

IFI
Istituto Finanziario Industriale

Quarterly Report
at September 30, 2004



Istituto Finanziario Industriale

Società per Azioni

Capital stock € 163,251,460, fully paid-in

Registered office in Turin - Corso Matteotti 26 - Turin Company Register No. 00470400011

QUARTERLY REPORT AT SEPTEMBER 30, 2004

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This is an English translation of the Italian original document “Relazione trimestrale al 30 settembre 2004” approved by the IFI Board of Directors on November 12, 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 “Relazione trimestrale al 30 settembre 2004” also available on the corporate website: <http://www.gruppoifi.com>.

Board of Directors

Chairman

Deputy Chairman

Directors

Gianluigi Gabetti

Pio Teodorani-Fabbri

Annibale Avogadro di Collobiano

John Philip Elkann

Luca Ferrero Ventimiglia (*)

Gabriele Galateri di Genola

Franzo Grande Stevens

Andrea Nasi

Lupo Rattazzi

(*) Co-opted by the Board of Directors on June 23, 2004.

Secretary to the Board

Pierluigi Bernasconi

General Manager

Virgilio Marrone

Board of Statutory Auditors

Chairman

Standing Auditors

Alternate Auditors

Cesare Ferrero

Giorgio Giorgi

Lionello Jona Celesia

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 to 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. (the new name taken by IFIL – Finanziaria di Partecipazioni S.p.A.), equal to 62.03% of ordinary capital stock, and in Exor Group, equal to 29.3% of capital stock.

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

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

Worms & Cie (53.07% holding) is a French-listed holding company with a portfolio comprising the following major investments:

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

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

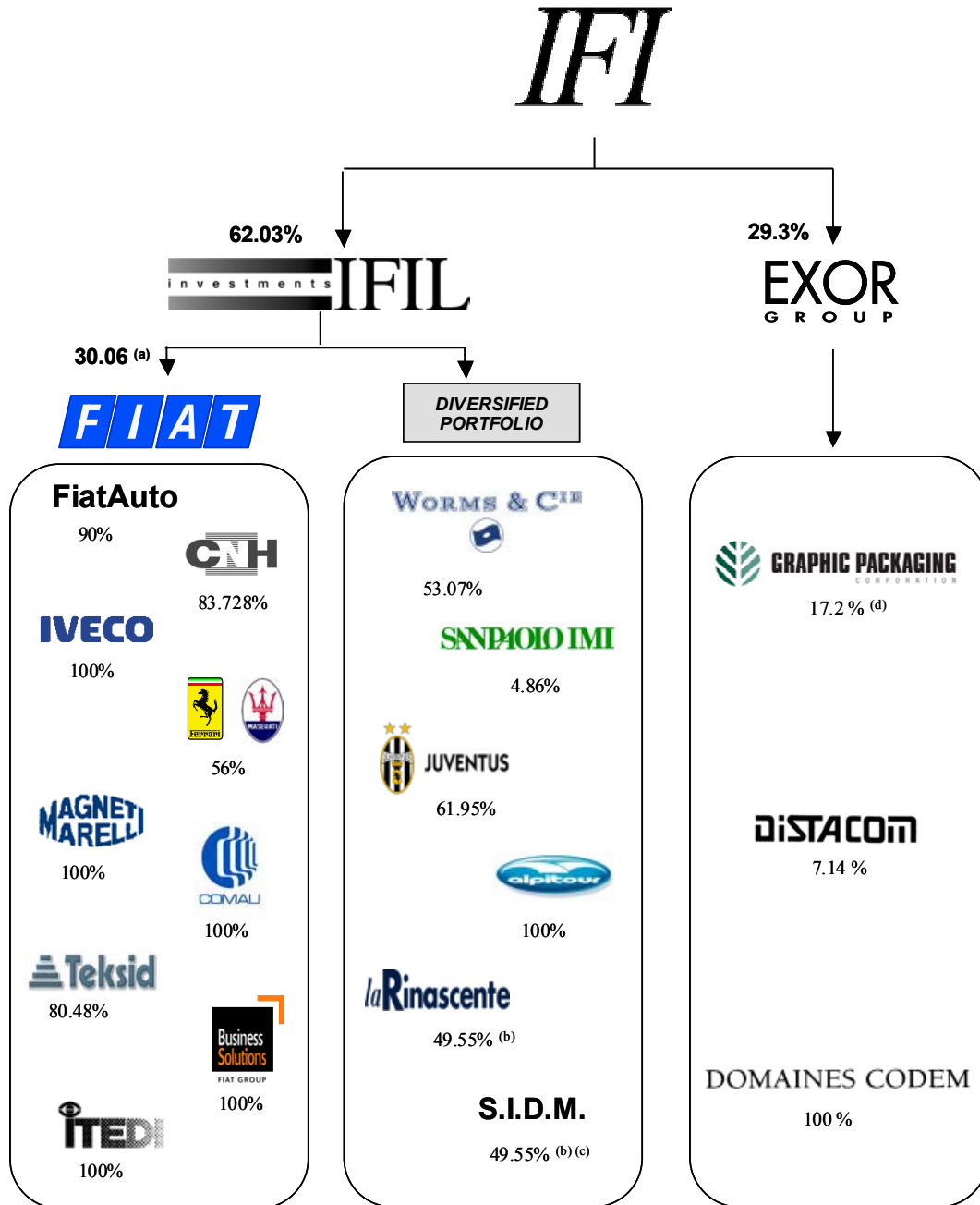
SANPAOLO IMI (4.86% of ordinary capital stock), a leading national banking group with over 3,000 branches throughout Italy;

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

Juventus Football Club (61.95% holding by IFIL) is a company with more than one hundred years of history and an enviable record gained at various national and international sports events.

Exor Group is a Luxembourg holding company; its principal investments are the 17.2% stake in Graphic Packaging Corporation (a U.S.A. company in the packaging sector that emerged in 2003 from the Riverwood and Graphic Packaging merger, listed on the New York stock exchange), 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 beginning of November 2004 and presents the simplified structure of the investment portfolio. Percentage holdings refer to ordinary capital stock:



- (a) IFIL also holds 30.09% of preferred capital stock.
- (b) In capital stock.
- (c) An agreement was reached for the sale of IFIL Group's investment in Società Italiana Distribuzione Moderna to the Auchan Group.
- (d) Company that emerged from the Riverwood and Graphic Packaging merger.

MAJOR EVENTS

The normal course of administration of the company continued during the period July-October 2004.

CRITERIA USED IN THE PREPARATION OF QUARTERLY REPORTS

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

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

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

In the consolidated quarterly report at September 30, 2004, in condensed form, the investments held in IFIL (60.55% of capital stock outstanding) and in Exor Group (29.3% capital stock outstanding) were accounted for using the equity method.

ANALYSIS OF CONDENSED CONSOLIDATED RESULTS

Results for the first nine months of the year

The first nine months of 2004 closed with a consolidated net loss for the IFI Group of € 172.5 million, compared to a consolidated net loss of € 115.6 million in the corresponding period of 2003. The main captions of the condensed consolidated statement of operations at September 30, 2004, are examined in the following paragraphs. Additional details and information are provided in the following section "Condensed consolidated financial statements".

The **Group's share of earnings (losses) of companies** accounted for using the equity method amounted to losses of € 160.7 million, following IFI's share of the losses reported by the IFIL Group (-€ 170.1 million), the earnings posted by Exor Group (+€ 8 million) and consolidation adjustments (+€ 1.4 million).

The data at September 30, 2003 (-€ 100.4 million) included IFI's share of the losses reported by the Fiat Group (-€ 110.8 million) and Juventus Football Club (-€ 4.5 million), relating only to the first quarter of 2003, the IFIL Group (-€ 12.1 million), the earnings posted by Exor Group (+€ 5 million) and consolidation adjustments (+€ 22.0 million).

Financial expenses, net, were € 8.8 million (€ 11.9 million at September 30, 2003); the reduction of € 3.1 million is due to lower average indebtedness during the two periods under comparison.

General expenses, net, amounted to € 3.1 million (€ 4.7 million at September 30, 2003); the decrease of € 1.6 million was mainly on account of the reduction in structure costs of the company.

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

Financial fixed assets amounted to € 2,333.7 million at September 30, 2004 and showed a decrease of € 179.5 million compared to December 31, 2003 (€ 2,513.2 million).

Net financial position of IFI S.p.A. at September 30, 2004 showed a net indebtedness position of € 259.1 million (€ 295.4 million at December 31, 2003). At September 30, 2003, the net indebtedness position was € 289.6 million.

Stockholders' equity – Group, at September 30, 2004 amounted to € 2,079.3 million (€ 2,221.3 million at December 31, 2003).

Results for the third quarter of the year

The **consolidated net loss – Group** for the third quarter of 2004 was € 106.5 million (compared to an income of € 14.4 million in the corresponding period of 2003) reflecting IFI's share of the losses reported by the IFIL Group for the third quarter of 2004 of € 102.8 million.

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

- the **Group's share of earnings (losses) of companies** accounted for using the equity method in the third quarter of 2004 resulted in losses of € 102.7 million (earnings of € 16.4 million in the corresponding period of 2003);
- **financial expenses, net**, amounted to € 2.7 million (€ 3.5 million in the third quarter of 2003); the decrease of € 0.8 million was due to lower average indebtedness during the third quarter of 2004.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Condensed consolidated statement of operations

Year	€ in millions	9 months to September 30			III Quarter		
		2004	2003	Change	2004	2003	Change
	Group's share of earnings (losses) of companies						
(117.7)	accounted for using the equity method	(160.7)	(100.4)	(60.3)	(102.7)	16.4	(119.1)
0.2	Dividends from other holdings and dividend tax credits	0.1	0.2	(0.1)	0.0	0.0	0.0
(15.0)	Financial expenses, net	(8.8)	(11.9)	3.1	(2.7)	(3.5)	0.8
(6.1)	General expenses, net	(3.1)	(4.7)	1.6	(1.1)	(1.3)	0.2
1.0	Other expenses, net	0.0	1.2	(1.2)	0.0	2.8	(2.8)
(137.6)	Income (loss) before taxes	(172.5)	(115.6)	(56.9)	(106.5)	14.4	(120.9)
7.6	Current and deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
(130.0)	Net Income (loss) - Group	(172.5)	(115.6)	(56.9)	(106.5)	14.4	(120.9)

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

Year	€ in millions	9 months to September 30			III Quarter		
		2004	2003	Change	2004	2003	Change
(27.2)	IFIL Group	(170.1)	(12.1)	(158.0)	(102.8)	15.1	(117.9)
5.0	Exor Group	8.0	5.0	3.0	(0.3)	0.7	(1.0)
(110.8)	(a) Fiat Group	-	(110.8) (a)	110.8	-	-	-
(4.5)	(a) Juventus Football Club	-	(4.5) (a)	4.5	-	-	-
(137.5)		(162.1)	(122.4)	(39.7)	(103.1)	15.8	(118.9)
19.8	Consolidation adjustments	1.4	22.0	(20.6)	0.4	0.6	(0.2)
(117.7)	Group's share of earnings (losses) of companies accounted for using the equity method	(160.7)	(100.4)	(60.3)	(102.7)	16.4	(119.1)

(a) Results for the first quarter of 2003.

Condensed consolidated balance sheet

9/30/2003	€ in millions	9/30/2004	12/31/2003	Change	6/30/2004
	Financial fixed assets:				
2,534.2	- investments	2,255.0	2,436.0	(181.0)	2,366.6
70.5	- treasury stock	70.5	70.5	0.0	70.5
6.7	- other receivables	8.2	6.7	1.5	8.2
2,611.4		2,333.7	2,513.2	(179.5)	2,445.3
1.5	Cash, receivables and other financial assets	0.1	0.1	0.0	40.1
18.4	Other assets	18.1	18.6	(0.5)	17.9
2,631.3	Total assets	2,351.9	2,531.9	(180.0)	2,503.3
2,316.7	Stockholders' equity - Group	2,079.3	2,221.3	(142.0)	2,194.5
	Financial payables:				
11.2	- banks, short-term	204.3	66.3	138.0	223.9
240.0	- banks, medium-term	20.0	212.7	(192.7)	30.0
36.5	- parent company, short-term	31.5	15.2	16.3	39.7
287.7		255.8	294.2	(38.4)	293.6
26.9	Other liabilities and reserves	16.8	16.4	0.4	15.2
2,631.3	Total liabilities and stockholders' equity	2,351.9	2,531.9	(180.0)	2,503.3

Financial fixed assets - Investments

€ in millions	Number of shares held	% holding of		Carrying value	
		Class of stock	Capital stock	Per share (€)	Total
Investments accounted for using the equity method					
IFIL - ordinary shares	643,783,399	62.03	59.88	3.227	2,077.7
Exor Group SA	3,418,242	29.29	29.28	51.664	176.6
Investments valued at cost					
Deutsche Morgan Grenfell Capital Italy SA					
- ordinary shares	886	0.93	0.30	513.898	0.4
- preferred shares	2,000	1.28	0.68	2.582	0.0
Emittenti Titoli S.p.A.	527,000	6.43	6.43	0.516	0.3
Total investments					2,255.0

Stockholders' equity - Group

€ in millions	
Stockholders' equity - Group at December 31, 2003	2,221.3
Share of the translation adjustments shown by IFIL and Exor Group holdings (+€ 27.4 million) and other net changes (+€ 3.1 million)	30.5
Consolidated net loss - Group	(172.5)
Net change during the period	(142.0)
Stockholders' equity - Group at September 30, 2004	2,079.3

Composition of the net financial position of IFI S.p.A.

6/30/2004			9/30/2004			12/31/2003		
Short-term	Medium/long-term	Total	Short-term	Medium/long-term	Total	Short-term	Medium/long-term	Total
€ in millions								
40.1		40.1	0.1		0.1	0.1		0.1
(223.9)	(30.0)	(253.9)	(204.3)	(20.0)	(224.3)	(66.3)	(212.7)	(279.0)
(39.7)		(39.7)	(31.5)		(31.5)	(15.2)		(15.2)
(1.2)		(1.2)	(3.4)		(3.4)	(1.3)		(1.3)
(264.8)	(30.0)	(294.8)	(239.2)	(20.0)	(259.2)	(82.8)	(212.7)	(295.5)
(224.7)	(30.0)	(254.7)	(239.1)	(20.0)	(259.1)	(82.7)	(212.7)	(295.4)

The positive change of € 36.3 million, compared to the balance at December 31, 2003, was due to the following flows:

€ in millions	
Net financial position of IFI S.p.A. at December 31, 2003	(295.4)
Dividends received from IFIL (€ 39.9 million), Exor Group (€ 10.6 million) and from Emittenti Titoli (€ 0.1 million)	50.6
Financial expenses, net	(8.8)
General expenses, net	(3.1)
Investments (a)	(1.3)
Other changes, net	(1.1)
Net change during the period	36.3
Net financial position of IFI S.p.A. at September 30, 2004	(259.1)

(a) Payment to Ticom I (-€ 1.5 million), net of the reimbursement from Deutsche Morgan Grenfell (€ 0.1 million) and the sale of 193,000 Emittenti Titoli shares (€ 0.1 million).

Comparison of carrying values and market prices of listed financial fixed assets of IFI S.p.A.

	Number of shares	% holding of class of stock	Carrying value		Average market prices			
					April/Sept. 2004		September 2004	
			Unit (€)	Total (€ ml)	Unit (€)	Total (€ ml)	Unit (€)	Total (€ ml)
IFIL ordinary shares	643,783,399	62.03	2.604	1,676.2	2.809	1,808.4	2.784	1,792.3
IFI preferred treasury stock	5,360,300	6.98	13.148	70.5	8.078	43.3	8.344	44.7
Total				1,746.7		1,851.7		1,837.0

Based on the average stock market prices during the third quarter of 2004 presented above, IFI preferred shares showed unrealized losses of approximately € 26 and € 27 million. The carrying value per IFI preferred share (€ 13.15) was substantially in line with the per share value of the consolidated stockholders' equity of the IFI Group at September 30, 2004 (€ 12.72).

BUSINESS OUTLOOK

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

The consolidated result of the IFI Group for 2004 will be directly related to the year-end results of IFIL S.p.A. and the companies in the IFIL Group's portfolio, as well as to the realization of the gain on the sale to the Auchan Group of IFIL's investment in Società Italiana Distribuzione Moderna, expected to take place by the end of the year.

Following this last transaction, the consolidated net financial position of the "Holdings System" of IFIL will move from its current net indebtedness position to a significant liquidity position, which will be available for new investments.

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

Fiat Group

For all of 2004, the Fiat Group expects to reach its stated year-end goals of attaining operating breakeven and reducing operating cash outflow.

Fiat Auto adopted a leaner and more efficient organization on September 1, 2004 and is continuing to strengthen the management team that will lead its cultural transformation and provide fresh momentum for its operations. The Company, which operates in a very difficult European environment characterized by strong price competition, will end the fiscal year with a smaller operating loss than in 2003.

CNH and Iveco should end 2004 with a further improvement in profitability.

Worms & Cie Group

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

La Rinascente

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

NHT Group

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

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

Juventus Football Club

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

PERFORMANCE OF IFIL AND EXOR GROUP HOLDINGS

IFIL

(62.03% of ordinary capital stock)

The following consolidated data of the IFIL Group at September 30, 2004 has been taken from the condensed consolidated balance sheet and the condensed consolidated statement of operations. Such data has been prepared by consolidating the financial holding companies and Soiem (which make up the so-called "Holdings System") line-by-line or proportionally and accounting for the other subsidiaries and associated companies using the equity method.

12/31/2003	€ in millions	9 months to September 30			III Quarter		
		2004	2003	Change	2004	2003	Change
(45.0)	Consolidated net income (loss) - Group	(281.0)	(20.0)	(261.0)	(170.0)	25.0	(195.0)
3,953.9	Consolidated stockholders' equity - Group	3,652.8	4,111.9	(459.1)	-	-	-
(234.7)	Consolidated net financial position of the "Holdings System"	(411.8)	(464.1)	52.3	-	-	-
4,223.1	Financial fixed assets	4,028.6	4,801.1	(772.5)	-	-	-

The first nine months of 2004 showed a consolidated net loss for the IFIL Group of € 281 million. Presented below are the condensed consolidated statement of operations and comments on the main captions.

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

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

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

Amortization of differences on consolidation amounted to € 34.8 million (€ 10.3 million at September 30, 2003). They referred to the investments in Juventus Football Club (€ 2.9 million) and in the Rinascente Group (€ 8.3 million), in addition to the extraordinary amortization charge (€ 23.6 million) for the entire difference on consolidation on 10% of the capital stock of NHT purchased in January 2004 by the TUI Group.

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

Stockholders' equity – IFIL Group at September 30, 2004 amounted to € 3,652.8 million; the decrease of € 301.1 million compared to the balance at December 31, 2003 (€ 3,953.9 million) originated from the consolidated loss of the Group (- € 281 million), dividends declared by IFIL S.p.A. (- € 69.7 million), the share of translation adjustments booked by the companies accounted for using the equity method (+€ 45.2 million) and other net changes (+€ 4.4 million).

The **consolidated net financial position of the "Holdings System"** showed a net indebtedness position at September 30, 2004 of € 411.8 million. The negative change of € 177.1 million, compared to the balance at the end of 2003 (- € 234.7 million) was due to the following flows:

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

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

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

The major transactions by the IFIL Group during the period July-November 2004 are described below.

Monetization of the investment in the Rinascente Group

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

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

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

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

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

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

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

Sale of the investment in Club Méditerranée

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

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

Preliminary agreement with Sviluppo Italia Turismo

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

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

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

EXOR GROUP

(29.3% of ordinary capital stock)

Exor Group reported consolidated net income of € 27.4 million at September 30, 2004; an increase compared to the net income of € 16.9 million recorded in the corresponding period of 2003.

This positive result was principally due to the sale of the investment in SFL – Société Foncière Lyonnaise (10.1% of capital stock) to Immobiliaria Colonial for a net gain of € 24.3 million.

Other income for the period included dividends from the same SFL for € 6.5 million and financial income from the investment of cash resources for € 4.6 million. General expenses totaled € 5.8 million.

In June 2004, Exor Group and the IFIL Group reached an agreement with Accor for the sale of their respective investments in the capital stock of Club Méditerranée at a price of € 45 per share. The contracts call for a possible upward price adjustment up to a maximum of € 10 per share to be paid in relation to Club Méditerranée's future economic and financial performance over the next two years.

The relevant antitrust authorities approved the transaction on October 20, 2004. Consequently, Exor Group sold an important stake of its investment in Club Méditerranée for € 129 million.

At the end of October 2004, Exor Group's net cash was higher than € 450 million.

Turin, November 12, 2004

For the Board of Directors
The Chairman
Gianluigi Gabetti