IFI

Istituto Finanziario Industriale

Quarterly Report
at September 30, 2005

QUARTERLY REPORT AT SEPTEMBER 30, 2005

This is an English translation of the Italian original document "Relazione Trimestrale al 30 Settembre 2005" approved by the IFI Board of Directors on November 11, 2005, 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

Società per Azioni
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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
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 the 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 held 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 headed by Giovanni Agnelli e C. S.a.p.az. The Company's assets are represented by holdings in IFIL Investments S.p.A., equal to 63.59% of ordinary capital stock, and in Exor Group, equal to 29.3% of ordinary 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 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 - ex-Worms & Cie - (52.84% 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 (ArjoWiggins absorbed Carbonless Europe effective January 1, 2004);
- Antalis (100% holding), the leading European group in the distribution of paper products for printing and writing;
- 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 (6.28% holding of ordinary capital stock by IFIL) is a leading national banking group with over 3,000 branches throughout Italy;

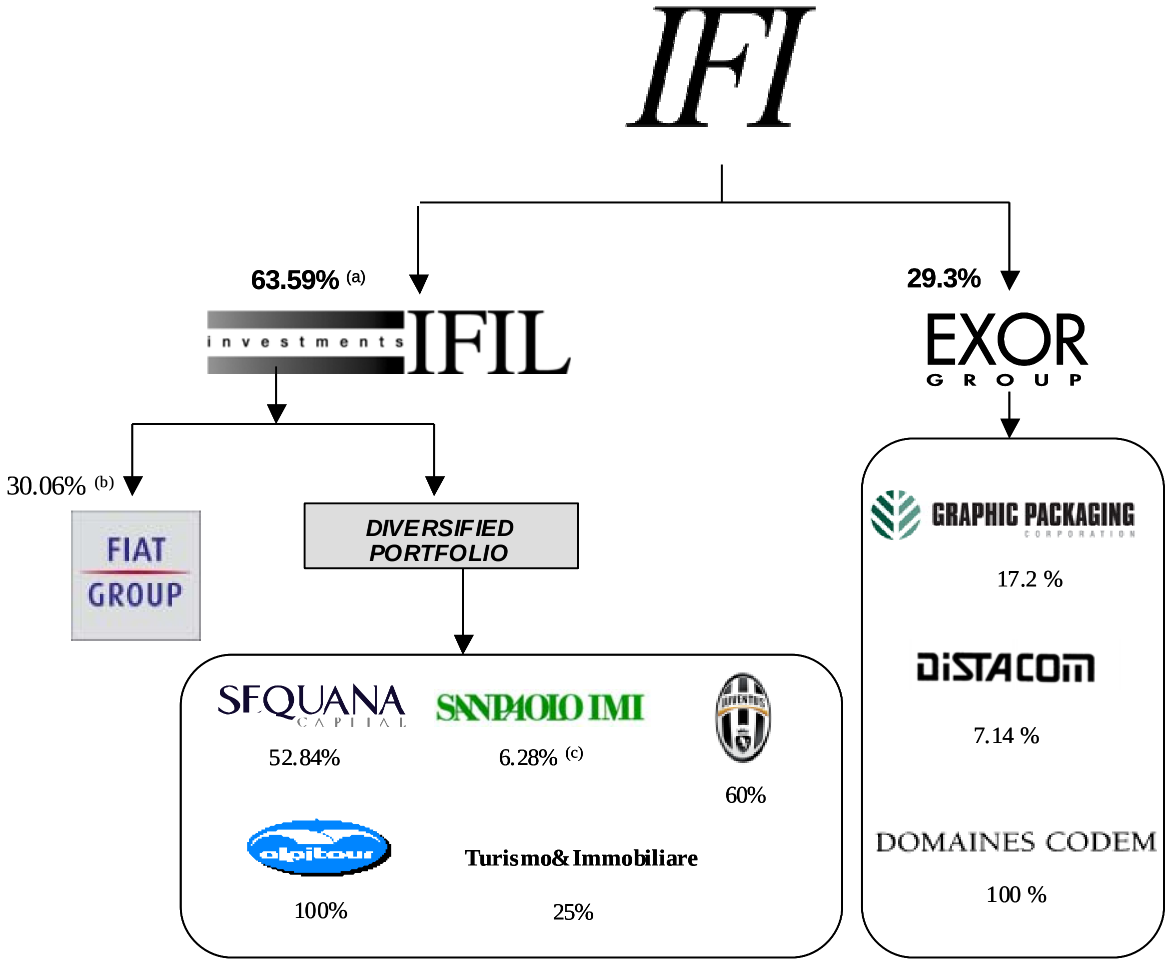
Alpitour (100% holding) is the leading group in the tourist sector in Italy;

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 (25% holding) 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 beginning of November 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 4.98% of capital stock.

MAJOR EVENTS

Increase in the investment in IFIL

During March and April 2005, IFI purchased on the market 16,708,441 IFIL ordinary shares (1.61% of the class of stock) for an investment of € 55.5 million, and 1,866,420 IFIL savings shares (4.99% of the class of stock) for an investment of € 6.4 million.
IFI currently holds 660,491,840 IFIL ordinary shares, equal to 63.59% of the class of stock, and 1,866,420 IFIL savings shares, equal to 4.99% of the class of stock. The investment represents 61.56% of capital stock.

In the review of the operating performance of the subsidiary IFIL (to which reference should be made), a description is provided of the transaction which, in September 2005, allowed IFIL to maintain its stake in Fiat S.p.A. unchanged.

ACCOUNTING POLICIES

The consolidated Quarterly Report at September 30, 2005 of the IFI Group has been prepared in accordance with Article 82 of the "Regulation 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.

In order to facilitate the analysis of the financial position and results of operations of the Group, it is IFI's practice to present "condensed" financial statements (balance sheet and income statement) for the period by applying the "condensed" basis of consolidation. Such condensed financial statements are presented with the annual consolidated financial statements and in the First-half Report of each year. The quarterly interim consolidated financial statements are also presented in the condensed format in the Quarterly Reports at March 31 and September 30 of each year, in conformity with Annex 3D of the above Consob Regulation.

Under the "condensed" basis of consolidation, the investments held in IFIL (62.404% 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.

Effective January 1, 2005, the IFI Group adopted International Financial Reporting Standards (IFRS). In this Quarterly Report, the comparative data for the corresponding periods of 2004 have thus been restated and remeasured in accordance with IFRS. The reconciliations between the latter and the condensed consolidated data for 2004 that had already been published in accordance with Italian GAAP, as required by IFRS 1 – First-time adoption of IFRS, in addition to the relative explanatory notes, are presented in the Appendix of the Quarterly Report at March 31, 2005, with regard to the condensed consolidated balance sheet and income statement for the year ending December 31, 2004, and, in the Appendix of this Quarterly Report, with regard to the condensed consolidated income statement for the first nine months of 2004.

The accounting policies adopted in the preparation of the consolidated quarterly report are the same as those applied in the preparation of the IFRS condensed opening balance sheet at January 1, 2004, as well as the 2004 condensed income statement and the condensed consolidated balance sheet at December 31, 2004, as restated in accordance with IFRS and published in the Quarterly Report at March 31, 2005. The accounting policies adopted are described in the Appendix to that Quarterly Report, to which reference should be made.

Lastly, some measurement procedures, particularly complex procedures such as the determination of possible impairment losses on non-current assets, are generally performed in a complete manner only at the time of the preparation of the annual financial statements when all the information needed becomes available, unless there are indications of impairment which require a prompt assessment to determine whether there are any impairment losses.

The consolidated Quarterly Report at September 30, 2005 of the IFI Group is unaudited.

REVIEW OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

RESULTS FOR THE NINE MONTHS TO SEPTEMBER 30, 2005

Consolidated profit of the IFI Group for the nine months to September 30, 2005 is € 580.0 million compared to a consolidated loss € 131.2 million in the corresponding period of 2004. The positive change of € 711.2 million is mainly due to better results by the IFIL Group, which include the gain realized on the sale of La Rinascente, and better results by the Fiat Group.

The **Group's share of the earnings (losses) of companies accounted for by the equity method** amounts to earnings of € 590.5 million (losses of € 119.4 million for the nine months to September 30, 2004). The positive change of € 709.9 million is due to an improvement in the results posted by the IFIL Group (+€ 700.3 million) and Exor Group (+€ 6.7 million), as well as higher consolidation adjustments (+€ 2.9 million).

The **net financial position of IFI S.p.A.** at September 30, 2005 shows a net debt position of € 280.1 million. This is an increase of € 14.4 million compared to the balance at year-end 2004 (-€ 265.7 million).

Equity – Group at September 30, 2005 amounts to € 3,049.7 million (€ 2,166.2 million at the end of 2004). The increase of € 883.5 million is due to the consolidated profit of the Group for the period of € 580.0 million and, for the remaining amount of € 303.5 million, to the net positive changes in investments accounted for by the equity method, including € 172.7 million of positive translation differences and € 130.8 million of other net changes.

The carrying amount of **investments** at September 30, 2005 is € 3,313.6 million. The increase of € 898.3 million compared to the end of 2004 (€ 2,415.3 million) stems from purchases of IFIL stock during the nine-month period (+€ 61.9 million) and IFI's share (+€ 836.4 million) of the positive changes in the equity of the IFIL and Exor Group holdings.

RESULTS FOR THE THIRD QUARTER OF 2005

Consolidated profit of the IFI Group for the third quarter of 2005 is € 192.4 million, compared to a consolidated loss of € 78.3 million in the corresponding period of 2004. The positive change of € 270.7 million is mainly due to better results by the IFIL Group.

In fact, the **Group's share of the earnings (losses) of companies** accounted for by the equity method amounts to earnings of € 195.7 million (losses of € 74.5 million reported for the third quarter of 2004). The increase of € 270.2 million is due to an improvement in the results posted by the IFIL Group (€ 256.9 million) and Exor Group (€ 13.9 million), net of lower consolidation adjustments (-€ 0.6 million).

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

IFI GROUP - CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND NOTES

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

Year			9 months to September 30			III Quarter		
2004	€ in millions	Note	2005	2004	Change	2005	2004	Change
134.2	Group's share of the earnings (losses) of companies accounted for by the equity method	1	590.5	(119.4)	709.9	195.7	(74.5)	270.2
0.1	Dividends from other holdings		0.1	0.1	0.0	0.0	0.0	0.0
(11.5)	Financial income (expenses)	2	(7.4)	(8.8)	1.4	(2.1)	(2.7)	0.6
(4.0)	Net general expenses		(3.1)	(3.1)	0.0	(0.9)	(1.1)	0.2
(1.4)	(Accruals to)/releases of provisions		0.0	0.0	0.0	0.0	0.0	0.0
3.7	Income taxes		(0.1)	0.0	(0.1)	(0.3)	0.0	(0.3)
121.1	Profit (loss) - Group		580.0	(131.2)	711.2	192.4	(78.3)	270.7

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

€ in millions	Note	9/30/2005	12/31/2004	Change
Assets				
Investments in subsidiaries and associates accounted for by the equity method	3	3,313.1	2,414.8	898.3
Other investments	3	0.5	0.5	0.0
Non-current financial receivables		4.2	4.2	0.0
Receivables and other current assets	4	18.4	19.1	(0.7)
Cash and cash equivalents	7	0.2	0.1	0.1
Total assets		3,336.4	2,438.7	897.7
Equity and liabilities				
Capital and reserves		3,120.2	2,236.7	883.5
Treasury stock	5	(70.5)	(70.5)	0.0
Equity - Group	6	3,049.7	2,166.2	883.5
Provisions for other liabilities and charges		5.4	5.1	0.3
Current and non-current financial payables	7	280.3	265.8	14.5
Other current and non-current liabilities		1.0	1.6	(0.6)
Total equity and liabilities		3,336.4	2,438.7	897.7

NOTES

1. Group's share of earnings (losses) of companies accounted for by the equity method

Year 2004	€ in millions	9 months to September 30 2005	2004	Change	III Quarter 2005	2004	Change
76.4	IFIL Group	571.5	(128.8)	700.3	182.1	(74.8)	256.9
27.1	Exor Group	14.7	8.0	6.7	13.6	(0.3)	13.9
103.5		586.2	(120.8)	707.0	195.7	(75.1)	270.8
30.7	Consolidation adjustments	4.3	1.4	2.9	0.0	0.6	(0.6)
134.2	Total	590.5	(119.4)	709.9	195.7	(74.5)	270.2

Consolidation adjustments for the nine months ending September 30, 2005 total € 4.3 million (€ 1.4 million for the nine months ending September 30, 2004) and refer to the IFIL Group for:

Year 2004	€ in millions	9 months to September 30, 2005	9 months to September 30, 2004
8.3	Release of the realized portion of the gain deferred in prior years on the sale of the investment in La Rinascente	1.2	0.0
0.0	Difference on consolidation on IFIL shares purchased during the period	3.1	0.0
22.1	Reversal of the impairment of the difference on consolidation referring to Juventus	0.0	1.8
0.3	Other adjustments	0.0	(0.4)
30.7	Total	4.3	1.4

Comments on the operating performance of the holdings are presented in the following sections.

2. Financial income (expenses)

Net financial expenses amount to € 7.4 million for the third quarter of 2005 and show a reduction of € 1.4 million compared to the same period of 2004 (€ 8.8 million) due mainly to a different composition of average debt.

3. Investments

Details are as follows:

€ in millions	9/30/2005	12/31/2004	Change
Investments in subsidiaries and associates accounted for by the equity method			
IFIL Group			
- ordinary shares	3,104.3	2,219.0	885.3
- savings shares	8.8	-	8.8
	3,113.1	2,219.0	894.1
Exor Group	200.0	195.8	4.2
Total	3,313.1	2,414.8	898.3
Other investments			
Deutsche Morgan Grenfell Capital Italy - ordinary shares	0.2	0.2	0.0
Emittenti Titoli	0.3	0.3	0.0
Total	0.5	0.5	0.0
Total investments	3,313.6	2,415.3	898.3

4. **Receivables and other current assets**
These amount to € 18.4 million and include receivables from the tax authorities of € 17.9 million and other current assets of € 0.5 million.

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

6. **Equity - Group**
The changes during the period are analyzed as follows:

€ in millions	
Equity - Group at December 31, 2004	2,166.2
Share of the translation differences shown by the investment holdings IFIL and Exor Group (€ 172.7 million) and other net changes (€ 130.8 million)	303.5
Profit - Group	580.0
Net change during the period	883.5
Equity - Group at September 30, 2005	3,049.7

7. **Net financial position of IFI S.p.A.**
The balance is composed as follows:

6/30/2005				9/30/2005			12/31/2004		
Current	Non-current	Total	€ in millions	Current	Non-current	Total	Current	Non-Current	Total
45.2		45.2	Dividends receivable from IFIL						
0.1		0.1	Cash and cash equivalents	0.2		0.2	0.1		0.1
45.3	0.0	45.3	Total financial assets	0.2	0.0	0.2	0.1	0.0	0.1
(30.3)		(30.3)	Payables to the parent company Giovanni Agnelli e C.	(31.4)		(31.4)	(24.2)		(24.2)
(217.5)	(75.0)	(292.5)	Bank debt	(118.9)	(130.0)	(248.9)	(211.6)	(30.0)	(241.6)
(247.8)	(75.0)	(322.8)	Total financial liabilities	(150.3)	(130.0)	(280.3)	(235.8)	(30.0)	(265.8)
(202.5)	(75.0)	(277.5)	Net financial position	(150.1)	(130.0)	(280.1)	(235.7)	(30.0)	(265.7)

At September 30, 2005, IFI S.p.A. has unrevocable credit lines for € 595 million, of which € 565 million is due after September 30, 2006.

The negative change in the consolidated net financial position of IFI S.p.A. of € 14.4 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 (1.61% of the class of stock)	(55.5)
Purchase of IFIL savings shares (4.99% of the class of stock)	(6.4)
Dividends received from Exor Group (€ 10.6 million), IFIL (€ 45.2 million) and Emittenti Titoli (€ 0.1 million)	55.9
Net financial expenses	(7.4)
Net general expenses	(3.1)
Other net changes	2.1
Net change during the period	(14.4)
Net financial position of IFI S.p.A. at September 30, 2005	(280.1)

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 strong increase over 2004, which closed with a profit of € 117 million.

As for IFI S.p.A., the result is expected to be along the lines of that of 2004 (€ 37.7 million).

REVIEW OF THE OPERATING PERFORMANCE OF THE IFIL AND EXOR GROUP HOLDINGS

investments IFIL

(63.59% of ordinary capital stock)

The consolidated data of the IFIL Group at September 30, 2005 commented below is taken from the condensed interim consolidated balance sheet and income statement.

This data has been prepared by consolidating the holdings and services companies which constitute the "Holdings System" on a line-by-line basis and accounting for the other subsidiaries and associates (Fiat Group, Sequana Capital Group, Alpitour Group and Juventus F.C.) by the equity method.

Results for the nine months to September 30, 2005

Consolidated profit of the IFIL Group for the nine months to September 30, 2005 is € 915.8 million compared to a consolidated loss of € 212.5 million in the corresponding period of 2004. The positive change of € 1,128.3 million is mainly due to the net gain realized on the sale of La Rinascente and better results by the Fiat Group.

The **Group's share of the earnings (losses) of operating subsidiaries and associates accounted for by the equity method** amounts to earnings of € 439.8 million (losses of € 179.5 million for the nine months to September 30, 2004). The positive change of € 619.3 million is due to better results posted by the Fiat Group (+€ 653.1 million, including consolidation adjustments) and to lower results reported by Sequana Capital (-€ 21.5 million), Juventus Football Club (-€ 10.5 million) and Alpitour (-€ 1.8 million, including consolidation adjustments).

The **consolidated net financial position of the "Holdings System"** at September 30, 2005 shows a net cash position of € 356.5 million; the decrease of € 323.5 million compared to the balance at year-end 2004 (€ 680 million) is the result of the net proceeds generated by the sale of the investment in La Rinascente (+€ 529.1 million), the receipt of dividends from holdings (+€ 66.6 million), the investments made in Fiat (-€ 575.7 million) and in SANPAOLO IMI (- € 263.5 million), the dividends paid by IFIL (-€ 73.2 million) and other net changes (-€ 6.8 million).

Equity – Group at September 30, 2005 amounts to € 5,121.2 million (€ 3,792.9 million at the end of 2004). The increase of € 1,328.3 million is due to the fair value adjustments of the investment in SANPAOLO IMI and the Fiat ordinary share warrants 2007 (+€ 197.5 million), the consolidated profit of the Group for the period (+€ 915.8 million), positive translation differences (+€ 276.7 million), the dividends paid by IFIL S.p.A. (-€ 73.2 million) and other net changes (+€ 11.5 million).

The carrying amount of **investments** at September 30, 2005 is € 4,728.9 million. The increase of € 1,741 million compared to investments at year-end 2004 (€ 2,987.9 million) is due to the fair value adjustment of the investment in SANPAOLO IMI (+€ 196.1 million), the investments made in that bank (+€ 263.5 million) and in Fiat (+€ 575.7 million), IFIL's share of the changes in the equity of operating subsidiaries and associates (+€ 700.5 million), and, lastly, other net changes (+€ 5.2 million).

Results for the third quarter of 2005

Consolidated profit of the IFIL Group for the third quarter 2005 is € 291.7 million compared to a consolidated loss of € 123.4 million for the corresponding period of 2004. The positive change of € 415.1 million is mainly due to better results by the Fiat Group.

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 2005 amounts to earnings of € 294.4 million (losses of € 104.6 million reported for the third quarter of 2004); the increase of € 399 million is basically attributable to the improvement in the share of the earnings of the Fiat Group, equal to € 402.2 million (including consolidation adjustments of € 58.9 million posted for the third quarter of 2005).

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

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT

Year			9 months to September 30			III Quarter		
2004	€ in millions	Note	2005	2004	Change	2005	2004	Change
(396.1)	Group's share of the earnings (losses) of operating subsidiaries and associates accounted for by the equity method	1	439.8	(179.5)	619.3	294.4	(104.6)	399.0
27.4	Dividends from other holdings		43.7	27.4	16.3	0.0	0.0	0.0
603.3	Gains	2	460.9	2.1	458.8	0.0	0.0	0.0
(2.3)	Profit (loss) from discontinued operations		0.5	(3.9)	4.4	(0.1)	(5.7)	5.6
(74.4)	Impairment losses/reversals on investments and securities		2.1	(24.7)	26.8	2.1	(1.7)	3.8
(20.9)	Financial income (expenses)		2.0	(17.1)	19.1	0.3	(6.5)	6.8
(22.2)	Net general expenses	3	(32.2)	(15.2)	(17.0)	(4.7)	(4.5)	(0.2)
0.3	(Accruals to)/releases of provisions		(1.1)	(1.6)	0.5	(0.3)	(0.4)	0.1
10.8	Income taxes		0.1	0.0	0.1	0.0	0.0	0.0
125.9	**Profit (loss) - Group**		915.8	(212.5)	1,128.3	291.7	(123.4)	415.1

CONDENSED INTERIM CONSOLIDATED BALANCE SHEET

€ in millions	Note	9/30/2005	12/31/2004	Change
Assets				
Investments in operating subsidiaries and associates accounted for by the equity method	4	3,519.2	2,243.0	1,276.2
Other investments	4	1,209.7	744.9	464.8
Non-current securities		8.8	7.3	1.5
Property, plant and equipment and intangible assets		13.6	13.6	0.0
Assets held for sale		0.0	72.4	(72.4)
Current securities	5	786.8	1,047.9	(261.1)
Receivables and other current assets	6	61.3	300.2	(238.9)
Cash and cash equivalents		6.5	4.2	2.3
Total assets		5,605.9	4,433.5	1,172.4
Equity and liabilities				
Capital and reserves		5,173.3	3,842.9	1,330.4
Treasury stock		(52.1)	(50.0)	(2.1)
Equity - Group		5,121.2	3,792.9	1,328.3
Provisions for other liabilities and charges		9.6	8.4	1.2
Bonds		300.6	300.6	0.0
Current and non-current bank debt		154.2	323.9	(169.7)
Other current and non-current liabilities		20.3	7.7	12.6
Total equity and liabilities		5,605.9	4,433.5	1,172.4

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		
2004	€ in millions	2005	2004	Change	2005	2004	Change
(453.3)	Fiat Group	363.2	(300.6)	663.8	231.4	(111.9)	343.3
(13.2)	Sequana Capital Group	54.1	75.6	(21.5)	15.2	15.9	(0.7)
5.7	Alpitour Group (NHT in 2004)	(24.1) (a)	(28.2) (a)	4.1	(0.2)	(5.6)	5.4
(5.6)	Juventus Football Club	(12.3) (b)	(1.8) (b)	(10.5)	(10.9)	(5.0)	(5.9)
(466.4)		380.9	(255.0)	635.9	235.5	(106.6)	342.1
70.3	Consolidation adjustments	58.9	75.5	(16.6)	58.9	2.0	56.9
(396.1)	**Total**	439.8	(179.5)	619.3	294.4	(104.6)	399.0

(a) Results for the period November 1 – July 31.
(b) Accounting results for the period January 1 – September 30 in accordance with IFRS solely for purposes of the company's valuation by the equity method in IFIL.

Details of the consolidation adjustments are as follows:

Year		9 months to September 30		
2004	€ in millions	2005	2004	Change
69.6	Adjustments to Fiat Group results	58.9 (a)	69.6 (b)	(10.7)
0.7	Adjustments to NHT/Alpitour results	0.0	5.9	(5.9)
70.3	Total consolidation adjustments	58.9	75.5	(16.6)

(a) Excess of the increases of IFIL's share of the consolidated equity of the Fiat Group deriving from the Fiat capital stock increase subscribed to by minority stockholders (+€ 605.4 million) and the increase in the percentage of consolidation, equal to 0.54% (+€ 29.2 million), compared to the cost incurred for the purchase of 87,750,000 Fiat shares (-€ 575.7 million).

(b) Use of the remaining "Consolidation reserve for risks and future expenses" for IFIL's share of the Fiat Group's loss referring to the investment in Fiat conferred by IFI in 2003.

2. Gains

Gains realized for the nine months to September 30, 2005 amount to € 460.9 million and refer to the sale of 99.09% of La Rinascente S.p.A. capital stock to Tamerice S.r.l. (€ 459.1 million) and the sale on the market of a marginal interest (1.69% of capital stock) in Juventus Football Club (€ 1.8 million).

3. Net general expenses

Net general expenses amount to € 32.2 million for the nine months to September 30, 2005 and include the accrual for the extraordinary compensation of € 15 million voted for the Chairman and President at the Board of Directors' Meeting held on June 9, 2005. The remaining amount of € 17.2 million shows an increase of € 2 million compared to the nine months ending September 30, 2004 (€ 15.2 million) which is mainly due to the consolidation of Ifil Investments USA, Ifil Asia and Sadco (which, in 2004, were only consolidated starting from the third quarter of the year) as well as the payment of nonrecurring bonuses to some employees for their work in connection with extraordinary transactions.

4. Investments

Details are as follows:

€ in millions	9/30/2005	12/31/2004	Change
Investments in operating subsidiaries and associates accounted for by the equity method			
Fiat Group	2,434.1	1,194.1	1,240.0
Sequana Capital Group	1,004.0	931.7	72.3
Alpitour Group	56.4	79.2	(22.8)
Juventus Football Club S.p.A.	24.7	38.0	(13.3)
Total	3,519.2	2,243.0	1,276.2
Other investments - available-for-sale			
SANPAOLO IMI (a)	1,204.5	744.9	459.6
Other investments - sundry			
Turismo&Immobiliare (b)	4.5	0.0	4.5
Companies of the "Holdings System" in wind-ups and others	0.7	0.0	0.7
Total other investments	1,209.7	744.9	464.8

(a) Measured at fair value on the basis of the stock market price at the balance sheet date with recognition of the unrealized gain or loss in equity.

(b) The investment in Turismo&Immobiliare (33.33% of capital stock at September 30, 2005) is accounted for at purchase cost (€ 4.5 million) which corresponds to the share of accounting net equity.

The comparison between carrying amounts and market prices of listed investments is presented below:

	Number of	Carrying amount		Market price			
				September 30, 2005		November 4, 2005	
	shares held	Per share (€)	Total (€ mn)	Per share (€)	Total (€ mn)	Per share (€)	Total (€ mn)
Fiat Group							
- ordinary shares	328,333,447	6.77	2,223.6	7.44	2,442.5	6.99	2,293.7
- preferred shares	31,082,500	6.77	210.5	6.58	204.4	5.69	176.9
			2,434.1		2,646.9		2,470.6
Sequana Capital Group	55,922,623	17.95	1,004.0	23.40	1,308.6	22.70	1,269.4
Juventus Football Club	72,560,500	0.34	24.7	1.41	102.5	1.38	99.8
SANPAOLO IMI	93,071,000	12.94	1,204.5	12.94	1,204.5	12.47	1,160.6
Total			4,667.3		5,262.5		5,000.4

5. Current securities

These amount to € 786.8 million and mainly include investments on the money market in time deposits, short-term Italian government securities and other short-term financial instruments.

6. Receivables and other current assets

These amount to € 61.3 million and include a receivable of € 17.9 million from the subsidiary Juventus Football Club due in December 2005 (on the purchase of trade receivables with recourse of a nominal value of € 18 million due from Sky Italia), receivables from the tax authorities of € 42.6 million and, lastly, other current assets of € 0.8 million.

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

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

6/30/2005				9/30/2005			12/31/2004		
Current	Non-current	Total	€ in millions	Current	Non-current	Total	Current	Non-current	Total
1,402.4	0.0	1,402.4	Current securities	786.8	0.0	786.8	1,047.9	0.0	1,047.9
20.8	0.0	20.8	Receivables and other current assets	18.0	0.0	18.0	252.4	0.0	252.4
34.5	0.0	34.5	Cash and cash equivalents	6.5	0.0	6.5	4.2	0.0	4.2
1,457.7	0.0	1,457.7	Total financial assets	811.3	0.0	811.3	1,304.5	0.0	1,304.5
(201.1)	0.0	(201.1)	IFIL 2002/2005 bonds	(200.4)	0.0	(200.4)	(200.7)	0.0	(200.7)
0.0	(100.1)	(100.1)	IFIL 2003/2006 bonds	0.0	(100.2)	(100.2)	0.0	(99.9)	(99.9)
(226.5)	0.0	(226.5)	Bank debt and other financial payables	(154.2)	0.0	(154.2)	(323.9)	0.0	(323.9)
(427.6)	(100.1)	(527.7)	Total financial liabilities	(354.6)	(100.2)	(454.8)	(524.6)	(99.9)	(624.5)
1,030.1	(100.1)	930.0	Consolidated net financial position of the "Holdings System"	456.7	(100.2)	356.5	779.9	(99.9)	680.0

At September 30, 2005, IFIL S.p.A. has unrevocable credit lines for € 830 million, of which € 470 million is due after September 30, 2006.

The negative change in the consolidated net financial position of € 323.5 million compared to the balance at the end of 2004 is due to the following flows:

€ in millions		
Consolidated net financial position of the "Holdings System" at December 31, 2004		680.0
Investments		
- Purchase of Fiat ordinary shares (8.03% of the class of stock)	(575.7)	
- Purchase of SANPAOLO IMI ordinary shares (1.54% of the class of stock)	(263.5)	
- Capitalization of Turismo&Immobiliare (33.33% of capital stock)	(4.5)	
Investments		(843.7)
Sales		
- Net proceeds on the sale of the investment in La Rinascente	529.1	
- Sale of Juventus Football Club shares (1.69% of capital stock)	2.8	
Sales		531.9
Dividends received from:		
- SANPAOLO IMI	43.7	
- Sequana Capital	22.4	
- La Rinascente	0.5	
Dividends received		66.6
Net financial income		2.0
Net general expenses		(17.2) (a)
Other changes:		
- Dividends paid by IFIL S.p.A.	(73.2) (b)	
- Purchase of IFIL ordinary shares (0.06% of the class of stock)	(2.1)	
- Sale of receivables from the tax authorities to subsidiaries and the parent	3.6	
- IFIL S.p.A. capital stock increase (exercise of stock options)	1.5	
- Other, net	7.1	
Other changes		(63.1)
Net change during the period		(323.5)
Consolidated net financial position of the "Holdings System" at September 30, 2005		356.5

(a) Does not include the accrual for extraordinary compensation not yet paid.
(b) Net of intragroup dividends of € 0.1 million.

It should be noted that on October 26, 2005, Standard & Poor's downgraded its rating of IFIL's long-term debt from "A –" to "BBB+" and confirmed its rating of short-term debt in "A – 2", with a stable outlook.

8. Update of the litigation pending with K Capital

By notification on May 8, 2003, inferring illegal acts due to a conflict of interest and the unlawful valuation of the contributions in kind, the stockholder K Capital contested the resolution to increase IFIL's capital stock reserved for Istituto Finanziario Industriale S.p.A. passed by the Extraordinary Stockholders' Meeting of IFIL held on April 23, 2003 and sought compensation from IFIL for (alleged) damages (economic and non-economic) suffered as a result of the unlawful conduct (allegedly) by IFI. During the case and with reference only to (alleged) economic damages, K Capital stated its request for compensation (which originally had not been quantified) in approximately € 17 million.
The preliminary investigation stage is, currently, concluded. The judge chose not to call for an assessment of the case (CTU), requested by K Capital, which nevertheless could be decided by the Board of Judges during the decision stage. Last October 26, 2005, the hearing was held for stating the conclusions. After an exchange of the concluding statements (which will be completed by January 16, 2006) and after the oral discussion in court (the date of which has not yet been fixed), a decision in the case will be reached.
Both of the above requests by K Capital (request to declare the stockholders' resolution null and void and the request to seek a sum of compensation for damages) appear to be inadmissible and without grounds and therefore at this time the Company does not believe that any contingent liabilities will arise as a consequence.

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

The most important transactions during the period July to November 2005 regarding the IFIL Group are described in the following paragraphs.

Maintaining a 30.06% stake in the ordinary capital stock of Fiat S.p.A.

On September 20, 2005, IFIL purchased 82,250,000 Fiat ordinary shares from Exor Group (controlled by Giovanni Agnelli e C. S.a.p.az.). These shares came from an equity swap agreement between Exor Group and Merrill Lynch International last April. This purchase was deliberated on September 15, 2005 by the Board of Directors, which used the services of an advisor, Mr. Gerardo Braggiotti of G.B. Partners.
The purchase price was € 6.5 per share for an investment of € 534.6 million. Fiat stock was officially traded at € 7.76 per share on September 15, 2005 compared to the weighted average official prices over the last three months of € 6.91 per share and the weighted average official prices over the last six months of € 6.16 per share. The stock was transferred from Merrill Lynch to Exor Group at the same time the Fiat capital increase was executed, on September 20, 2005. The sale by Exor Group to IFIL immediately followed on the same date. In the identical context, IFIL, on the same date, sold Merrill Lynch all the option rights to which it was entitled on the Fiat capital increase.
Prior to the purchase of the above stock, after the purchase of 5,500,000 ordinary shares on the market by IFIL on September 7, 8 and 9 for € 41.1 million, the investment held by IFIL in Fiat totaled 246,083,447 ordinary shares and 31,082,500 preferred shares.
The aforementioned transactions allowed IFIL to maintain its investment in Fiat ordinary capital stock unchanged (30.06%) after the capital increase by Fiat, which took place on September 20, 2005.

On September 16, 2005, Consob asked IFIL and the parent, Giovanni Agnelli e C., to provide further information on the above-described transaction.
IFIL and Giovanni Agnelli e C. complied with Consob's request and on September 17, 2005 issued two press releases containing the requested information.

Sale of 8.3% of Turismo&Immobiliare capital stock

At the beginning of November, once approval was received from the antitrust authority, Pirelli RE became a stockholder of Turismo&Immobiliare, purchasing about an 8.3% stake in the capital of this company from each of the three founding stockholders (IFIL, Banca Intesa and the Marcegaglia Group) for € 1.1 million and assuming the same commitments. Turismo&Immobiliare, the capital of which is today owned by the aforementioned four private stockholders, each with a 25% holding, has a 49% interest in Italia Turismo (the remaining 51% stake is held by Sviluppo Italia), the largest real estate operator in the tourism-hotel sector in Italy with important investments in Apulia, Calabria, Basilicata, Sicilia and Sardinia.

Other important events

As announced at the beginning of October, by the end of 2005 the Managing Director and General Manager of the Company, Daniel John Winteler, will become the Chairman of the subsidiary Alpitour, while the manager of Corporate Finance, Fabrizio Prete, will take over the position of General Manager of the same tourism company.
An important stock option plan for Alpitour stock will be offered to both men who will continue to carry out their functions at IFIL until they assume their new posts.
At one of its next meetings, the IFIL Board will review and adopt the new organizational structure of the Company.

Business outlook

Taking into account the consolidated profit reported for the first nine months of 2005 (€ 915.8 million) and the forecasts formulated by the major holdings, it is expected that the 2005 consolidated financial statements of the IFIL Group will show a strong growth in the equity, economic and financial results compared to 2004.

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

EXOR GROUP

(29.3% ordinary capital stock)

Exor Group reports a consolidated profit for the first nine months of 2005 of € 50.3 million (a profit of € 27.4 million for the first nine months of 2004), mainly as a result of the gain of € 74 million realized on the sale of 82,250,000 Fiat ordinary shares at € 6.5 per share agreed on September 15, 2005 to IFIL Investments, negotiated between the parties by considering, in particular, the relevant number of shares and the weighted average prices of the shares registered in the months preceding the operation.
Exor Group had purchased the shares from Merrill Lynch International after having modified, by contract on the same date, the terms of an equity swap financial contract signed on April 26, 2005. This equity swap covered 90 million Fiat ordinary shares, maturing December 26, 2006 and could be extinguished in advance. The agreement previously called for cash settlement of the difference between the cost of the shares and the realization price of the shares for Merrill Lynch International in the month following expiration of the contract. The purchase price for Exor Group, determined in accordance with the equity swap, was € 5.6 per share.
The above transfer of the Fiat ordinary shares took place at the same time the Fiat capital increase was executed to service the conversion of the mandatory convertible facility, on September 20, 2005.
The equity swap between Exor Group and Merrill Lynch International continues to cover the remaining 7,750,000 Fiat ordinary shares at the original terms of the contract and cash settlement on termination. At September 30, 2005, the unrealized gain on that quantity of shares, determined in accordance with IFRS for purposes of the IFI Quarterly Report, is € 15 million.

Income for the period generated by the short-term investment of cash resources is € 10 million.
The result for the first nine months of the year also includes the adjustment of the investment held in Graphic Packaging to market value and other accruals to meet nonrecurring costs for a total of € 44.6 million.

At September 30, 2005, Exor Group's net cash amounts to about € 580 million, after the distribution of dividends to stockholders of € 36.2 million in the first half of the year.

Turin, November 11, 2005

For the Board of Directors
The Chairman
Gianluigi Gabetti

APPENDIX – TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

FORWARD

As provided by European Regulation No. 1606 dated July 19, 2002 of the European Union, starting from January 1, 2005 the IFI Group has adopted the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Commission. Therefore, the 2005 annual 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").

This Appendix to the Quarterly Report at September 30, 2005 provides the reconciliation between the already-published consolidated result for the period prepared in accordance with Italian accounting principles (GAAP) and the consolidated result for the period drawn up in accordance with IFRS for the prior periods presented for comparative purposes, as required by "IFRS 1 - First-time Adoption of International Financial Reporting Standards", together with the relative explanatory notes.

In this specific case, however, it should be noted that for the purpose of facilitating the analysis of the financial position and the results of operations of the Group and in compliance with Annex 3D of the earlier-mentioned Consob Regulation, it is the Company's practice to present the interim 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 together 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 interim consolidated quarterly financial statements, without changing the amounts of the consolidated equity and the consolidated profit of the Group. The IFRS reconciliations of the consolidated balance sheets at January 1, 2004 and December 31, 2004 and the consolidated income statement for the year 2004 prepared according to the line-by-line consolidation method as provided by IFRS have been presented in the consolidated first-half report at June 30, 2005 to which reference should be made.
This information has been prepared as part of the process of conversion to IFRS and in compliance with the cited art. 82 of Consob Regulation No. 11971. It therefore does not include all the statements, the comparative information and the notes under the line-by-line consolidation method which would be necessary to provide a complete representation, in conformity with IFRS, of the financial position and the results of operation of the Group at December 31, 2004.

RECONCILIATIONS REQUIRED BY IFRS 1

As required by IFRS 1, this note presents the reconciliation of the already-published figures of the condensed consolidated income statement for the third quarter of 2004 and the first nine months of 2004, prepared in accordance with Italian GAAP, and the corresponding figures remeasured under IFRS.

The 2004 balance sheets and income statements have been prepared in accordance with IFRS 1 – *First-time Adoption of IFRS*. In particular, IFRS applicable from January 1, 2005, 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 prepared in accordance with IFRS and to the relative opening balance sheet, except for some exemptions adopted, as allowed by IFRS 1, as described in the following subsection.

Those 2004 condensed consolidated financial statements will constitute the comparative figures that will be published in the report that will be presented with the consolidated financial statements at December 31, 2005. Those figures could change 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 could affect the 2004 restated IFRS balance sheet and income statement, including the third quarter of 2004 and the income statement for the nine months to September 30, 2004 presented herein.

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 actuarial gains and losses after that date.

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 disposals of any foreign operation will only include accumulated translation differences after January 1, 2004.

IFI GROUP
RECONCILIATION OF THE CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 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	(160.7)	41.3 a		(119.4)	Group's share of earnings (losses) of companies accounted for using the equity method
Dividends from other holdings	0.1			0.1	Dividends from other holdings
Net financial expenses	(8.8)			(8.8)	Financial income (expenses)
General expenses, net	(3.1)			(3.1)	Net general expenses
Loss - Group	(172.5)	41.3		(131.2)	Loss - Group

a. The positive adjustment of € 41.3 million represents IFI's share of the effects of the adoption of IFRS on the earnings (losses) for the nine months ended September 30, 2004 of the IFIL Group. Details are as follows:

€ in millions	Earnings (losses) of holdings		IFI's share		Difference
	Italian GAAP	IFRS	Italian GAAP	IFRS	
IFIL Group	(281.0)	(212.5)	(170.1)	(128.8)	41.3

IFI GROUP
RECONCILIATION OF THE CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE THIRD QUARTER OF 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	(102.7)	28.2 a		(74.5)	Group's share of earnings (losses) of companies accounted for using the equity method
Dividends from other holdings	0.0			0.0	Dividends from other holdings
Net financial expenses	(2.7)			(2.7)	Financial income (expenses)
General expenses, net	(1.1)			(1.1)	Net general expenses
Loss - Group	(106.5)	28.2		(78.3)	Loss - Group

a. The positive adjustment of € 28.2 million represents IFI's share of the effects of the adoption of IFRS on the earnings (losses) for the third quarter of 2004 of the IFIL Group. Details are as follows:

€ in millions	Earnings (losses) of holdings		IFI's share		Difference
	Italia GAAP	IFRS	Italian GAAP	IFRS	
IFIL Group	(170.0)	(123.4)	(102.8)	(74.6)	28.2