at March 31, 2005 is € 2,606.6 million. The increase of € 190.6 million compared to the figure at year-end 2004 (€ 2,416 million) stems from the purchase of IFIL shares in March 2005 (+€ 34.2 million) and IFI's share (+€ 156.4 million) of the positive changes in the stockholders' equity of IFIL and Exor Group.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES

CONDENSED CONSOLIDATED INCOME STATEMENT

Year 2004	€ in millions	Notes	I Quarter 2005	I Quarter 2004	Change
134.9	Share of earnings (losses) of companies accounted for by the equity method	1	52.7	(50.1)	102.8
0.1	Dividends from other holdings		0.0	0.0	0.0
(11.5)	Net financial expenses	2	(2.8)	(3.1)	0.3
(4.0)	Net general expenses	3	(0.8)	(1.2)	0.4
(1.4)	(Accruals to)/releases of provisions		0.0	0.0	0.0
3.7	Income taxes		0.0	0.0	0.0
121.8	Income (loss) - Group		49.1	(54.4)	103.5

CONDENSED CONSOLIDATED BALANCE SHEET

€ in millions	Notes	Balance at 3/31/2005	Balance at 12/31/2004	Change
Assets				
Investments in subsidiaries and associates accounted for by the equity method	4	2,606.1	2,415.5	190.6
Other investments	4	0.5	0.5	0.0
Non-current financial receivables		4.2	4.2	0.0
Current receivables and other assets	5	18.5	19.1	(0.6)
Cash and cash equivalents		0.1	0.1	0.0
Total assets		2,629.4	2,439.4	190.0
Equity and liabilities				
Capital and reserves		2,390.5	2,237.4	153.1
Treasury stock	6	(70.5)	(70.5)	0.0
Stockholders' equity - Group	7	2,320.0	2,166.9	153.1
Provisions		5.2	5.1	0.1
Current and non-current financial debt	8	303.0	265.8	37.2
Other current and non-current liabilities		1.2	1.6	(0.4)
Total equity and liabilities		2,629.4	2,439.4	190.0

NOTES

1. Share of earnings (losses) of companies accounted for by the equity method

Year 2004		€ in millions	Earnings (losses) of holdings I Quarter 2005	Earnings (losses) of holdings I Quarter 2004	IFI's share I Quarter 2005	IFI's share I Quarter 2004	Change
76.9		IFIL Group	81.4	(83.3)	50.1	(50.4)	100.5
27.1		Exor Group	2.0	(0.8)	0.6	(0.2)	0.8
104.0					50.7	(50.6)	101.3
30.9	(a)	Consolidation adjustments to IFIL results			2.0	0.5	1.5
134.9		Total			52.7	(50.1)	102.8

(a) Reversal of the writedown of the difference on consolidation on Juventus (€ 22.1 million), release of the portion, realized in 2004, of the gain deferred in prior years on the sale of the investment in La Rinascente (€ 8.3 million) and other adjustments (€ 0.5 million).

2. Net financial expenses

Net financial expenses of € 2.8 million in the first quarter of 2005 decreased by € 0.3 million compared to € 3.1 million in the first quarter of 2004 due to a different composition of the net debt.

3. Net general expenses

Net general expenses of € 0.8 million decreased by € 0.4 million compared to € 1.2 million in the first quarter of 2004 mainly as a consequence of the reduction in payroll costs.

4. Investments

Details are as follows:

€ in millions	Number of shares held	Carrying amount at 3/31/2005 Per share (€)	Carrying amount at 3/31/2005 Total (€ mn)	Carrying amount at 12/31/2004 Total (€ mn)
Investments in subsidiaries and associates accounted for by the equity method				
IFIL Group - ordinary shares	653,905,496	3.68	2,409.6	2,219.7
Exor Group	3,418,242	57.48	196.5	195.8
Total			2,606.1	2,415.5
Other investments				
Deutsche Morgan Grenfell Capital Italy				
- ordinary shares	886	293.45	0.2	0.2
- preferred shares	2,000	-	0.0	0.0
Emittenti Titoli	527,000	0.52	0.3	0.3
Total			0.5	0.5
Total investments			2,606.6	2,416.0

5. Current receivables and other assets

The amount of € 18.5 million includes receivables from the tax authorities of € 17.8 million and other current assets of € 0.7 million.

6. Treasury stock

This caption includes 5,360,300 IFI preferred shares, equal to 6.98% of the class of stock (3.28% of capital stock) for a total amount of € 70.5 million (€ 13.15 per share).

7. Stockholders’ equity - Group

The changes during the period are analyzed as follows:

€ in millions	
Stockholders' equity - Group at December 31, 2004	2,166.9
Share of translation differences in the stockholders' equity of IFIL and Exor Group (€ 40.4 million) and other net changes (€ 63.6 million)	104.0
Income - Group	49.1
Net change during the period	153.1
Stockholders' equity - Group at March 31, 2005	2,320.0

8. Net financial position of IFI S.p.A.

The net financial position of IFI S.p.A. is composed as follows:

	3/31/2005			12/31/2004		
€ in millions	Current	Non-Current	Total	Current	Non-Current	Total
Cash and cash equivalents	0.1		0.1	0.1		0.1
Payables to the parent company Giovanni Agnelli e C.	(24.8)		(24.8)	(24.2)		(24.2)
Bank debt	(268.2)	(10.0)	(278.2)	(211.6)	(30.0)	(241.6)
Total financial payables	(293.0)	(10.0)	(303.0)	(235.8)	(30.0)	(265.8)
Net financial position of IFI S.p.A.	(292.9)	(10.0)	(302.9)	(235.7)	(30.0)	(265.7)

The negative change of € 37.2 million compared to the balance at the end of 2004 is due to the following flows:

€ in millions	
Net financial position of IFI S.p.A. at December 31, 2004	(265.7)
Purchase of IFIL ordinary shares (0.97% of the class of stock)	(34.2)
Net financial expenses	(2.8)
Net general expenses	(0.8)
Other net changes	0.6
Net change during the period	(37.2)
Net financial position of IFI S.p.A. at March 31, 2005	(302.9)

At the end of May 2005, the negative balance of the net financial position of IFI S.p.A. changed as follows:

€ in millions	
Net financial position of IFI S.p.A. at March 31, 2005	(302.9)
Purchase of IFIL ordinary shares (0.64% of the class of stock)	(21.4)
Purchase of IFIL savings shares (4.99% of the class of stock)	(6.4)
Dividends received from Exor Group	10.6
Net financial and general expenses	(2.4)
Net change during the period	(19.6)
Net financial position of IFI S.p.A. at the end of May 2005	(322.5)

BUSINESS OUTLOOK

Taking into account the forecasts formulated by the holdings, IFIL and Exor Group, it is believed that the consolidated result of the IFI Group for 2005 will show a profit.

Moreover, considering the motion for the payment of dividends formulated by the IFIL Board of Directors and the dividends received from Exor Group from the results of the 2004 financial statements, it is believed that the 2005 result of IFI S.p.A. will also show a profit.

PERFORMANCE OF THE IFIL AND EXOR GROUP HOLDINGS

IFIL

(63.59% of ordinary capital stock and 4.99% of savings capital stock)

Following the coming into force of European Regulation No. 1606 dated July 2002, the IFIL Group adopted the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and certified by the European Commission. The IFIL Group has prepared its consolidated quarterly report to those standards. The 2004 comparative data has been restated to comply with the new accounting standards.

The following consolidated data of the IFIL Group at March 31, 2005 has been taken from the condensed consolidated balance sheet and condensed consolidated income statement. Such data has been prepared by consolidating the financial holding companies and Soiem (which make up the so-called "Holdings System") line-by-line and proportionally and accounting for the other operating subsidiaries and associates by the equity method (Fiat, Sequana Capital, Alpitour and Juventus F.C.).

€ in millions	3/31/2005	12/31/2004	Change
Consolidated income - Group	81.4	126.6	-
Consolidated stockholders' equity - Group	4,041.1	3,794.1	247.0
Consolidated net financial position of the "Holdings System"	613.9	680.0	(66.1)
Investments	3,302.5	2,989.0	313.5

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

The condensed consolidated income statement and condensed consolidated balance sheet are presented together with comments on the principal captions in the following paragraphs.

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

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

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

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

The consolidated net financial position of the "Holdings System" at March 31, 2005 shows a net cash position of € 613.9 million, a decrease of € 66.1 million compared to the balance at year-end 2004 (€ 680 million), mainly as a result of the purchase of SANPAOLO IMI shares in March 2005 (for € 60.1 million).

At the end of May 2005, the consolidated net cash position of the "Holdings System" increased to € 1,003 million mainly as a consequence of the sale of the investment in La Rinascente, (+€ 530 million), the increase in the investment in SANPAOLO IMI (-€ 203.4 million) and dividends received from holdings (+€ 66.1 million).

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

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

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

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

The most important transactions by the IFIL Group during the first quarter of 2005 are described below.

Increase in the investment in SANPAOLO IMI

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

Investment in Italia Turismo (ex-Sviluppo Italia Turismo)

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

Sale of La Rinascente S.p.A.

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

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

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

Business outlook

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

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

EXOR GROUP

(29.3% ordinary capital stock)

In the first quarter of 2005, Exor Group continued to pursue the ordinary management of its investment holdings and cash resources.
Exor Group reported a consolidated income of € 2 million in the first quarter of 2005 compared to a loss of € 0.8 million in the first three months of 2004. The change is primarily due to net financial income generated by the investment of cash resources which, at March 31, 2005, amount to € 531 million.

Turin, June 9, 2005

For the Board of Directors
The Chairman
Gianluigi Gabetti

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

FOREWORD

As provided by European Regulation No. 1606 dated July 19, 2002, starting from January 1, 2005 the IFI Group has adopted the International Financial Reporting Standards (IAS/IFRS) issued by the International Accounting Standards Board and endorsed by the European Commission. Therefore, the 2005 consolidated financial statements will be prepared in accordance with these "IFRS". The designation "IFRS" also includes all valid International Accounting Standards ("IAS"), as well as all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), formerly the Standing Interpretations Committee ("SIC").

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

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

Under the "condensed" basis of consolidation, the investments held in IFIL and Exor Group are accounted for by the equity method in the financial statements of the company IFI S.p.A., drawn up in conformity with IFRS.

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

The Appendix provides:

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

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

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

Investments in subsidiaries and associates

Investments in operating subsidiaries and associates are accounted for by the equity method on the basis of the financial statements prepared by them in accordance with IFRS. Unrealized gains and losses arising from transactions with companies accounted for by the equity method are eliminated to the extent of the Group's interest in those entities.

Other investments

Other investments are recorded at the weighted average cost of purchase less any impairment losses. If at the date of reference, the value of an investment is lower than the purchase cost defined above, it is adjusted to that lower amount with a contra-entry to the income statement. If the reasons which gave rise to the adjustment are no longer applicable, the amount of the investment is reinstated up to the purchase cost with a contra-entry to the income statement.

Goodwill

In the case of acquisitions of businesses, the acquired identifiable assets, liabilities and contingent liabilities are recorded at fair value at the date of acquisition. The positive difference between the cost of acquisition of the business combination and the Group's interest in the fair value of those assets and liabilities is included in the carrying amount of the investment accounted for by the equity method. If this difference is negative (negative goodwill), it is recognized in the income statement at the time of acquisition.
Goodwill is not amortized, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, in accordance with IAS 36 – Impairment of assets. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.
On disposal of part of or the whole of a business which was previously acquired and which gave rise to the recording of acquisition goodwill, the residual amount of the related goodwill comprised in the carrying amount of the same investment is included in the determination of the gain or loss on disposal.
In the context of IFRS First-time adoption, the Group elected not to apply IFRS 3 - Business combinations retrospectively to the business combinations that occurred before January 1, 2004; as a consequence, goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous Italian GAAP amounts, subject to being tested for impairment at that date.

Property, plant and equipment

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

Intangible assets

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

Receivables and payables

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

Derivative financial instruments

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

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

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

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

Employee benefits – Pension plans

The Group maintains several employee benefit plans, including employee severance indemnities (TFR), which are considered defined benefit pension plans. These are therefore measured by actuarial techniques using the Projected Unit Credit Cost method.
Net cumulative actuarial gains and losses that arise after January 1, 2004 (which exceed the greater of 10% of the present value of the defined benefit obligation and 10% of the fair value of plan assets at the end of the previous year) are amortized over the average remaining service lives of the employees according to the "corridor approach".
All net cumulative actuarial gains and losses that existed at January 1, 2004 have been recognized with a contra-entry to stockholders' equity.

Employee benefits - Stock option plans

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

Provisions

The Group records provisions when it has an obligation, legal or constructive, to a third party, when it is probable that an outflow of Group resources will be required to satisfy the obligation and a reliable estimate of the amount can be made.
Changes in estimates are reflected in the income statement in the period in which the change occurs.

Treasury stock

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

Dividends

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

Taxes

Current income taxes are calculated according to the tax laws in force.
Temporary differences between the amounts of assets and liabilities in the financial statements and the corresponding amounts for tax purposes give rise to deferred tax liabilities recorded in a specific provision under liabilities or eventually to deferred tax assets recorded in "receivables – deferred tax assets" only if there is reasonable certainty of future recovery. Deferred tax assets are also recognized for the tax benefit connected with tax loss carryforwards whenever specific requisites for recoverability are met. Deferred tax assets and liabilities are offset when they refer to the same company and there is a legally enforceable right of offset.
Deferred tax assets and liabilities are shown separately from other receivables and taxes payable in a specific caption under non-current assets or liabilities.

Foreign currency transactions

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

Recognition of revenues and costs

Revenues and costs are recognized only when the related risks and rewards are substantially transferred from the assignor to the assignee. Until that date, the transaction is not recognized as a sale.
The transfer of the title of ownership of electronically-recorded stock traded on the screen market coincides with the time of settlement of the transaction. In the case of sale, therefore, if the year-end closing date (or any interim closing dates) falls between the date of the contract and the date of the settlement of the transaction, for the assignor, the transaction will have no economic effects as these will be recognized in the subsequent period.
In the case of the purchase or sale of unlisted securities, the passage of title of ownership is identified contractually between the parties and reference is made to that time for accounting purposes.

Use of estimates

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

RECONCILIATIONS REQUIRED BY IFRS 1

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

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

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

FIRST-TIME ADOPTION OF IFRS

General principle

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

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

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

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

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

Optional exemptions adopted by the Group

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

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

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

AUDIT ACTIVITY ON THE RECONCILIATIONS REQUIRED BY IFRS 1

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

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

€ in millions	Italian GAAP	Effects of transition to IFRS: Adjustments	Effects of transition to IFRS: Reclassifications	IFRS	
Assets					**Assets**
Investments	2,436.0	(82.7) a	(0.9)	2,352.4	Investments in subsidiaries and associates accounted for by the equity method
			0.7	0.7	Other investments
Financial fixed assets - Other receivables	6.7		(2.5) c	4.2	Non-current financial receivables
Financial fixed assets - Treasury stock	70.5		(70.5) d		
Other assets	18.7		(0.1)	18.6	Current receivables and other assets
			0.1	0.1	Cash and cash equivalents
Total Assets	2,531.9	(82.7)	(73.2)	2,376.0	**Total Assets**
Liabilities and stockholders' equity					**Equity and liabilities**
Stockholders' equity - Group	2,221.3	(87.8)		2,133.5	Capital and reserves
			(70.5) d	(70.5)	Treasury stock
	2,221.3	(87.8)	(70.5)	2,063.0	Stockholders' equity - Group
Other liabilities and reserves	16.4		(7.5)	8.9	Provisions
Borrowings from banks, short-term	66.3	5.1 b	229.2	300.6	Current and non-current financial debt
Borrowings from banks, medium-term	212.7		(212.7)		
Financial payables to Giovanni Agnelli e C., short-term	15.2		(15.2)		
Other payables			3.5	3.5	Other current and non-current liabilities
Total Liabilities and stockholders' equity	2,531.9	(82.7)	(73.2)	2,376.0	**Total Equity and liabilities**

a) The negative adjustment of € 82.7 million represents IFI's share of the effects of the first-time application of IFRS on the consolidated stockholders' equity of the IFIL Group and, consequently, on the carrying amount of this investment. Details are as follows:

€ in millions	Stockholders' equity of holding: Italian GAAP	Stockholders' equity of holding: IFRS	IFI's share: Italian GAAP	IFI's share: IFRS	Difference
IFIL Group	3,953.9	3,748.1	2,394.1	2,270.9	(123.2)
Consolidation adjustments			(63.8)	(23.3)	40.5
					(82.7)

b) The adjustments represent the measurement of derivative instruments used to hedge interest rate risk (swaps) on bank debt.

c) The reclassification is made to reduce non-current financial receivables by the relative provision for risks previously recorded in liabilities.

d) The reclassification is made to deduct from stockholders' equity the carrying amount of IFI preferred treasury stock previously recorded in fixed assets.

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

€ in millions			
Consolidated stockholders' equity of IFI Group at December 31, 2003 (Italian GAAP)		2,221.3	Notes
	IFI's share of the effects of the adoption of IFRS on the consolidated stockholders' equity of IFIL Group	(82.7)	a
IAS 39	Measurement of instruments used to hedge interest rate risk	(5.1)	b
IAS 1	Reclassification of the carrying amount of preferred treasury stock	(70.5)	d
Consolidated stockholders' equity of IFI Group at January 1, 2004 (IAS/IFRS)		2,063.0	

The explanatory notes are reported on page 20.

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

€ in millions	GAAP	Adjustments	Reclassifications	IFRS	
Assets					**Assets**
Investments	2,446.3	(30.1) a	(0.7)	2,415.5	Investments in subsidiaries and associates accounted for by the equity method
			0.5	0.5	Other investments
Financial fixed assets - Other receivables	8.2		(4.0) d	4.2	Non-current financial receivables
Financial fixed assets - Treasury stock	70.5		(70.5) e		
Other assets	19.2		(0.1)	19.1	Current receivables and other assets
			0.1	0.1	Cash and cash equivalents
Total Assets	2,544.2	(30.1)	(74.7)	2,439.4	**Total Assets**
Liabilities and stockholders' equity					**Equity and liabilities**
Stockholders' equity - Group	2,269.4	(32.0)		2,237.4	Capital and reserves
			(70.5) e	(70.5)	Treasury stock
	2,269.4	(32.0)	(70.5)	2,166.9	Stockholders' equity - Group
Other liabilities and reserves	12.1	(0.1) b	(6.9)	5.1	Provisions
Borrowings from banks, short-term	208.5	2.0 c	55.3	265.8	Current and non-current financial debt
Borrowings from banks, medium-term	30.0		(30.0)		
Financial payables to Giovanni Agnelli e C., short-term	24.2		(24.2)		
Other payables			1.6	1.6	Other current and non-current liabilities
Total Liabilities and stockholders' equity	2,544.2	(30.1)	(74.7)	2,439.4	**Total Equity and liabilities**

a. The negative adjustment of € 30.1 million represents IFI's share of the effects of the application of IFRS on the consolidated stockholders' equity of the IFIL Group and, consequently on the carrying amount of this investment. Details are as follows:

	Stockholders' equity of holding		IFI's share		
€ in millions	Italian GAAP	IFRS	Italian GAAP	IFRS	Difference
IFIL Group	3,916.8	3,794.1	2,371.6	2,301.6	(70.0)
Consolidation adjustments			(41.1)	(1.2)	39.9
					(30.1)

b. The adjustment is to adjust the provision for employee severance indemnities (TFR) and discount the payable to INPS.

c. The adjustment represents the measurement of derivative instruments used to hedge interest rate risk (swaps) on bank debt.

d. The reclassification is made to reduce non-current financial receivables by the relative provision for risks previously recorded in liabilities.

e. The reclassification is made to deduct from stockholders' equity the carrying amount of IFI preferred treasury stock previously recorded in fixed assets.

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

€ in millions			
Consolidated stockholders' equity of IFI Group at December 31, 2004 (Italian GAAP)		2,269.4	Notes
	IFI's share of the effects of the adoption of IFRS on the consolidated stockholders' equity of IFIL Group	(30.1)	a
IAS 19/39	Adjustment of provision for employee severance indemnities (TFR) and discounting of INPS payable	0.1	b
IAS 39	Measurement of instruments used to hedge interest rate risk	(2.0)	c
IAS 1	Reclassification of the carrying amount of preferred treasury stock	(70.5)	e
Consolidated stockholders' equity of IFI Group at December 31, 2004 (IAS/IFRS)		2,166.9	

The explanatory notes are reported on page 22.

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

€ in millions	Italian GAAP	Effects of transition to IFRS: Adjustments	Effects of transition to IFRS: Reclassifications	IFRS	
Group's share of earnings (losses) of companies accounted for using the equity method	130.1	4.8 a		134.9	Share of earnings (losses) of companies accounted for by the equity method
Dividends from other holdings	0.1			0.1	Dividends from other holdings
Financial expenses, net	(11.5)			(11.5)	Net financial expenses
General expenses, net	(4.0)			(4.0)	Net general expenses
Other expenses, net	(1.4)		1.4	0.0	Other net expenses
			(1.4)	(1.4)	(Accruals to)/releases of provisions
Income taxes	3.7			3.7	Income taxes
Net income - Group	117.0	4.8	0.0	121.8	Income - Group

a. The positive adjustment of € 4.8 million represents IFI's share of the effects of the adoption of IFRS on the consolidated earnings (losses) for the year 2004 of the IFIL Group. Details are as follows:

€ in millions	Earnings (losses) of holding: Italian GAAP	Earnings (losses) of holding: IFRS	IFI's share: Italian GAAP	IFI's share: IFRS	Difference
IFIL Group	119.0	126.6	72.1	76.9	4.8

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

€ in millions	Italian GAAP	Effects of transition to IFRS		IFRS	
		Adjustments	Reclassifications		
Group's share of earnings (losses) of companies accounted for using the equity method	(26.9)	(23.2) a		(50.1)	Share of earnings (losses) of companies accounted for by the equity method
Dividends from other holdings	0.0			0.0	Dividends from other holdings
Financial expenses, net	(3.1)			(3.1)	Net financial expenses
General expenses, net	(1.2)			(1.2)	Net general expenses
Income taxes	0.0			0.0	Income taxes
Loss - Group	(31.2)	(23.2)		(54.4)	Loss - Group

a. The negative adjustment of € 23.2 million represents IFI's share of the effects of the adoption of IFRS on the earnings (losses) for the first quarter of 2004 of the IFIL Group. Details are as follows:

€ in millions	Earnings (losses) of holding		IFI's share		Difference
	Italian GAAP	IFRS	Italian GAAP	IFRS	
IFIL Group	(45.0)	(83.3)	(27.2)	(50.4)	(23.2)

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

**To the Board of Directors of
IFI - ISTITUTO FINANZIARIO INDUSTRIALE S.p.A.**

1. We have audited the accompanying statements of reconciliation to International Financial Reporting Standards ("IFRS") of the consolidated shareholders' equity as of January 1 and December 31, 2004 and of consolidated net income for the year ended December 31, 2004 of IFI - Istituto Finanziario Industriale S.p.A. ("IFI") and subsidiaries (the "IFI Group"), as presented in the Appendix to the Quarterly Report for the First Quarter 2005 (hereinafter, the "IFRS Reconciliation Statements"). The consolidated shareholders' equity and the consolidated net income presented in the IFRS Reconciliation Statements are based on the consolidated financial statements of the IFI Group as of December 31, 2003 and 2004, prepared in accordance with the applicable Italian statutory provisions governing the criteria for their preparation, which we have previously audited and on which we issued our auditor's reports dated May 14, 2004 and April 8, 2005, respectively. The IFRS Reconciliation Statements have been prepared as part of the Group's conversion to IFRS as adopted by the European Commission, in accordance with the criteria and principles set out in article 82-bis of CONSOB Regulation no. 11971/1999 as amended by Resolution no. 14990 of April 14, 2005, which establishes the basis for the preparation of the IFRS reconciliation statements in Italy. These IFRS Reconciliation Statements are the responsibility of the Directors of IFI - Istituto Finanziario Industriale S.p.A. Our responsibility is to express an opinion on these IFRS Reconciliation Statements based on our audit.

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

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

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

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

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

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

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

DELOITTE & TOUCHE S.p.A.

Signed by
Colin Johnston
Partner

Turin, Italy
June 9, 2005

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