IFIL GROUP IN 2005

DIRECTORS' REPORT ON OPERATIONS

i n v e s t m e n t s IFIL

Società per Azioni
Capital stock € 1,075,995,737 fully paid-in
Registered office in Turin - Corso Matteotti 26 - Turin Company Register No. 00914230016

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DIRECTORS' REPORT ON OPERATIONS

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This is an English translation of the Italian original document "Relazione sulla gestione" approved by the IFIL Board of Directors on March 30, 2006, which has been prepared solely for the convenience of the reader.

The version in Italian takes precedence: for complete information about IFIL S.p.A. and the Group, reference should be made to the full original report in Italian "Il Gruppo IFIL nel 2005" containing the Directors' Report on Operations and the Statutory Financial Statements and Consolidated Financial Statements also available on the corporate website: http://www.ifil.it.

Board of Directors

Chairman: Gianluigi Gabetti

Vice Chairmen: Tiberto Brandolini d'Adda and John Elkann

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

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

(a) Co-opted by the Board of Directors on February 7, 2006

Secretary to the Board: Fernando Massara

Executive Committee

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

Audit Committee

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

Compensation and Nominating Committee

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

Board of Statutory Auditors

Chairman: Cesare Ferrero

Standing Auditors: Giorgio Giorgi, Paolo Piccatti

Alternate Auditors: Lionello Jona Celesia, Ruggero Tabone

Independent Auditors

Deloitte & Touche S.p.A.

Expiry of the terms of office

The terms of office of the Board of Directors and the Board of Statutory Auditors, elected by the Stockholders' Meeting held on June 27, 2005, will expire concurrently with the Stockholders' Meeting that will held for the approval of the statutory financial statements for the year ending December 31, 2007.
The appointment of the Independent Auditors will expire concurrently with the Stockholders' Meeting that will approve the financial statements for the year ending December 31, 2005.

Corporate Governance

The Chairman and Vice Chairmen may legally represent the company (art. 20 of the bylaws). Without specific authorization by resolution of the Board of Directors, they may carry out all acts falling under the corporate business purpose, except as restricted by law.

The Board of Directors has conferred all powers necessary for the management of the company to the Executive Committee, except those powers, which are expressly entrusted to the Board of Directors by law.

The Chief Executive Officer and General Manager may legally represent the company (art. 20 of the bylaws).
The Board of Directors' Meeting held on February 7, 2006, moreover, took note that the Chief Executive Officer, with regard to the scope of that provision of the bylaws, has limited his powers of company representation to the amount of € 150 million for each single transaction.

To our shareholders,

With its consolidated profit of € 1,090 million, IFIL closed 2005 having achieved its best ever result. The profit reported in the statutory financial statements (€ 99 million) also showed strong growth compared to past performance. In addition to these results, the net financial position was also positive for € 350 million and the constant gains in the value of IFIL shares on the stock market meant an increase of 43%, bringing IFIL's capitalization to more than € 5 billion.

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The most important event of the year was undoubtedly the purchase of Fiat shares in September, which enabled IFIL to keep its stake in the company unchanged, confirming its traditional role as the stockholder of reference in the Turin motor vehicle Group.
As a result of this purchase, the company seized a unique opportunity to participate fully in the progress taking place within Fiat, and, at the same time, defend the value of its longstanding stake in the company. By doing so, it was also ensuring the fundamental prerequisites that would enable Fiat management to complete the ambitious plan, begun two years ago and still in progress, to turn around the company, serenely and in a way that would assure maximum concentration of its efforts.
This decision to show confidence in Italy's leading industrial Group, taken in full awareness of the importance of Fiat for Italy's economy, and sustained by the extraordinary determination of the people who work for it, has been rewarded by the facts, so that the future prospects now are very different to those in the past.
There is no doubt that much remains to be done: from consolidating the share of Fiat brands in the European automotive market and creating specific alliances with international partners, in parallel with an equal commitment in other sectors, especially in the activities of commercial vehicles, agriculture machinery and earth-moving equipment.
The credibility that management has earned in the international economic and financial community and its proven capacity to achieve the announced results confirm the wisdom of the decisions taken hitherto and reinforce our confidence that the work undertaken with regard to our main investment may continue successfully.

The purchase of Fiat stock was preceded by another important investment, namely the investment in Sanpaolo IMI, which increased the Group's stake in the Turin bank to close to 5% of the capital stock.

Equally important was the growth of the activities of our French subsidiary which, during the year, abandoned the name of Worms & Cie in favor of Sequana Capital. Special mention should be made of the sale of Permal Group to the American company, Legg Mason, enabling Sequana Capital to realize considerable gains and a large inflow of cash. Further progress is expected in the paper sector, the profitability of which is still unsatisfactory and has been the object of much work on the part of Sequana management.

The sale of the Group's textile operations marked the completion of the monetization of the investment in La Rinascente, which began in 2004 with the sale of the food operations.

Considerable effort was invested - and will continue to be invested during the current year - in the reorganization of activities in the tourism sector headed by Alpitour. The exceptionally negative coincidence of climatic, geo-political and commercial factors during 2005 made it impossible to achieve a positive net result. However, guided by new management from the parent, IFIL, the company is engaged in an exacting review of its many activities, and it is hoped that it will be possible to achieve a decisive turnaround in the trend in the medium term, favored by an expected improvement in market conditions.

Finally, special praise goes to the Juventus team for its ability to achieve high-profile results regularly. This year the team again succeeded in placing at the top in the Italian soccer championship, and, what's more, succeeded in reaching the final stages of the Champions League. Now that the 2006 Turin Winter Olympics are over, with their brilliant results, the black and white team has proved that it is able to keep high the name of our city and the name of our Group, in the world's sporting scenario and beyond.

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Having closed 2005 with excellent results, today, your company is committed to achieving new targets which are in the process of review by the Executive Committee consisting of myself, the two Vice Chairmen, Tiberto Brandolini d'Adda and John Elkann, and the new Chief Executive Officer and General Manager, Carlo Barel di Sant'Albano, who joined us last February.
Thanks also to the fact that IFIL's management has been strengthened, the Group is now in a position to give a new slant to its strategies, with the aim of seizing interesting new investment opportunities, and creating value, to the advantage of all its stockholders. The investment in Banca Leonardo should be viewed with this in mind. For this new development project in investment banking, we shall be able to rely on the undisputed professional skills of Gerardo Braggiotti, with whom our Group has been cooperating to great advantage for a long time.

In order to achieve its objectives, the company will have to take into due account the macro-economic context in which it operates, either directly or through its subsidiaries. Sadly, the analysis of the prospects for the current year have not produced reassuring signs, especially in the light of the disappointing results reported in the last year.

The annual growth rates of the Italian economy are lower than the average of the Eurozone. In particular, a comparison between the growth rates of the Italian economy (unchanged compared to 2004) and that of our European partners – such as France (+1.4%), Spain (+3.4%), the United Kingdom (+1.8%) and Germany (+0.9%) – suggests that, in Italy, structural problems are now tending to outweigh cyclical factors, thus preventing the consolidation of a long-lasting phase of recovery.
The balance of trade is particularly worrying: in 2005, there was a trade deficit of € 10.4 billion, the worst result recorded since the 1980s. Trade with the European Union alone generated a negative figure of € 2 billion.
In other words, if we are to succeed in launching a new cycle of growth in Italy, it is clear that we must make it a priority to loosen the structural knots which are strangling the competitiveness of our companies: namely, excessive energy costs, the insufficient resources spent on research and innovation, the expenses which weigh heavily on the cost of labor, and the disadvantages of a national debt which is unsustainable.

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In the name of the Board of Directors I would like to thank our stockholders for the trust they have placed in us, the statutory auditors, the independent auditors, the managers and all the employees of IFIL and its subsidiaries and associates for their continued efforts in a particularly demanding year.

Gianluigi Gabetti

THE INVESTMENT PORTFOLIO

IFIL Investments S.p.A. is the investment company of the Group headed by Giovanni Agnelli e C. S.a.p.az. (through IFI – Istituto Finanziario Industriale S.p.A. which holds approximately 64% of its ordinary capital stock). It commands two distinctive areas of operations: the active management of the investment in Fiat and the dynamic management of the other holdings.

Fiat, in which IFIL has a holding of more than 30% of ordinary and preferred capital stock, operates in the national and international automotive market as a manufacturer and distributor of automobiles (Fiat, Lancia, Alfa Romeo, Ferrari and Maserati), agricultural and construction equipment (CNH Global), 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 - (52.78% 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;
- 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;

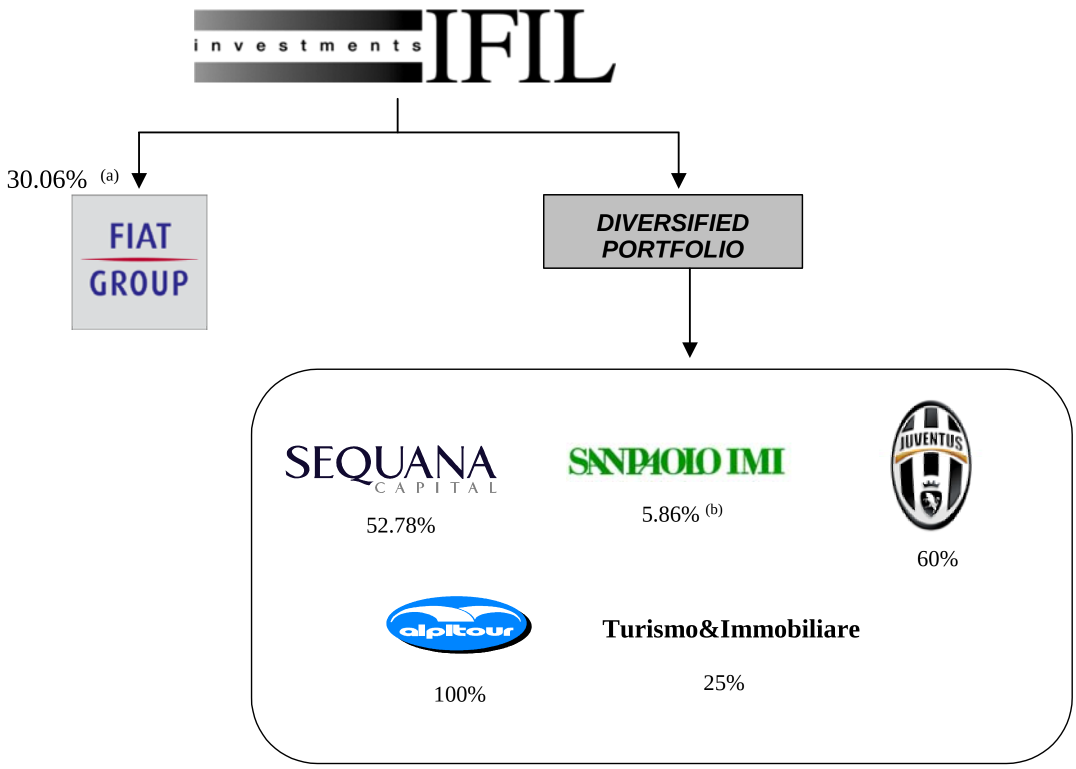
Sanpaolo IMI (5.86% holding of ordinary capital stock by IFIL) is a leading national banking group with over 3,000 branches throughout Italy;

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.

The following chart is updated to the end of March 2006 and presents the simplified structure of the investment portfolio. Percentage holdings refer to ordinary capital stock.



(a) IFIL also holds 30.09% of preferred capital stock.
(b) Equal to 4.97% of capital stock.

The following charts show the composition of the Net Asset Value (NAV) at current values and the change in the value of the investment portfolio over the last 10 years.

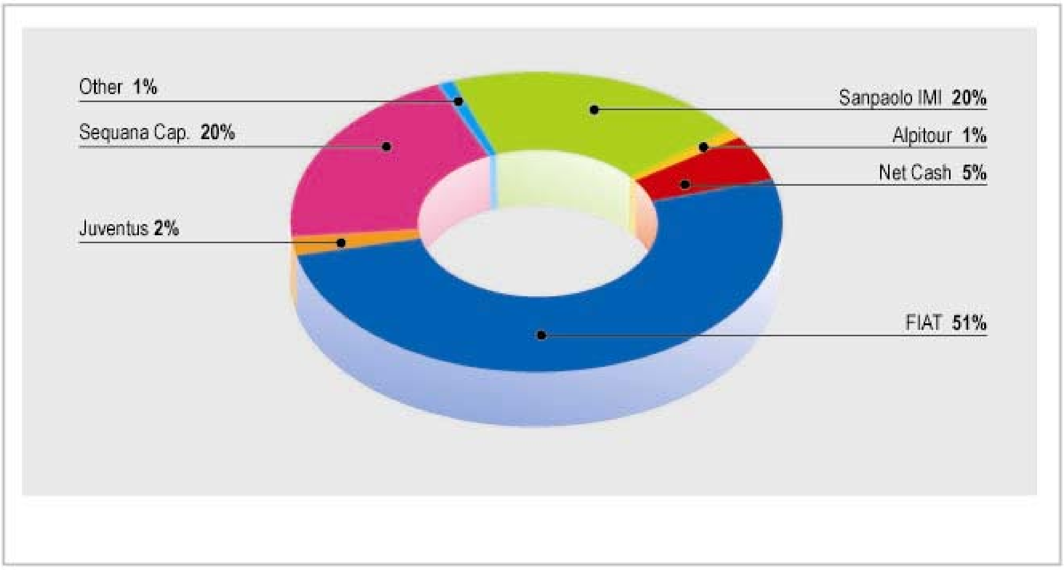
NET ASSET VALUE

At the end of March 2006, the Net Asset Value is equal to € 6,938 million and is composed as follows:

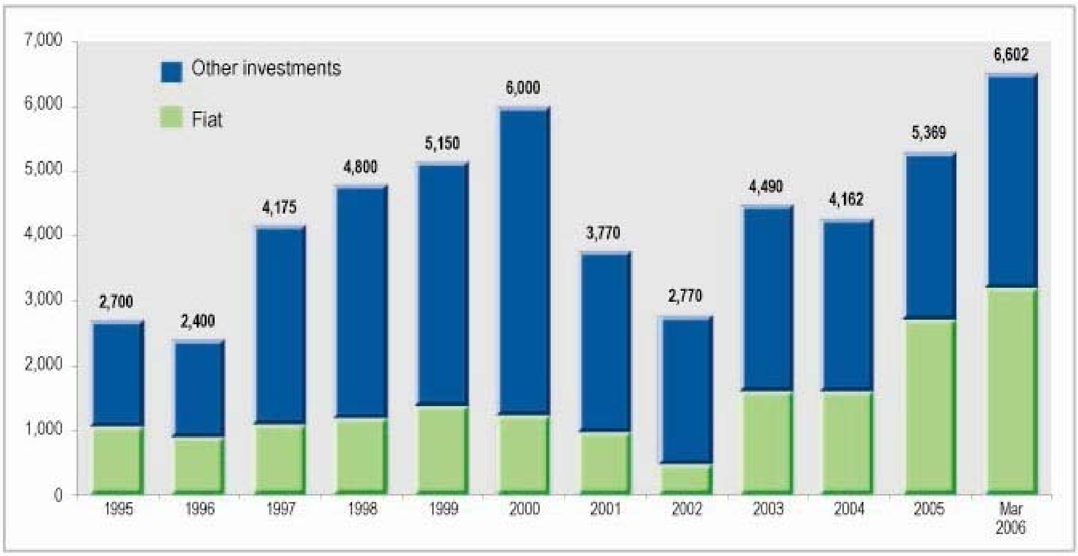
€ in millions	
Current value of the investment portfolio	6,602
Net cash	336
Total	6,938

The listed equity holdings in the investment portfolio are valued at the closing stock market prices as of March 24, 2006.

COMPOSITION OF THE NET ASSET VALUE



INVESTMENT PORTFOLIO AT CURRENT VALUES



KEY OPERATING AND FINANCIAL DATA

The key results of the IFIL Group and IFIL S.p.A. are presented below.

IFIL GROUP

Condensed consolidated figures (prepared in accordance with IFRS) (a)			
€ in millions	2005	2004	Change
Consolidated profit - Group	1,090	124	966
Share of earnings (losses) of holdings and dividends	666	(370)	1,036
Investments	4,806	2,918	1,888
Consolidated equity - Group	5,186	3,722	1,464
Consolidated net financial position of the "Holdings System"	348	680	(332)
Earnings per share (€)			
Consolidated profit - Group:			
- ordinary shares	1.03	0.12	0.91
- savings shares	1.05	0.14	0.91
Consolidated equity - Group	4.89	3.51	1.38

(a) The principles used in the preparation of the financial statements are disclosed under "IFIL Group - Review of the condensed consolidated results" in the Directors' Report on Operations.

IFIL S.p.A.
(statutory financial statements prepared in accordance with the provisions of the Italian Civil Code)

€ in millions	2005	2004	2003	2002	2001
Net income (loss)	99	80	73	(516)	104
Stockholders' equity	3,232	3,205	3,194	1,823	2,421
Total dividends paid out	86.9 (a)	73.3	66.7 (b)	-	81.2
Dividends paid out per share (€)					
Per ordinary share	0.0800	0.0683	0.0620	-	0.1800
Per savings share	0.1007	0.0890	0.0827 (b)	-	0.2007

(a) Maximum payment for dividends to be put forward in a motion to the Stockholders' Meeting convened for the approval of the financial statements for the year ended December 31, 2005.
(b) An amount of € 3 million (€ 0.0827 per savings share) has also been paid out for the balance of the preference dividends referring to 2002.

STOCKHOLDERS AND THE STOCK MARKET

Capital stock

IFIL S.p.A.'s capital stock, fully subscribed to and paid-in, amounts to € 1,075,995,737 and consists of 1,038,612,717 ordinary shares and 37,383,020 savings shares with a par value of € 1 each.

Pursuant to art. 25 of the bylaws, the savings shares carry no voting rights and can either be registered or bearer shares, as elected by the stockholders. They carry the right to a preference dividend, cumulative according to law, of 8.27% of their par value and to a total dividend higher than that of ordinary shares by 2.07% of the same par value.

When, in any one year, the dividends assigned to the savings shares are below the percentages indicated above, the difference will be added to the preference dividend of the next two years.
In the event of the exclusion of the ordinary shares and/or savings shares from trading, the preference dividend and the dividend higher than that of the ordinary shares to which the savings shares are entitled, will be automatically increased to extent that they are equal, respectively, to 8.52% and 2.32%.

The directors have the right, for a period of five years from the resolution passed on May 14, 2003 by the Extraordinary Stockholders' Meeting, to increase, at one or more times, the capital stock, also in divisible form, for a maximum of € 1,500 million and to issue, at one or more times, convertible bonds up to the same figure but for amounts which, each time, shall not exceed those established by law.

The directors also have the right, for a period of five years from the resolution passed on May 25, 2001 by the Extraordinary Stockholders' Meeting, to increase, at one or more times, the capital stock, excluding option rights, for a maximum amount of € 4 million, through the issue of a maximum of 4 million ordinary and/or savings shares, with a par value of € 1 each, to be offered for subscription to the employees of the company or its subsidiaries or the parents or the subsidiaries of the same parents.

Stockholders

IFIL has approximately 30,000 stockholders.
At the end of March 2006, the controlling stockholder, IFI – Istituto Finanziario Industriale S.p.A., holds approximately 64% of ordinary capital stock.

Other major stockholders, indicated below, represent 19.43% of ordinary capital stock.

Stockholders	%	Ordinary shares
Morgan Stanley Group	3.63	37,719,831
UBS AG	2.48	25,787,501
Peter Cundill & Associates (Bermuda) Ltd	2.02	21,007,569
Deutsche Bank AG	1.92	19,950,300
MB Finstrutture - Intersomer S.p.A.	1.92	19,900,000
Egerton Capital Ltd	1.88	19,574,279
K Capital Partners LLC Group	1.71	17,747,215
Banca Intesa S.p.A.	1.44	15,000,000
Intermonte SIM S.p.A.	1.23	12,800,000
Excelsia Tre S.r.l.	1.20	12,500,000
	19.43	*201,986,695*

Source: Stockholders' Book in addition to communications received from Consob as of March 24, 2006.

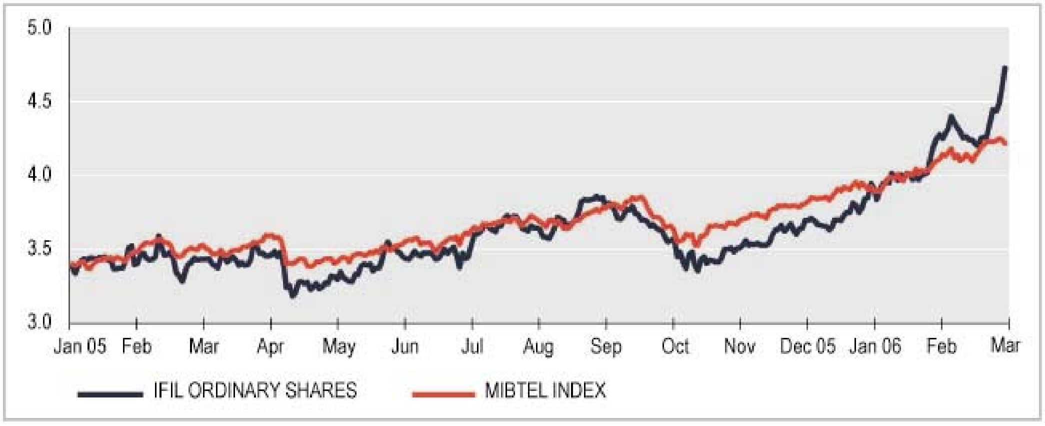
Treasury stock

IFIL currently holds 14,596,040 ordinary shares of treasury stock (1.41% of the class of stock) including the 810,262 shares held by Soiem (100% IFIL).
On March 30, 2006, the Board of Directors voted to put forward a motion to the Ordinary Stockholders' Meeting to renew the authorization for the purchase of treasury stock for a maximum of 90 million IFIL ordinary and/or savings shares for a global amount of € 450 million.

Stock performance

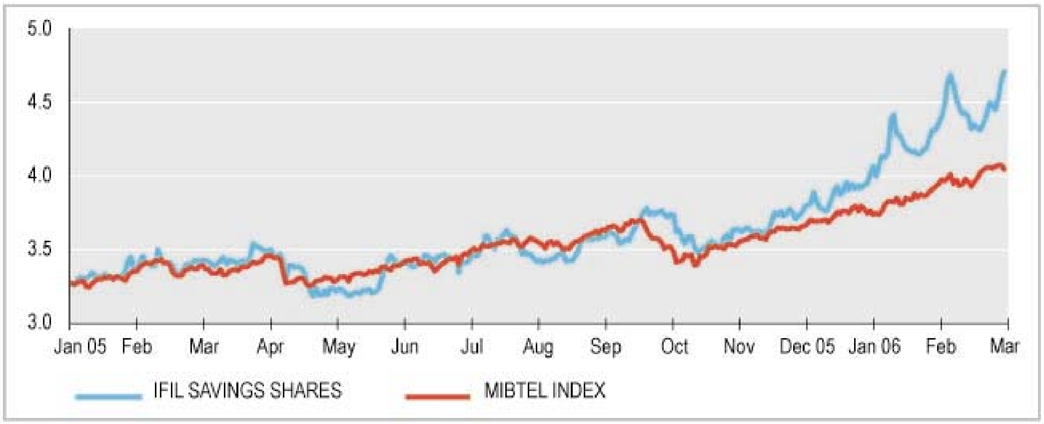
Performance by IFIL ordinary shares, which are listed on the MIDEX Index of mid-cap companies, was positive in 2005, although below the performance of the Mibtel Index. The stock's performance principally originates from the positive operating and financial effects of the sale of La Rinascente S.p.A. and the market price gains by the stocks of Sanpaolo IMI and Fiat, companies in which IFIL had increased its investments during the course of the year.
IFIL ordinary stock thus gained 9.9% for the entire year 2005 (including the distribution of dividends) against a positive 18.3% performance by the Mibtel Index.
The growth pattern continued into the first part of 2006 with price gains that caused the stock to outperform the Mibtel Index.

PERFORMANCE BY IFIL ORDINARY SHARES COMPARED TO THE MIBTEL INDEX (a)



During 2005, IFIL savings shares gained 19.7% and performed better than both IFIL ordinary shares and the Mibtel Index.
During the first part of 2006, IFIL savings stock recorded a further gain, widening the performance gap against the Mibtel Index.

PERFORMANCE BY IFIL SAVINGS SHARES COMPARED TO THE MIBTEL INDEX (a)



(a) The charts are based on stock market data. Mibtel base 100 on IFIL stock.

The above performance positively influenced IFIL's capitalization which, in 2005, grew from € 3,529 million to € 3,885 million. During the first few months of 2006, there was a further increase to € 5,042 million.

CAPITALIZATION DECEMBER 2004 / MARCH 2006 – IFIL ordinary shares – IFIL savings shares (€ in millions)

During 2005, the value and volumes of IFIL ordinary shares traded grew still further. The increment in the volumes of both ordinary shares and savings shares traded (liquidity) particularly confirms the increasingly higher market interest in IFIL's stocks.

MARKET INFORMATION	2006 (a)	2005	2004	2003
Market price per ordinary share (€):				
. year-end	4.686	3.61	3.29	2.62
. high	4.708	3.83	3.29	3.40
. low	3.628	3.15	2.43	1.65
Market price per savings share (€):				
. year-end	4.694	3.78	3.19	2.38
. high	4.732	3.89	3.19	2.54
. low	3.84	3.16	2.33	1.42
Trading volumes during the period				
. ordinary shares (in millions of shares)	150	757	613	464
. savings shares (in millions of shares)	7	28	24	67
Value of trading volumes during the period (€ in millions)				
. ordinary shares	618	2,609	1,729	1,025
. savings shares	31	97	66	121

(a) From January 1 to March 24, 2006.

The 2003 market prices have been adjusted as a result of the capital stock increase in July 2003.

FINANCIAL COMMUNICATIONS AND INVESTOR RELATIONS

In 2005, IFIL devoted special attention to stockholders, financial analysts and institutional investors and particularly focused on the financial Press.

In particular:

- more than 1,000 copies (in Italian and English) of the annual report, the first-half report and the quarterly reports have been distributed. These reports are sent, on request, to stockholders, and are also available on the corporate website at www.ifil.it;
- a telephone conference was organized in September and numerous individual meetings were arranged with institutional investors and financial analysts;
- far-reaching, comprehensive information has been circulated through the Italian and foreign economic and financial Press and also on the corporate website.

The corporate functions in charge of communications and external relations are:

External Relations and Press Office
Tel. +39.011.5090320
Fax +39.011.5090386
relazioni.esterne@ifil.it

Institutional Investors and
Financial Analysts Relations
Tel. +39.011.5090360
Fax +39.011.535600
relazioni.investitori@ifil.it

Stocks and Bonds Service
Tel. +39.011.5090323
Tel. +39.011.5090205
Fax +39.011.5090321
servizio.titoli@ifil.it

Increase in the investment in Sanpaolo IMI

During March and April 2005, IFIL purchased on the market 22,700,000 Sanpaolo IMI ordinary shares (1.43% of the current ordinary capital stock) for an investment of € 263.5 million.
IFIL currently holds 93,071,000 Sanpaolo IMI ordinary shares, equal to 5.86% of ordinary capital stock and 4.97% 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 Italia Turismo. Turismo&Immobiliare (the company in which the three private stockholders each own equal stakes) subscribed to Italia Turismo's capital stock increase of € 60 million and purchased stock of the company from Sviluppo Italia for € 16 million thus acquiring a 49% stake for a total investment of € 76 million.
At the beginning of November, 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 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), which is the largest real estate operator in the tourism-hotel sector in Italy with important investments in Apulia, Calabria, Basilicata, Sicily and Sardinia.
Finally, the agreements with Sviluppo Italia provide for the possibility that Turismo&Immobiliare will reach a controlling interest (approximately 65%) in Italia Turismo by 2009.
The additional commitment by the IFIL Group will amount to € 19 million.

Sale of La Rinascente S.p.A.

On May 6, 2005, Eurofind Textile S.A. (the Luxembourg company controlled by Auchan and Ifil Investissements) sold 99.09% of Rinascente S.p.A. capital stock to Tamerice S.r.l., a company heading 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.

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 and then merged it on June 28, 2005. As a result of these transactions, the IFIL Group received net proceeds for a total of € 529.1 million and realized a gain of € 459.1 million (both amounts are net of selling costs), with no significant tax effects.

Ifil Investissements, as the merging company of 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 (part of such guarantees are borne by the Auchan Group). 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 when thresholds of significance are exceeded per individual indemnifiable event (de minimis) and as a whole (with an exempted amount) and, for certain matters, a maximum limit of responsibility for the seller.

IFIL S.p.A. has guaranteed the commitments undertaken by Ifil Investissements with the buyer until their maturity, estimated, depending on the matter at hand, at December 31, 2006 or at December 31, 2008 or when barred by the statute of limitations.

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 approved 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 a total 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.

A total of 87,750,000 Fiat ordinary shares was purchased for a global investment of € 580.2 million, including incidental charges of € 4.5 million.

At December 31, 2005, IFIL holds 328,333,447 Fiat ordinary shares and 31,082,500 Fiat preferred shares.

Investment in Banca Leonardo

At the end of November 2005, the IFIL Group displayed its interest in the project for the acquisition and recapitalization of Banca Leonardo S.p.A., assuming a commitment for an investment of € 46.6 million to purchase 10% of the capital of the bank.

On March 3, 2006, Ifil Investissements filed a petition with Banca d'Italia to obtain authorization for the investment which it is believed can be executed by the end of the month of April 2006.

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

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

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

The 2004 data presented for purposes of comparison has been restated in accordance with IFRS.

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

		% holding in capital stock outstanding	
		12/31/2005	12/31/2004
HOLDINGS SYSTEM	Consolidated line-by-line (a)		
	- IFIL Investments S.p.A.	-	-
	- Ifil Investment Holding N.V. (Netherlands)	100	100
	- Ifil Investissements S.A. (Luxembourg)	100	100
	- Ifilgroup Finance Ltd (Ireland)	100	100
	- Ifil International Finance Ltd (Ireland)	100	100
	- Soiem S.p.A. (Italy)	100	100
	- IFIL USA Inc (b)	100	100
	- IFIL Asia Ltd (Hong Kong)	100	100
	- IFIL New Business S.r.l. (Italy) (c)	100	100
	- Eufin Investments Unlimited (United Kingdom) (d)	100	50
	Consolidated proportionally		
	- Eurofind Textile S.A. (Luxembourg) (e)	-	50
OPERATING COMPANIES	Accounted for by the equity method		
	- Fiat Group	28.28	27.74
	- Sequana Capital Group (ex-Worms & Cie)	52.78	52.96
	- Alpitour Group	100	100
	- Juventus Football Club S.p.A.	60.00	61.69
	- Turismo&Immobiliare S.p.A.	25.00	-

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

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

(c) Dormant company.

(d) The investment, equal to 50% of capital stock, was consolidated proportionally up to December 31, 2004.

(e) Following the proportional total spin-off of Eurofind (December 2004), the IFIL Group came to hold 50% of the capital stock of Eurofind Food (sold to the Auchan Group in December 2004) as well as 50% of the capital stock of Eurofind Textile which controlled 99.09% of the outstanding capital stock of La Rinascente (the beneficiary company of the spin-off of the textile businesses, Department Stores and Upim, of the Rinascente Group) sold on May 6, 2005 to Tamerice S.r.l. On May 17, 2005, Ifil Investissements purchased the remaining 50% interest in Eurofind Textile from the Auchan Group and merged it on June 28, 2005.

Consolidated profit - IFIL Group for the year 2005 is € 1,090 million (€ 124 million in 2004). The positive change of € 966 million is mainly due to a decisive improvement in the results of the Fiat Group and the Sequana Capital Group, partly as a result of nonrecurring transactions.

The Group's share of the earnings (losses) of operating subsidiaries and associates accounted for by the equity method is an earnings figure of € 622 million (losses of € 397.8 million in 2004). The positive change of € 1,019.8 million is due to better results posted by the Fiat Group (+€ 817.3 million) and by the Sequana Capital Group (+€ 224.4 million), as well as lower results reported by Alpitour Group (-€ 17.1 million), Juventus Football Club (-€ 4.4 million) and a loss reported by Turismo&Immobiliare (-€ 0.4 million). The above changes include consolidation adjustments.

The consolidated net financial position of the "Holdings System" at December 31, 2005 shows a net liquidity position of € 348.3 million. The decrease of € 331.7 million compared to the balance at year-end 2004 (€ 680 million) comes from 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 (-€ 580.2 million) and Sanpaolo IMI (-€ 263.5 million), the dividends paid by IFIL (-€ 73.2 million) and other net changes (-€ 10.5 million).

Consolidated equity – Group at December 31, 2005 amounts to € 5,186 million (€ 3,722.2 million at the end of 2004). The increase of € 1,463.8 million is due to the fair value adjustment of the investment in Sanpaolo IMI (+€ 220.3 million), the consolidated profit of the Group for the year (+€ 1,090 million), positive translation differences (+€ 281 million), dividends paid by IFIL S.p.A. (-€ 73.2 million) and other net changes (-€ 54.3 million).

The carrying amount of investments at December 31, 2005 is € 4,806.5 million. The increase of € 1,888.6 million compared to investments at year-end 2004 (€ 2,917.9 million) is due to the fair value adjustment of the investment in Sanpaolo IMI (+€ 220.3 million), the investments made in that bank (+€ 263.5 million) and in Fiat (+€ 580.2 million), IFIL's share of the changes in the equity of the operating subsidiaries and associates (+€ 823.6 million), and, lastly, other net changes (+€ 1 million).

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

IFIL Group - Condensed consolidated income statement

€ in millions	Note	2005	2004	Change
Group's share of the earnings (losses) of operating subsidiaries and associates accounted for by the equity method	1	622.0	(397.8)	1,019.8
Dividends from other holdings (a)		43.7	27.4	16.3
Net gains	2	460.9	603.3	(142.4)
Profit (loss) from discontinued operations	3	0.5	(2.3)	2.8
Impairment (losses)/reversals of investments and securities	4	3.4	(74.4)	77.8
Net financial income (expenses)	5	2.0	(20.9)	22.9
Net general expenses	6	(41.1)	(22.2)	(18.9)
(Accruals to)/releases of provisions		(1.3)	0.3	(1.6)
Income taxes		(0.1)	10.6	(10.7)
Profit - Group		1,090.0	124.0	966.0

(a) Received from Sanpaolo IMI.

IFIL Group - Condensed consolidated balance sheet

€ in millions	Note	12/31/2005	12/31/2004	Change
Assets				
Investments in operating subsidiaries and associates accounted for by the equity method	7	3,576.8	2,173.0	1,403.8
Other investments	7	1,229.7	744.9	484.8
Other financial assets	8	8.3	7.3	1.0
Property, plant and equipment and intangible assets		13.5	13.6	(0.1)
Assets held for sale	9	0.0	72.4	(72.4)
Current financial assets	10	792.7	1,047.9	(255.2)
Receivables and other current and non-current assets	11	43.7	300.2	(256.5)
Cash and cash equivalents		4.2	4.2	0.0
Total assets		5,668.9	4,363.5	1,305.4
Equity and liabilities				
Capital and reserves		5,238.1	3,772.2	1,465.9
Treasury stock	12	(52.1)	(50.0)	(2.1)
Equity - Group	13	5,186.0	3,722.2	1,463.8
Provisions		10.9	9.2	1.7
Bonds	14	99.7	300.6	(200.9)
Current and non-current bank debt		348.9	323.9	25.0
Other current and non-current liabilities		23.4	7.6	15.8
Total equity and liabilities		5,668.9	4,363.5	1,305.4

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

	Earnings (losses)		IFIL's share		
€ in millions	2005	2004	2005	2004	Change
Fiat Group	1,331.0	(1,634.0)	373.8	(453.3)	827.1
Sequana Capital Group	348.1	(28.2)	183.7	(14.9)	198.6
Alpitour Group	(10.7) (a)	5.7 (a)	(10.7)	5.7	(16.4)
Juventus Football Club	(16.7) (b)	(9.1) (b)	(10.0)	(5.6)	(4.4)
Turismo&Immobiliare	(1.6)	-	(0.4)	0.0	(0.4)
			536.4	(468.1)	1,004.5
Consolidation adjustments			85.6	70.3	15.3
Total			622.0	(397.8)	1,019.8

(a) The year coincides with the period November 1 to October 31.
(b) Accounting results for the period January 1 to December 31 prepared in accordance with IFRS for purposes of consolidation in IFIL.

The consolidation adjustments regard the results of the following groups:

€ in millions	2005	2004	Change
Fiat	59.8 (a)	69.6 (b)	(9.8)
Sequana Capital	25.8 (c)	0.0	25.8
Alpitour	0.0	0.7	(0.7)
Total consolidation adjustments	85.6	70.3	15.3

(a) Details are as follows:
- € 54.8 million for the excess of the increases of IFIL's share of the consolidated equity of the Fiat Group originating 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 (-€ 580.2 million), net of the sale of the rights on ordinary and preferred shares (+€ 0.4 million);
- € 5 million for the reversal of the portion of actuarial losses charged to the income statement (early adoption of revised IAS 19 by the IFIL Group).

(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.
(c) Adjustment of the gain on the sale of the investment in Permal Group, due to a different carrying amount by IFIL.

Comments on the operating performance of the main subsidiaries and associates are presented later in the report.

2. Net gains

Net gains realized in 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). Net gains in 2004 totaling € 603.3 million originated from the sale of 50% of Eurofind Food capital stock (€ 577 million), 7.2% of Club Mediterranée capital stock (€ 26 million) and 0.32% of Juventus Football Club capital stock (€ 0.3 million).

3. Profit (loss) from discontinued operations

At December 31, 2005, the profit (loss) from discontinued operations includes dividends received from La Rinascente S.p.A. (+€ 0.5 million). In 2004, this item included IFIL's share of the earnings (losses) of SIDM (-€ 6.6 million) and La Rinascente (+€ 4.3 million).

4. Impairment (losses)/reversals of investments and securities

At December 31, 2005, impairment (losses)/reversals include the positive fair value adjustment of current securities for € 3.4 million.

In 2004, this caption amounted to € 74.4 million and included the impairment loss of goodwill on Alpitour (-€ 36.5 million) and Juventus Football Club (-€ 36.4 million) as well as that of securities (-€ 1.5 million).

5. **Net financial income (expenses)**
In 2005, net financial income amounts to € 2 million. In 2004, net financial expenses totaled € 20.9 million owing to the fact that the consolidated net debt position of the "Holdings System" returned to a liquidity position only towards the end of the year.

6. **Net general expenses**
Net general expenses amount to € 41.1 million for the year 2005 and include the extraordinary compensation approved for the Chairman and President (€ 15 million) and the former Chief Executive Officer (€ 3.8 million) at the Board of Directors' Meetings held, respectively, on June 9, 2005 and November 11, 2005. The remaining amount of € 22.3 million is basically in line with that in 2004 (€ 22.2 million).

7. **Investments**
Details are as follows:

	Carrying amount at		
€ in millions	12/31/2005	12/31/2004	Change
Investments in operating subsidiaries and associates accounted for by the equity method			
Fiat Group	2,335.7	1,134.1	1,201.6
Sequana Capital Group	1,140.9	922.0	218.9
Alpitour Group	69.9	78.9	(9.0)
Juventus Football Club S.p.A.	26.6	38.0	(11.4)
Turismo&Immobiliare Sp.A.	3.7	-	3.7
Total	3,576.8	2,173.0	1,403.8
Other investments - available-for-sale			
Sanpaolo IMI S.p.A. (a)	1,228.6	744.9	483.7
Other investments - sundry			
Companies of the "Holdings System" in wind-ups and others	1.1	0.0	1.1
Total other investments	1,229.7	744.9	484.8

(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.

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

				Market price			
	Number of	Carrying amount		December 30, 2005		March 24, 2006	
	shares held	Per share (€)	Total (€ mn)	Per share (€)	Total (€ mn)	Per share (€)	Total (€ mn)
Fiat Group							
- ordinary shares	328,333,447	6.50	2,133.7	7.33	2,407.7	10.01	3,285.6
- preferred shares	31,082,500	6.50	202.0	5.94	184.5	7.93	246.6
			2,335.7		2,592.2		3,532.2
Sequana Capital Group	55,922,623	20.40	1,140.9	24.00	1,342.1	25.60	1,431.6
Juventus Football Club S.p.A.	72,560,500	0.37	26.6	1.36	98.7	1.56	113.3
Sanpaolo IMI S.p.A.	93,071,000	13.20	1,228.6	13.20	1,228.6	15.25	1,419.2
Total			4,731.8		5,261.6		6,496.3

8. **Other financial assets**
Other financial assets include 76,614 Ocean Club Méditerranée bonds, maturing November 1, 2008 (€ 4.8 million), and 18,914,511 Fiat ordinary share warrants 2007 (€ 3.5 million).

9. **Assets held for sale**
In 2004, assets held for sale referred to the carrying amount of the investment in La Rinascente (€ 70.2 million) and the carrying amount (€ 2.2 million) of a building owned by the subsidiary Sadco. Both sales were executed during 2005.

10. Current financial assets

These amount to € 792.7 million (€ 1,047.9 million at the end of 2004) and mainly include investments made on the money market in time deposits, short-term Italian government securities and other short-term financial instruments.

11. Receivables and other current and non-current assets

The amount of € 43.7 million includes tax receivables of € 42.9 million and other assets of € 0.8 million.

12. Treasury stock

Treasury stock includes IFIL ordinary shares held by IFIL and its subsidiary Soiem; the change compared to the end of 2004 is presented below.

	Number of ordinary shares held		% of class of stock	% of capital stock	Amount Per share (€)	Amount Total (€ in mn)
Balance at December 31, 2004:						
- held by IFIL S.p.A.	13,155,472	(a)	1.27	1.22	3.59	47.2
- held by the subsidiary Soiem S.p.A.	810,262		0.08	0.08	3.41	2.8
Total at December 31, 2004	13,965,734		1.35	1.30	3.58	50.0
Purchases during period by IFIL S.p.A.	630,306		0.06	0.06	3.38	2.1
Balance at December 31, 2005	14,596,040		1.41	1.36	3.57	52.1

(a) Of which 532,000 shares are to be used to service stock option plans at the price of € 2.28 per share.

13. Equity - Group

The changes during the year are analyzed as follows:

€ in millions		
Equity - Group at December 31, 2004	3,722.2	
Fair value adjustments of the investment in Sanpaolo IMI (+€ 220.3 million) and Fiat ordinary share warrants 2007 (+€ 1 million)	221.3	
Net change in the measurement of hedging instruments	4.9	
Share of translation differences (+€ 281 million) in the equity of subsidiaries and associates and other net changes (-€ 59.5 million)	221.5	
Cost of IFIL ordinary shares purchased in 2005	(2.1)	
IFIL S.p.A. capital stock increase as a result of the exercise of stock options	1.4	
Dividends distributed by IFIL S.p.A.	(73.2)	(a)
Profit - Group	1,090.0	
Net change during the year	1,463.8	
Equity - Group at December 31, 2005	5,186.0	

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

14. Bonds

Bonds include the IFIL 2003/2006 bonds for a nominal amount of € 100 million. Such bonds, repayable with a one-time repayment maturing December 19, 2006 are recorded at amortized cost for € 100.2 million (€ 99.9 million at December 31, 2004).

In 2004, bonds also included the IFIL 2002/2005 bonds (€ 200.7 million) for a nominal amount of € 200 million, repaid on December 20, 2005.

15. Consolidated net financial position of the "Holdings System"

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

€ in millions	12/31/2005 Current	Non-current	Total	12/31/2004 Current	Non-current	Total
Securities	792.7	0.0	792.7	1,047.9	0.0	1,047.9
Receivables and other assets	0.0	0.0	0.0	252.4	0.0	252.4
Cash and cash equivalents	4.2	0.0	4.2	4.2	0.0	4.2
Total financial assets	796.9	0.0	796.9	1,304.5	0.0	1,304.5
IFIL 2002/2005 bonds	0.0	0.0	0.0	(200.7)	0.0	(200.7)
IFIL 2003/2006 bonds	(99.7)	0.0	(99.7)	0.0	(99.9)	(99.9)
Bank debt and other financial payables	(348.9)	0.0	(348.9)	(323.9)	0.0	(323.9)
Total financial liabilities	(448.6)	0.0	(448.6)	(524.6)	(99.9)	(624.5)
Consolidated net financial position of the "Holdings System"	348.3	0.0	348.3	779.9	(99.9)	680.0

At December 31, 2005, IFIL S.p.A. has irrevocable credit lines for € 570 million due after December 31, 2006. The negative change of € 331.7 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)	(580.2)	
- Purchase of Sanpaolo IMI ordinary shares (1.43% of the current ordinary capital stock)	(263.5)	
- Net investment in Turismo&Immobiliare (25% of capital stock)	(4.1)	
Investments		(847.8)
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		(32.1) (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 as a result of the exercise of stock options	1.4	
- Other, net	18.0	
Other changes		(52.3)
Net change during the year		(331.7)
Consolidated net financial position of the "Holdings System" at December 31, 2005		348.3

(a) Excluding the extraordinary compensation not yet paid to the Chairman for € 9 million.
(b) Net of intragroup dividends of € 0.1 million.

On October 26, 2005, following the investment in Fiat and less diversification of the portfolio as a result, 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.

The following table presents a reconciliation of the condensed consolidated data and the IFIL Group consolidated financial statements prepared in accordance with IFRS.
The first column ("Condensed consolidation") presents the data that has been commented on in the preceding pages reclassified according to the consolidated financial statement format.
The second column ("Eliminations - operating subsidiaries") shows the adjustments necessary to reverse the carrying amount of the investments in the operating subsidiaries (accounted for in the condensed financial statements by the equity method) and the share of the results of these companies in order to arrive at the line-by-line consolidation of the respective financial statements, adjusted, if necessary, to conform with Group principles, which are shown in the next columns.

IFIL Group - Consolidated balance sheet

€ in millions	Condensed consolidation	Eliminations - operating subsidiaries	Sequana Capital Group	Alpitour Group	Juventus F.C.	IFIL Group consolidation
Non-current assets						
Goodwill	0		787	27	0	814
Other intangible assets	0		63	33	147	243
Property, plant and equipment	14		784	121	22	941
Investments accounted for by the equity method	3,577	(1,238)	626	1	0	2,966
Other financial assets	1,238		262	5	18	1,523
Deferred tax assets	0		10	23	35	68
Other non-current assets	0		20	6	7	33
Total non-current assets	4,829	(1,238)	2,552	216	229	6,588
Current assets						
Inventories	0		550	4	0	554
Trade receivables	0		856	149	23	1,028
Other receivables	43		152	43	61	299
Financial assets	793		366	9	2	1,170
Cash and cash equivalents	4		496	94	1	595
Total current assets	840	0	2,420	299	87	3,646
Assets held for sale			3	22		25
TOTAL ASSETS	5,669	(1,238)	4,975	537	316	10,259
Equity						
Group	5,186	(1,238)	1,141	70	27	5,186
Minority interest			1,025	4	17	1,046
Total equity	5,186	(1,238)	2,166	74	44	6,232
Non-current liabilities						
Provisions for employee benefits and provisions for other liabilities and charges	2		554	21	3	580
Bonds and other financial debt	0		700	45	15	760
Deferred tax liabilities	1		66		25	92
Other non-current liabilities	0		6		51	57
Total non-current liabilities	3	0	1,326	66	94	1,489
Current liabilities						
Provisions for employee benefits and provisions for other liabilities and charges	8		38	2	0	48
Bonds and other financial debt	449		417	142	26	1,034
Trade payables	5		721	171	85	982
Other current liabilities	18		307	82	67	474
Total current liabilities	480	0	1,483	397	178	2,538
Liabilities relating to assets held for sale						0
TOTAL EQUITY AND LIABILITIES	5,669	(1,238)	4,975	537	316	10,259

IFIL Group – Consolidated income statement

€ in millions	Condensed consolidation	Eliminations - operating subsidiaries	Sequana Capital Group	Alpitour Group	Juventus F.C.	IFIL Group consolidation
Revenues	1		4,067	1,147	214	5,429
Other revenues from current operations	1		13	13	11	38
Purchases of raw materials and changes in inventories	0		(2,579)	(854)	(3)	(3,436)
Personnel costs	(12)		(695)	(90)	(128)	(925)
Costs for external services	(29)		(515)	(180)	(33)	(757)
Taxes and duties	(1)		(41)	(3)	0	(45)
Amortization and depreciation	0		(120)	(16)	(55)	(191)
Accruals to provisions	0		12	(7)	0	5
Other expenses from current operations	(1)		(23)	(14)	(29)	(67)
Profit (loss) from current operations	(41)	0	119	(4)	(23)	51
Other income (expenses)	(2)	55	(250)	5	8	(184)
Operating profit (loss)	(43)	55	(131)	1	(15)	(133)
Cost of net financial debt	1	1	(46)	(11)	(2)	(57)
Other financial income (expenses)	51	(1)	20	2	0	72
Net financial income (expenses)	52	0	(26)	(9)	(2)	15
Income taxes	0	0	(43)	(4)	0	(47)
Profit (loss) of companies consolidated line-by-line	9	55	(200)	(12)	(17)	(165)
Share of earnings (losses) of companies accounted for by the equity method	622	(244)	59	0	0	437
Profit from continuing operations	631	(189)	(141)	(12)	(17)	272
Profit from discontinued operations	459		547	0	0	1,006
Profit (loss)	1,090	(189)	406	(12)	(17)	1,278
Profit (loss) - Minority interest	0	0	196	(1)	(7)	188
Profit (loss) - Group	1,090	(189)	210	(11)	(10)	1,090

Reconciliation between the net liquidity position of the "Holdings System" and the consolidated net financial debt (line-by-line consolidation)

€ in millions	12/31/2005	12/31/2004	Change
Net liquidity position of the Holdings System	348	680	(332)
Consolidated net financial debt of the companies consolidated line-by-line:			
- Sequana Capital Group	(441)	(905)	464
- Alpitour Group	(78)	(112)	34
- Juventus F.C.	(38)	(20)	(18)
Consolidated net financial debt (line-by-line consolidation)	(209)	(357)	148

The composition of net financial debt is presented in the consolidated financial statements of the IFIL Group in Note 25.

The statutory financial statements of IFIL S.p.A. for the year ended December 31, 2005 have been prepared in accordance with the provisions of the Italian Civil Code.

The company has the obligation of adopting International Financial Reporting Standards (IFRS) starting from the year ending December 31, 2006. Additional information is provided under "Transition to International Financial Reporting Standards (IFRS) by IFIL S.p.A.".

The net income of IFIL S.p.A. for the year 2005 is € 98.8 million, with an increase of € 18.6 million (+23.2%) compared to € 80.2 million in 2004.

The condensed income statement and balance sheet and comments on the most important items are presented below.

IFIL S.p.A. – Income statement – condensed

€ in millions	Note	2005	2004	Change
Dividends	1	154.4	301.4	(147.0)
Gains	2	2.6	0.5	2.1
Writedowns		0.0	(185.6)	185.6
Investment income, net, from financial fixed assets		157.0	116.3	40.7
Financial expenses, net	3	(21.5)	(26.1)	4.6
General expenses, net	4	(15.6)	(13.4)	(2.2)
Other expenses, net	5	(21.1)	(1.5)	(19.6)
Income before taxes		98.8	75.3	23.5
Income taxes	6	0.0	4.9	(4.9)
Net income		98.8	80.2	18.6

IFIL S.p.A. - Balance sheet - condensed

		12/31/2005		12/31/2004		
€ in millions	Note	Amount	%	Amount	%	Change
Property, plant and equipment and intangible assets		4.5	0.1	6.7	0.2	(2.2)
Financial fixed assets	7	3,649.8	98.5	3,518.0	91.8	131.8
Financial receivables for dividends to be received		0.0	0.0	253.6	6.6	(253.6)
Other assets		49.7	1.4	53.9	1.4	(4.2)
Total assets		3,704.0	100.0	3,832.2	100.0	(128.2)
Stockholders' equity	8	3,231.8	87.3	3,204.9	83.7	26.9
Financial payables:	9					
- IFIL bonds 2002/2005		0.0	0.0	200.0	5.2	(200.0)
- IFIL bonds 2003/2006		100.0	2.7	100.0	2.6	0.0
- borrowings from banks, short-term		348.6	9.4	318.6	8.3	30.0
		448.6	12.1	618.6	16.1	(170.0)
Other liabilities and reserves		23.6	0.6	8.7	0.2	14.9
Total liabilities and stockholders' equity		3,704.0	100.0	3,832.2	100.0	(128.2)

1. **Dividends**
   Dividends amount to € 154.4 million (€ 301.4 million in 2004). The reduction of € 147 million is due to lower dividends received in total from the subsidiaries Ifil Investissements and Ifil Investment Holding (-€ 163.3 million) and higher dividends relating to the investment in Sanpaolo IMI (+€ 16.3 million).

2. **Gains**
   Gains (€ 2.6 million) arose from the sale of 2,044,748 Juventus Football Club shares (1.69% of capital stock).

3. **Financial expenses, net**
   Financial expenses, net, totaling € 21.5 million, show a reduction of € 4.6 million compared to 2004 (€ 26.1 million) due mainly to lower debt during the course of the first nine months of the year.

4. **General expenses, net**
   General expenses, net, show an increase from € 13.4 million to € 15.6 million. The increase is principally due to higher personnel costs (+€ 1.2 million as a result of the payment of nonrecurring bonuses to some employees for their work in connection with extraordinary transactions), consulting (+€ 0.5 million) and other expenses (+€ 0.5 million).

5. **Other expenses, net**
   Other expenses, net, totaling € 21.1 million, include extraordinary compensation approved for the Chairman and President (€ 15 million) and the former Chief Executive Officer (€ 3.8 million) at the Board of Directors' Meetings held, respectively, on June 9, 2005 and on November 11, 2005), amortization of the expenses relating to the capital increases in 2003 (€ 2.2 million) and expenses connected with pending litigation (€ 0.1 million).

6. **Income taxes**
   As regards income taxes, the taxable income calculated in accordance with tax laws did not generate current income taxes for the year 2005.

7. **Financial fixed assets**

€ in millions	12/31/2005	12/31/2004	Change
Subsidiaries			
Fiat S.p.A. (ordinary shares)	2,020.0	1,440.2	579.8
Fiat S.p.A. (ordinary share warrants 2007)	2.5	2.5	0.0
Fiat S.p.A. (preferred shares)	123.0	123.0	0.0
	2,145.5	1,565.7	579.8
Ifil Investissements S.A.	641.5	1,260.3	(618.8)
Ifil Investment Holding N.V.	68.3	162.8	(94.5)
Juventus Football Club S.p.A.	11.3	11.6	(0.3)
Soiem S.p.A.	12.7	12.7	0.0
Ifil New Business S.r.l.	-	-	0.0
	2,879.3	3,013.1	(133.8)
Other companies - Sanpaolo IMI S.p.A. (ordinary shares)	726.7	463.2	263.5
Total investments	3,606.0	3,476.3	129.7
Treasury stock - IFIL ordinary shares	43.8	41.7	2.1
Total financial fixed assets	3,649.8	3,518.0	131.8

The net increase of € 131.8 million in financial fixed assets is due to the following movements:

€ in millions	
Financial fixed assets at December 31, 2004	3,518.0
Purchase of 87,750,000 Fiat ordinary shares (8.03% of the class of stock)	580.2
Purchase of 22,700,000 Sanpaolo IMI ordinary shares (1.43% of current ordinary capital stock)	263.5
Purchase of 630,306 IFIL ordinary shares (0.06% of the class of stock)	2.1
Partial reimbursement of additional paid-in capital by Ifil Investissements (-€ 618.8 million) and Ifil Investment Holding (-€ 94.5 million)	(713.3)
Sale of the rights on the Fiat S.p.A. capital increase	(0.4)
Sale of 1.69% of Juventus Football Club capital stock	(0.3)
Net change during the year	131.8
Financial fixed assets at December 31, 2005	3,649.8

A comparison between the carrying amounts and the market prices of listed financial fixed assets shows the following unrealized gains (losses):

€ in millions	Fiat ord. shares	Fiat ord. share warrants 2007	Fiat pref. shares	Sanpaolo IMI shares	Juventus shares	IFIL ord. shares	Total
Market price at December 30, 2005	387.7	1.0	61.6	502.0	87.3	(1.5)	1,038.1
Average market price in the second half 2005	311.2	1.4	67.6	423.6	89.2	(1.7)	891.3
Average market price March 24, 2006, update	1,265.7	(0.5)	123.7	692.6	102.0	11.2	2,194.7

8. Stockholders' equity

At December 31, 2005, stockholders' equity is € 3,231.8 million (€ 3,204.9 million at December 31, 2004). The positive change of € 26.9 million is due to the following movements:

€ in millions	
Stockholders' equity at December 31, 2004	3,204.9
Dividends paid out	(73.3)
Increase in capital stock as a result of stock options	1.4
Net income for the year 2005	98.8
Net change during the year	26.9
Stockholders' equity at December 31, 2005	3,231.8

9. Net financial position

The net financial position of IFIL S.p.A. at December 31, 2005 shows a net debt position of € 449.5 million (a net debt position of € 367.5 million at the end of 2004). Details are as follows:

€ in millions	12/31/2005	12/31/2004	Change
Receivables for dividends to be received	0.0	253.6	(253.6)
Cash	0.2	0.1	0.1
Bonds	(100.0)	(300.0)	200.0
Bank borrowings - short-term	(348.6)	(318.6)	(30.0)
Financial accrued expenses	(1.1)	(2.6)	1.5
Net financial position	(449.5)	(367.5)	(82.0)

At December 31, 2005, IFIL S.p.A. has irrevocable credit lines for € 570 million due after December 31, 2006.

The negative change of € 82 million in 2005 is due to the following cash flows:

€ in millions	
Net financial position at December 31, 2004	(367.5)
Purchase of Fiat ordinary shares (8.03% of the class of stock)	(580.2)
Purchase of Sanpaolo IMI ordinary shares (1.43% of current ordinary capital stock)	(263.5)
Purchase of IFIL ordinary shares (0.06% of the class of stock)	(2.1)
Partial reimbursements of additional paid-in capital by Ifil Investissements (+€ 618.8 million) and Ifil Investment Holding (+€ 94.5 million)	713.3
Sale of Juventus Football Club shares (1.69% of capital stock)	2.8
Dividends from holdings	154.4
Dividends paid out	(73.3)
Financial expenses, net	(21.5)
General expenses, net	(15.6)
Increase in capital stock as a result of the exercise of stock options	1.4
Sale of receivables from the tax authorities to subsidiaries and the parent, IFI	3.6
Other changes, net	(1.3)
Net change during the year	(82.0)
Net financial position at December 31, 2005	(449.5)

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) BY IFIL S.p.A.

As a result of the implementation of European Regulation No. 1606 of July 19, 2002, the IFIL Group has adopted International Financial Reporting Standards (IFRS) for the preparation of its consolidated financial statements with effect from 2005. On the basis of Italian law implementing this regulation, the statutory financial statements of the parent, IFIL S.p.A., will be prepared in accordance with these standards starting from 2006.
As a consequence, IFIL S.p.A. is currently making the transition to IFRS for its statutory financial statements and will report its 2006 first-half results and 2005 comparative figures in accordance with IFRS.

The following commentary describes the policies that IFIL S.p.A. has adopted in preparing its IFRS opening balance sheet at January 1, 2005, as well as the main differences in relation to Italian GAAP used to prepare its statutory financial statements up until December 31, 2005.

As part of this transition program, the opening balance sheet of IFIL S.p.A. at January 1, 2005 will be prepared in accordance with IFRS 1 – First-time Adoption of International Financial Reporting Standards, on the basis of the IFRS applicable from January 1, 2006, as published at December 31, 2005. In particular, the amendments to IAS 39 and IFRS 4 issued in 2005 and effective from January 1, 2006 will be applied, with regard to the measurement and recognition of financial guarantee contracts in the financial statements of the guarantor and the limitation in the use of the "fair value option" to financial instruments satisfying specific conditions.

As allowed by the amendment to IAS 19 – Employee benefits, issued by the IASB in December 2004, the company elected to recognize actuarial gains and losses immediately in the period in which they occur, outside the income statement, in a specific item of equity.

FIRST-TIME ADOPTION OF IFRS

In accordance with IFRS 1, IFIL S.p.A. is required to apply the accounting standards in force at the reporting date for its first IFRS financial statements retrospectively to all periods presented and to the opening balance sheet, except for one permitted exemption adopted, as allowed by IFRS 1, and described in the following paragraph.

The opening IFRS balance sheet at January 1, 2005 will therefore reflect the following differences with the statutory balance sheet prepared at December 31, 2004 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, will be recognized and measured in accordance with IFRS;
- all assets and liabilities recognized under Italian GAAP that do not qualify for recognition under IFRS will be eliminated;
- certain balance sheet items will be reclassified in accordance with IFRS.

The impact of these adjustments will be recognized directly in opening equity at January 1, 2005, the date of transition to IFRS.

In summary, the assets and liabilities to be included in the statutory financial statements of IFIL S.p.A. prepared in accordance with IFRS will be recognized and measured in the same manner as that used to prepare the financial statements drafted for inclusion in the Group's consolidated financial statements, in accordance with IFRS 1, with the exception of consolidation entries.

OPTIONAL EXEMPTION ADOPTED BY IFIL S.p.A.

<u>Employee benefits</u>: IFIL S.p.A. has elected to recognize all cumulative actuarial gains and losses that existed at January 1, 2005 with a contra-entry to equity reserves.

DESCRIPTION OF THE MAIN DIFFERENCES BETWEEN ITALIAN GAAP AND IFRS

The following paragraphs provide a description of the main differences between Italian GAAP and IFRS that will have effect on the statutory financial statements of IFIL S.p.A.

Write-off of deferred costs

Under Italian GAAP, IFIL S.p.A. defers and amortizes certain costs (mainly start-up and expansion costs). IFRS require these to be expensed when incurred.

In particular, costs incurred in connection with capital stock increases which are deferred and amortized under Italian GAAP are deducted directly from the proceeds of the increase and debited to equity under IFRS.

Valuation of investments not held as current assets

In the financial statements of IFIL S.p.A. prepared in accordance with Italian GAAP, equity investments included under financial fixed assets (investments in subsidiaries and in other companies) are stated at historical cost inclusive of incidental charges determined using the Last-In First-Out method of annual lots, which is written down in the event of an impairment loss; the impairment loss is reversed if in subsequent years the reasons for the writedown no longer apply.

IAS 27 requires that investments in subsidiaries be either recorded at cost, using the “average cost” method or at their fair value. If there are reasons to believe that all or part of the cost cannot be recovered, the carrying amount must be reduced to the recoverable amount of the investment in accordance with IAS 36. If this loss is subsequently reduced or is entirely recovered, the carrying amount is increased back up to the newly estimated recoverable amount, which may not exceed the amount that would have been determined if no impairment loss had been recorded. Any restoration of the carrying amount is recorded immediately in the income statement.
The analysis of the effects of the adoption of these methods is currently being examined.

In accordance with IAS 39, investments in other companies represented by available-for-sale financial assets, are measured at their fair value, if this can be determined, and the gains and losses resulting from changes in the fair value are recognized directly in equity until the financial assets are disposed of or determined to be impaired. At that time, all gains and losses previously recognized in equity are included in the income statement for the period.
The investment held by IFIL S.p.A. in Sanpaolo IMI S.p.A. satisfies these requirements, with its fair value being determined as its stock market price at the date of the financial statements. The adoption of IFRS on January 1, 2005 will therefore lead to the recognition of the excess of the stock market price of the investment over its carrying amount at that date, with a net positive impact on equity.

Treasury stock

In accordance with Italian GAAP, IFIL S.p.A. accounts for treasury stock as an asset and records any related value adjustments and gains or losses on disposal in the income statement.

Under IFRS, treasury stock is deducted from equity and all movements in treasury stock are recorded in equity rather than in the income statement.

Sale of receivables

IFIL S.p.A. could sell a part of its trade and tax receivables through factoring transactions which may be with or without recourse to the seller; certain factoring agreements without recourse include deferred purchase price clauses (i.e. the payment of a minority portion of the purchase price is conditional upon the full collection of the receivables), and require a first loss guarantee of the seller up to a limited amount or imply a continuing significant exposure to the cash flows from receivables sold.

Under Italian GAAP, all receivables sold through factoring transactions (both with and without recourse) can be derecognized.

IAS 39 permits the derecognition from assets of a financial asset when, and only when, the risks and rewards of the ownership of the assets are substantially transferred: consequently, all receivables sold with recourse, and part of those sold without recourse, would be reinstated in the IFRS balance sheet.

Employee benefits

Employee severance indemnities (TFR), under Italian GAAP, are accounted for pursuant to specific statutory rules. As set forth in IAS 19 – Employee Benefits, employee severance indemnities are considered defined benefit obligations, and, as a result, are recalculated using the "Projected Unit Credit Method".

IFIL S.p.A. also grants employees various forms of benefits (retirement incentives, compensation and defined benefit and defined contribution pension plans) under supplemental company or individual agreements. Although these benefits are accrued in the statutory financial statements in a manner that is consistent with Italian GAAP, under IFRS they will need to be accounted for in accordance with IAS 19.

IFIL S.p.A. has elected to recognize all accumulated actuarial gains and losses at January 1, 2005 as movements in equity.

Stock options

No expenses are recognized for share-based payment transactions under Italian GAAP.

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

IFIL S.p.A. will apply the transitional provisions stated in IFRS 2 and therefore will apply this standard to all stock options granted after November 7, 2002 and not yet vested at January 1, 2005, the effective date of IFRS 2. No compensation expense is required to be recognized for stock options granted prior to November 7, 2002.

Recognition and measurement of financial receivables and financial payables

Financial receivables can be immediately converted into cash and are subject to an insignificant risk of change in value. The transition to IFRS will not impact their amount.

Financial payables at January 1, 2005 are principally related to bonds and bank debt. In the statutory financial statements of IFIL S.p.A., under Italian GAAP, the gross amount received is recognized. The various fees owed to the lending banks (for the organization of the facility, for the share subscription commitment, etc.) at different dates (at the beginning, over the years, and upon maturity) are charged against income over the term of the facility (on a pro-rated basis).

Under IFRS, financial payables are recognized at the amounts received stated net of transaction costs and are subsequently measured at their amortized cost using the effective interest method. Adoption of IFRS will thus entail recomputation of the expenses charged to income for the various years affected, with a net effect on equity at January 1, 2005.

Recognition and measurement of derivatives

Those transactions which, according to IFIL S.p.A.'s policy for risk management, are able to satisfy the conditions stated by the accounting principle for hedge accounting treatment, are designated as hedging transactions; other transactions which do not satisfy such conditions, although set up for the purpose of managing risk exposure (inasmuch as speculative transactions are not permitted as a rule), are designated as trading transactions.

The transactions put into place by IFIL S.p.A. up to December 31, 2005 fall under the financial instruments designated as hedging instruments.

Under Italian GAAP, the instrument is valued symmetrically with the underlying hedged item. Therefore, where the hedged item has not been adjusted to fair value in the financial statements, the hedging instrument has also not been adjusted. Similarly, where the hedged item has not yet been recorded in the financial statements (hedging of future flows), the valuation of the hedging instrument at fair value is deferred.

Under IFRS, in the case of a cash flow hedge (hedging of future flows), the portion of gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in equity; the ineffective portion of the gain or loss is recognized in the income statement. Consequently, with reference to the effective portion, only a difference in equity will arise between Italian GAAP and IFRS.

RELATED PARTY DISCLOSURES

The Board of Directors has adopted principles of conduct for carrying out transactions with related parties (available on the corporate website of the company: http://www.ifil.it).

These principles of conduct state that the Board of Directors must approve the following transactions:

- atypical and/or unusual intragroup transactions, meaning transactions which, because of their significance and/or relevance, nature of the counterparties, subject of the transaction (also in relation to transactions of ordinary administration), manner of determining the transfer price and timing of the event (close to the end of the year) may give rise to reservations about: the correctness and/or completeness of the information in the financial statements, conflicts of interest, safeguarding of the company's assets and protection of minority stockholders;
- transactions with subsidiaries for amounts of more than 1% of IFIL's portfolio value as shown in the most recent approved accounting documents (quarterly reports, first-half report and annual financial statements) as of the date of the transaction, with the exception of transactions with subsidiaries in the "Holdings System";
- transactions with other related parties for amounts of more than € 3 million.

The bodies with delegated powers shall supply the Board with information concerning such transactions especially with regard to the nature of the relationship, the manner of execution, the economic terms and timing, the valuation criteria adopted and any risks to the company.

Whenever a director has an interest in the transaction (even a potential interest), pursuant to art. 2391 of the Italian Civil Code, the nature, terms, origin and import scope of such interest must be duly communicated to the Board of Directors and the Board of Statutory Auditors.

In the event the nature, the amount and the manner of execution of the transaction with a related party require it, the Board of Directors can avail itself of the assistance of one or more independent experts, chosen from among individuals with recognized professional characteristics and expertise on the matter in question so that an opinion can be obtained on the economic terms of the transaction and its legitimacy, as well as the technical means and manner of execution of the transaction.
The Board of Directors and the Board of Statutory Auditors must in any case be informed of any transactions with other related parties different from those mentioned above.

The identification of relationships and transactions with related parties is made in accordance with IAS 24.

With regard to 2005, transactions among IFIL and the identified related parties have been entered into in conformity with the provisions of existing laws, based upon an evaluation of reciprocal economic gain.

The most important transactions can be summarized as follows:

- purchase of 82,250,000 Fiat ordinary shares for a total of € 534.6 million (€ 6.5 per share) from Exor Group on September 20, 2005;
- services rendered to the parent, IFI, and to subsidiaries and cost recoveries;
- services rendered by the parent, IFI, and by the subsidiary Soiem;
- partial reimbursement of additional paid-in capital by Ifil Investissements for € 618.8 million and Ifil Investment Holding for € 94.5 million;
- sale of tax receivables to the parent, IFI, for € 0.4 million, to the subsidiary Soiem for € 0.2 million and to Italian subsidiaries of Alpitour for € 3 million;
- purchase of trade receivables with recourse from Juventus Football Club for € 17.6 million, at the end of March 2005, with a nominal amount of € 18 million, due from Sky Italia, received in December 2005;
- services rendered to Ifil USA by Exor USA and Fiat USA.

The effects on the balance sheet and the income statement of transactions among IFIL S.p.A., Group companies and other related parties can be summarized as follows:

	12/31/2005		2005	
€ in thousands	Receivables	Payables	Income	Expenses
IFI S.p.A.	23	13	80	30
Holdings System companies	45	467	49	1,468
Alpitour Group companies	4	3	20	101
Fiat Group companies	-	25	92	350
Juventus Football Club S.p.A. and Campi di Vinovo S.p.A.	10	-	459	38
Sequana Capital S.A.	30	-	47	-
Total	112	508	747	1,987

In an effort to optimize the management of the financial resources of the Group, loans were made among foreign companies in the Holdings System during the year.

During the course of the year, the director Franzo Grande Stevens rendered professional services to IFIL for € 141 thousand and to Fiat S.p.A. for € 940 thousand (activities performed in his capacity as Secretary to the Board of Directors).

Additional information and details are disclosed under “Major events in 2005” in the Directors’ Report on Operations, in the “Notes to the statutory financial statements of IFIL S.p.A.” and in the “Notes to the consolidated financial statements”.

On the basis of information received from the companies of the Group, there are no atypical or unusual transactions to report.

STOCK OPTION PLANS

Stock option plans approved by the Board of Directors of IFIL S.p.A. as well as those approved by the subsidiaries which concern directors of IFIL S.p.A. are described below.
The Notes to the consolidated financial statements at December 31, 2005 also describe the stock option plans approved by the subsidiaries that are consolidated line-by-line.

Stock option plans on IFIL shares

In May 2000, the IFIL Board of Directors approved a stock option plan for the directors and managers of IFIL and the parent, IFI, for a maximum of 2,700,000 new IFIL ordinary shares.
A total of 2,691,500 option rights were granted under this plan between 2000 and 2003, according to the level of responsibility held by the grantees in the corporate organization. Such options are exercisable up to December 31, 2006.
Under the power conferred by the Stockholders’ Meeting held on May 25, 2001, the Board of Directors, on February 7, 2005, voted to increase capital stock as a result of the exercise of 800,000 rights granted in 2003 to seven beneficiaries. The stock increase took place in April with the issue of 800,000 IFIL ordinary shares (0.07% of capital stock) of par value € 1, which were subscribed in cash at a per unit price of € 1.85 for a total of € 1,480,000.
In 2005, moreover, 53,250 options became null and void.

In September 2003, the IFIL Board of Directors approved a second stock option plan solely for the directors, for a maximum of 700,000 IFIL ordinary shares, already issued and purchased by IFIL pursuant to article 2357 and subsequent articles of the Italian Civil Code. A total of 532,000 option rights were granted under this plan in 2003 to the Chairman Gianluigi Gabetti for the same number of ordinary shares exercisable by December 31, 2006 at the price of € 2.28 each.

With regard to these plans, there were no transactions entered into to favor either the purchase or subscription of shares pursuant to art. 2358, paragraph 3, of the Italian Civil Code.

A summary of the stock option plans on IFIL shares outstanding at December 31, 2005 is presented below.

	Number of options	Number of grantees	Exercise price actual (b)	Exercise price average	Market price (c)
IFIL 2000 Plan (expiring December 2006)					
Options granted (a)					
- year 2000	522,000	15	6.997		
- year 2001	506,000	13	6.109		
- year 2002	810,250	13	4.520		
	1,838,250 (d)			5.66	4.686
IFIL 2003 Plan (expiring December 2006)					
Options granted	532,000 (e)	1	2.280	2.28	4.686
Options exercisable at December 31, 2005	2,370,250			4.90	4.686

(a) Net of 800,000 options exercised and 53,250 that became null and void in 2005.
(b) Exercise price adjusted to take into account the cash capital stock increase in July 2003.
(c) Market price at March 24, 2006.
(d) Equal to 0.18% of current ordinary capital stock.
(e) Equal to 0.05% of current ordinary capital stock.

Stock option plans on Alpitour shares

On December 15, 2005, in execution of the resolution passed by the Board of Directors' Meeting held on November 11, 2005, the Executive Committee of IFIL S.p.A. approved a stock option plan for two managers of the Alpitour Group designed to promote their loyalty to the IFIL Group and provide an incentive to develop and appreciate the investments of the IFIL Group in the tourism sector.

The plan calls for purchase options on Alpitour shares to be granted to the Chairman and Chief Executive Officer, D.J. Winteler, and the General Manager, F. Prete, respectively, equal to 6% (now 2,127,000 shares) and 5% (now 1,772,500 shares) of Alpitour's capital, held by the subsidiary Ifil Investissements.

After approval on the part of IFIL, the Alpitour Board of Directors may in the future grant purchase options on Alpitour shares equal to 4% (now 1,418,000) of Alpitour's capital, to other managers who hold important operating positions.

The purchase options may be exercised, at one or more times, during the period between the dates of the approval of the 2006/2007 and 2008/2009 Alpitour financial statements at the price of € 2.238 per share, corresponding to the valuation of the Alpitour Group, equal to € 79.4 million, performed in December 2005 by a specially appointed expert.

IFIL and the managers of Alpitour, finally, exchanged reciprocal purchase and sale options, exercisable during the same above period, on Alpitour shares that will have been purchased by the same managers; the exercise price will be established on the basis of the appraisal which will be performed using the same valuation principles applied in December 2005.

Options granted to directors of IFIL S.p.A. on the part of subsidiaries

On May 3, 2005, under the stock option plan approved by the subsidiary Sequana Capital, 250,000 options were granted to Tiberto Brandolini d'Adda. Such options are valid for the subscription or purchase of the same number of Sequana Capital shares at the price per share of € 23.5 during the period May 2009 to May 2013.

On December 15, 2000, under the stock option plan approved by the subsidiary Alpitour S.p.A., 614,000 options were granted to Luigi Arnaudo, a former director of IFIL S.p.A. Such options are valid for the subscription of the same number of Alpitour shares at a price per share of € 6.73. Such options can be exercised up to the end of August 2006. The Alpitour shares that come from the plan may be sold to Alpitour; however, the price established by the Board of Directors of the company is a negative figure due to the results reported by the Alpitour Group in 2005.

EQUITY INVESTMENTS HELD BY DIRECTORS, STATUTORY AUDITORS AND GENERAL MANAGER

(Art. 79 of Consob resolution No. 11971 dated May 14, 1999 and subsequent amendments)

		Number of shares					
Name	Company	Held at 12/31/2004		Increase		Decrease	Held at 12/31/2005
Gabetti Gianluigi	IFIL ordinary shares (a)	120,000					120,000
	Sequana Capital (a)	1		10	(e)		11
Winteler Daniel John	IFIL ordinary shares (a)	0		440,000	(c)	(440,000)	0
Brandolini d'Adda Tiberto	Sequana Capital (a)	88					88
Ferrero Ventimiglia Edoardo	Fiat ordinary shares (a)	0		20,000		(20,000)	0
Lombardi Giancarlo	IFIL ordinary shares (a)	12,650					12,650
Marocco Antonio Maria	IFIL ordinary shares (a)	73,369					73,369
Teodorani-Fabbri Pio	IFIL ordinary shares (a)	200,000				(110,000)	90,000
	IFIL ordinary shares (b)	500,000				(281,000)	219,000
	Fiat ordinary shares (b)	6,583					6,583
	Fiat ord. share warrants 2007 (b)	825					825
	Fiat savings shares (b)	5,720					5,720
	CNH ordinary shares (b)	0		10,000		(10,000)	0
Statutory Auditors in office							
Ferrero Cesare	Fiat ordinary shares (a)	1					1
Giorgi Giorgio	Fiat savings shares (b)	1,500	(d)			(1,500)	0
Piccatti Paolo	Juventus F.C. (a)	540	(d)				540
Statutory Auditors no longer in office at 12/31/2005							
Girolamo Natale Ignazio	IFIL ordinary shares (b)	10,625					10,625

(a) Direct holding.
(b) Indirect holding through spouse.
(c) Share from the exercise of stock options.
(d) Held at the date of appointment (June 27, 2005).
(e) Purchase made by a stock loan contract.

PENDING LITIGATION

An update is provided below on the litigation pending against IFIL S.p.A. and the subsidiaries of the "Holdings System".
Additional information on disputes regarding the companies consolidated line-by-line are presented in the Notes to the consolidated financial statements at December 31, 2005.

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. On October 26, 2005, the hearing was held for stating the conclusions. After the exchange of the concluding statements (completed in January 2006) and after the oral discussion in court (held on March 10, 2006), a decision in the case will now 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.

Following the communication dated June 17, 2005, the buyer of the investment in La Rinascente, on February 14, 2006, filed for arbitration against Ifil Investissements seeking compensation for an amount of approximately € 32.5 million (in addition to interest, monetary revaluation, court expenses and legal fees) for extraordinary expenses relating to certain points of sale.
In the opinion of Ifil Investissements, the requests are not valid and unacceptable and, in any case, completely unfounded. Moreover, the question that is raised regards aspects that have either been excluded or are not covered by guarantees in the contract.
Furthermore, in the second half of 2005 and during the first few months of 2006, the same party brought actions seeking additional compensation from Ifil Investissements for a total amount of approximately € 16 million principally in connection with accounting treatments in the financial statements at December 31, 2004.
Some minor requests have already been agreed between the parties, whereas the others have been rejected inasmuch as they are not valid and/or unfounded. In any case, in the opinion of Ifil Investissements, such requests are nevertheless covered by exclusions and limitations in the contract with regard to the obligations of compensation.

OTHER INFORMATION

Management and coordination

IFIL Investments S.p.A. is not subject to management and coordination on the part of companies or entities.
In accordance with art. 2497 bis of the Italian Civil Code, the subsidiaries Soiem S.p.A. and Ifil New Business S.r.l. have identified IFIL Investments S.p.A. as the company which exercises management and coordination.

Programming document on security

The company has prepared the programming document on security on December 14, 2005 for the year 2005 according to the provisions of Legislative Decree No. 196 dated June 30, 2003, Attachment B – technical specifications regarding minimum safety measures. The document has been drawn up by the person responsible for the treatment of the data.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE YEAR

Investigations by Consob and the Judicial Authorities

On February 21, 2006, Consob notified IFIL S.p.A. of its objections under art. 187-septies of Legislative Decree No. 58/1998 in relation to the content of the press release dated August 24, 2005.
Analogous objections were also notified to Giovanni Agnelli e C. S.a.p.az. regarding the content of its press release on the same date.
Furthermore, Gianluigi Gabetti, Franzo Grande Stevens and Virgilio Marrone received notification of the objection regarding the violation of art. 187-ter of Legislative Decree No. 58/1998, with Consob assuming that each of those individuals participated in the decisional process relating to the above press releases.
Exor Group S.A. and its legal representatives, instead, received notification of the violation of the obligations of communication as regards significant investments under art. 120 of Legislative Decree No. 58/1998 beginning with Consob's notice from August 30, 2005.
It is the intention of the parties which received the notifications from Consob to lodge their objections in accordance with the law and take advantage of every other opportunity of defense.

On March 9, 2006, the company's offices were searched under the orders of the Turin district attorney's office with regard to the same facts raised in the objections by Consob. At the same time, IFIL was notified of the inquiry into its administrative responsibility under Legislative Decree No. 231/2001.

Other significant events

Having taken note that on December 15, 2005 Daniel John Winteler tendered his resignation as the Chief Executive Officer and General Manager of IFIL to take up the posts of Chairman and Chief Executive Officer of the subsidiary Alpitour, as well as the resignation tendered by the independent director Pietro Ferrero owing to his numerous and mounting professional commitments, in the meeting of February 7, 2006, the IFIL Board of Directors co-opted Carlo Barel di Sant'Albano, also appointing him as the Chief Executive Officer and General Manager of the company. Carlo Barel di Sant'Albano was also appointed a member of the Executive Committee.

At the same time, Gianluigi Gabetti relinquished the post of President of IFIL but kept that of Chairman.

Tiberto Brandolini d'Adda and John Elkann, both members of the Executive Committee, were appointed Vice Chairmen of IFIL with the specific mandate to cooperate with the Chief Executive Officer in identifying and evaluating new investment projects.

The independent director Giuseppe Recchi was appointed a member of the Compensation and Nominating Committee to replace the resigning director Pietro Ferrero.

BUSINESS OUTLOOK

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

On a consolidated level, considering the forecasts formulated by the major holdings (discussed later in the report), the IFIL Group expects to show a profit in 2006, although lower than the profit reported in 2005, which was the highest in the Group's history.

Fiat Group

The Fiat Group confirms its targets for 2006: a positive operating cash flow, trading profit between € 1.6 billion and € 1.8 billion and net income of about € 700 million.
The Fiat Group also announced that it will continue to implement its targeted alliances in order to reduce capital commitments and share investments and risks.

Sequana Capital Group

During the first two months of 2006, the paper sector continues to be plagued by difficulties which leave no room for signs of a recovery at this time. The first-quarter 2006 results of the two subsidiaries operating in that sector (ArjoWiggins and Antalis) will be influenced by these factors.
For ArjoWiggins, 2006 will be a year of transformation after formulating a new three-year strategic plan which should become operational starting from the second half.
For Antalis, higher profitability is still the target while seeking to seize new opportunities for external growth.
SGS, finally, has announced an ambitious three-year plan both to increase business and results.
Considering the results and the balance sheet structure at the end of 2005, Sequana Capital has the means necessary to capitalize on new potentials for internal and external growth.

Alpitour Group

The Alpitour Group believes that the conditions exist to reverse the trend and report positive results for 2005/2006.

Juventus Football Club

The result for the year could be significantly influenced by the results during the soccer season, in particular, by the results achieved by the First Team in the U.E.F.A. Champions League.
However, considering the operating and balance sheet situation during the first six months of the financial year and the information available to date, the full year 2005/2006 could show a positive net result on condition that the extraordinary transactions referring to assets, currently under review, are finalized.

REVIEW OF THE OPERATING PERFORMANCE BY THE MAJOR GROUP COMPANIES

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

2005 marks a turning point for the Fiat Group, which reported a consolidated net income of € 1.3 billion and, in the last quarter, Fiat Auto posted a trading profit of € 21 million, after 17 consecutive quarters of losses. Net industrial debt was drastically cut and debt ratings improved, new models were launched across all brands, central activities were reorganized and processes were streamlined and, finally, important targeted industrial alliances were sealed with major international partners.

The key consolidated highlights of the Fiat Group in 2005 are the following:

€ in millions	2005	2004 (a)	Change Amount	%
Net revenues	46,544	45,637	+907	+2.0%
Operating result	2,215	(585)	+2,800	n.s.
Income/(loss) before taxes	2,264	(1,629)	+3,893	n.s.
Group interest in net income/(loss)	1,331	(1,634)	+2,965	n.s.
Investments in tangible and intangible assets and R&D expenses	4,610	4,706	-96	-2.0%
Total assets	62,454	62,522	-68	-0.1%
Net debt	18,523	25,423	-6,900	-27.1%
Group interest in stockholders' equity	8,681	4,304	+4,377	+101.7%
Employees (number)	173,695	161,066	+12,629	+7.8%

(a) The comparative data for 2004 has been restated by the Fiat Group in accordance with the accounting standards IFRS, effective January 1, 2005.

The Fiat Group records **net revenues** of € 46,544 million in 2005, up 2% from 2004. All industrial Sectors (Automobile, Agricultural and Construction Equipment, Commercial Vehicles, Components and Production Systems) posted improvements, apart from a slight decrease (0.8%) at Fiat Auto in the first nine months of 2005, when sales slowed down ahead of new model launches. Other Businesses (Publishing and Communications, and in particular, Services and Holding companies, Other companies and Eliminations) report a decrease in net revenues of approximately € 400 million in 2005 compared to 2004.

The **operating result** of the Fiat Group is an operating income totaling € 2,215 million in 2005, compared to a loss of € 585 million in 2004. The improvement in trading profit reflects a € 541 million reduction in trading losses at Fiat Auto and the positive performance of all other industrial sectors, which met or exceeded their trading margin targets, as well as other unusual income stemming from important extraordinary transactions in 2005 (including, in particular, the termination of the Master Agreement with General Motors and the disposal of the investment in Italenergia bis).

Restructuring costs total € 502 million in 2005, down € 40 million from 2004, and are principally distributed among Fiat Auto (€ 162 million), Iveco (€ 103 million) and CNH (€ 87 million).

The following table illustrates the components of the operating result broken down by Sector:

	Trading Profit		*Gains/Losses on sales of equity investments*		*Restructuring costs*		*Other unusual income (expenses)*		*Operating income*	
(in millions of euros)	*2005*	*2004*	*2005*	*2004*	*2005*	*2004*	*2005*	*2004*	*2005*	*2004*
Fiat Auto	**(281)**	(822)	**-**	3	**162**	355	**(375)**	(238)	**(818)**	(1,412)
Maserati	**(85)**	(168)	**-**	-	**-**	-	**-**	(3)	**(85)**	(171)
Ferrari	**157**	138	**-**	-	**-**	-	**-**	(2)	**157**	136
Fiat Powertrain Technologies	**26**	-	**-**	-	**17**	-	**(5)**	-	**4**	-
Agricultural and Construction Equipment (CNH)	**698**	467	**-**	-	**87**	68	**-**	-	**611**	399
Commercial Vehicles (Iveco)	**415**	371	**(10)**	-	**103**	24	**(13)**	-	**289**	347
Components (Magneti Marelli)	**162**	165	**-**	31	**33**	48	**(2)**	-	**127**	148
Metallurgical Products (Teksid)	**45**	(39)	**5**	-	**14**	3	**(9)**	-	**27**	(42)
Production Systems (Comau)	**42**	40	**(1)**	-	**46**	10	**(3)**	-	**(8)**	30
Services (Business Solutions)	**35**	41	**9**	2	**22**	9	**(15)**	-	**7**	34
Publishing and Communications (Itedi)	**16**	11	**-**	-	**2**	2	**(1)**	-	**13**	9
Holding companies, Other companies and Eliminations	**(230)**	(154)	**902**	114	**16**	23	**1,235**	-	**1,891**	(63)
Total for the Group	**1,000**	50	**905**	150	**502**	542	**812**	(243)	**2,215**	(585)

Fiat **Group interest in net income** amounts to € 1,331 million in 2005, against a loss of € 1,634 million in 2004. Moreover, the Fiat Group booked unusual financial income of € 858 million relating to the capital increase following the conversion of the Mandatory Convertible Facility and lower net financial expenses (€ 843 million against € 1,179 million in the prior year, which included non-recurring items for approximately € 250 million due to the unwinding of the equity swap on General Motors shares) as a result of lower net debt.

The most **significant transactions in 2005** include the following:

- in February, the termination of the Master Agreement with General Motors, including the cancellation of the put option, the unwinding of all joint ventures and the return of GM's 10% equity interest in Fiat Auto Holdings to Fiat. Net gains stemming from the termination of the agreements total € 1,134 million;
- in September, the sale of 24.6% of the capital stock of Italenergia bis to EDF by the Fiat Group at a price of € 1,147 million. Concurrently, the Citigroup financing of the same amount that had been extended in 2002 was reimbursed. A gain of € 878 million was realized on the sale of the aforementioned investment.
- also in September, the capital increase to service the Mandatory Convertible Facility that fell due on September 20, 2005, with the subscription of the new shares, issued at the price of € 10.28 each, by the lending banks through a set-off against the total debt of € 3 billion. Following this transaction, unusual financial income of € 858 million was booked, representing the difference between the subscription price of the shares and their stock market price at the date of subscription.

As for equity and financial aspects:

- Consolidated **Group interest in stockholders' equity** is € 8,681 million at December 31, 2005, compared to € 4,304 million at December 31, 2004. The major changes during the year, apart from net income, refer to the foregoing capital increase to service the Mandatory Convertible Facility of € 3 billion;
- **Consolidated net debt** decreased by € 6.9 billion from € 25,423 million at December 31, 2004 to € 18,523 million at December 31, 2005, including € 15,304 million attributable to Financial services and € 3,219 million to Industrial Activities. More specifically, the net debt of the Fiat Group decreased as a result of the following transactions:
  - the collection of € 1.56 billion from General Motors following the termination of the aforementioned agreements;
  - the reimbursement of € 2 billion in financing that had previously been extended to financial services companies sold by Iveco to Barclays;
  - the conversion of the Mandatory Convertible Facility amounting to € 3 billion;
  - the positive financial effects of the completion of the Italenergia bis transaction for € 1.8 billion.

The net debt at December 31, 2004 and December 31, 2005 can be summarized as follows:

€ in millions	12/31/2005	12/31/2004	Change
Debt	(25,761)	(32,191)	6,430
Other financial liabilities	(189)	(203)	14
	(25,950)	(32,394)	6,444
Other financial assets	454	851	(397)
Current securities	556	353	203
Cash and cash equivalents	6,417	5,767	650
Net debt	(18,523)	(25,423)	6,900

The operating performance in 2005 by major sector of activity in 2005 is the following.

After termination of the Master Agreement with General Motors, Fiat Auto regained its strategic independence and was thus able to execute targeted industrial agreements with major carmakers outside Italy (Pars Industrial Development Foundation in Iran, PSA and Tofas in Turkey, Ford in Poland, Zastava in Serbia, Suzuki in Asia and, in 2006, Tata Motors in India and Severstal in Russia) to increase Fiat Auto's competitiveness.

Demand in Western Europe in the automobile market recorded a slight decrease (-0.2%) performing differently in various countries (1.3% decline in Italy) and off sharply in Poland (-26.5%) while the Brazilian market continued on its growth track, with demand rising by 9.1%.

Fiat Auto had a 28% share of the Italian car market in 2005 (the same as last year) but higher at the end of the year and in the early months of 2006. Its share declined to 6.5%. for Western Europe (0.7% points less than in 2004). In Poland, Fiat Auto's sales volume contracted by 44.3% whereas Fiat Auto achieved a 24.4% share of the Brazilian car market increasing sales by 12.9% in 2005 with respect to 2004 and regaining leadership of the market. Market expansion was also positive in Argentina, following the economic recovery of that country, and in Turkey.
In 2005, shipments of light commercial vehicles are 5.1% more than in 2004.

As part of its effort to round out its model line, Fiat launched the Croma in May 2005, a new entry in the medium-high segment while the Grande Punto was launched in September 2005 and generated an immediate and excellent response among customers. As for the Grande Punto, the year ended with registrations of 35,000 units and new orders for 88,000 cars, with customers outside Italy accounting for 45% of the total. The Fiat Panda Cross and Fiat Sedici were also launched in 2005.

Alfa Romeo brought the Alfa 159 and the Brera to market in the last quarter of the year; these models confirm the distinctive styling of the Alfa Romeo brand.
The Fiat and Alfa Romeo lineup of models is less than two years old. The product line was also bolstered by the significant success achieved in terms of safety with the new models honored with several awards in Europe.

Lancia, which will celebrate its 100th birthday in 2006, presented upgrades of some of its models: Ypsilon, Musa and Phedra.

The Fiat Veicoli Commerciali (Fiat light commercial vehicles) brand launched the new Doblò in October, which was honored with the coveted Van of the Year 2006 international award and was able to achieve a high level of market penetration.

Maserati, the ownership of which was transferred from Ferrari S.p.A. to Fiat Partecipazioni S.p.A. in April 2005, achieved major commercial and racing objectives thanks above all to the success of the Quattroporte despite a declining market in the countries it operates.

In 2005, **Ferrari** increased shipments to the sales network by 11%, benefiting from the success of the F430, the 612 Scaglietti and Superamerica. New and developing markets provided a significant contribution (Middle East, Eastern Europe, South America and China).

From an economic standpoint, in 2005, the Automobiles business area recorded net revenues of € 21,729 million, up 2.5% over the prior year. This increase is the result of a slight decrease reported at Fiat Auto (-0.8%, partly due to the strong focus on more profitable sales channels, but with gains in the last quarter), improvements posted by Ferrari (+9.7%) and Maserati (+30.3%), and the consolidation of the Powertrain operations following termination of the Master Agreement with General Motors, as well as the reorganization of the car engine and transmission activities.
Fiat Auto drastically reduced its trading loss from € 822 million in 2004 to € 281 million in 2005. This change is mainly attributable to a better sales mix, greater efficiencies and a considerable reduction in business governance costs, while Ferrari had a trading profit of € 157 million (€ 138 million in 2004). Maserati had a trading loss of € 85 million in 2005, as compared to a loss of € 168 million in 2004.

CNH reported net revenues of € 10,212 million in 2005, a slight 2.3% increase compared to 2004 while the performance varied by sector (positive for construction equipment, also in terms of prices, negative for the agricultural equipment) as well as by geographical area.
In 2005, CNH reported a trading profit of € 698 million, compared to € 467 million in 2004. Improved revenues, higher manufacturing efficiencies and greater profitability in financial services more than offset higher raw material prices. CNH also benefited from a structural reduction in employee healthcare costs in North America.

CNH reorganized its operations in the fourth quarter of 2005 to focus on its four distinct brands: Case IH and New Holland for agricultural equipment, Case and New Holland for construction equipment. CNH has recently renewed the lineup of its products and is now trying to focus on achieving best-in-class product quality and reliability and reduce warranty costs. A number of CNH products were singled out for recognition in 2005.
Strategic objectives also include higher margins, new production efficiencies and a reduction in debt by increasing cash flow.

IVECO

Iveco net revenues total € 9,489 million in 2005. This represents a 4.9% increase, largely reflecting a higher number of units delivered (+6.3%, including vehicles sold with a buy-back commitment). Iveco's share of the Western European market is unchanged from the prior year, as a result of a general growth recorded in all markets with the exception of Italy.
Iveco had a trading profit of € 415 million, € 44 million higher than in 2004, despite higher raw materials prices and a less favorable market mix.
In the first half of 2005, Iveco and Barclays entered into an agreement that established Iveco Finance Holdings Ltd, which provides financing and leasing solutions for commercial vehicles. On June 1, 2005, Iveco sold 51% of Iveco Finance Holdings Ltd to Barclays.

The Components and Production Systems business area has revenues of € 6,642 million, for an overall increase of 3.5% due to the positive performance of Magneti Marelli (+6.3%) and Teksid (+13.8%), partly offset by a reduction at Comau (-8.1%).

Magneti Marelli has revenues of € 4,033 million in 2005. The 6.3% increase compared to 2004 partly reflects the consolidation of Mako from January 1, 2005. Excluding changes in the scope of consolidation and exchange rate effects, revenues increased by approximately 2%. The strong performance of Magneti Marelli operations in Brazil and Poland and the positive trend of its onboard electronics activities offset lower sales volumes in Italy, which started recovering in the fourth quarter.

Teksid has revenues of € 1,036 million, up 13.8% from 2004. Higher volumes at the Cast Iron Business Unit (+4.6%), the positive impact of exchange rates and the recovery of higher raw materials costs through higher sales prices contributed to the improved performance, more than offsetting lower volumes in Magnesium Business Unit (-6.8%).

Comau has revenues of € 1,573 million in 2005. The 8.1% reduction from 2004 reflects the transfer of Comau's European activities to Iveco, Magneti Marelli and CNH. When calculated on a comparable scope of consolidation basis, Comau's revenues rose by approximately 6%, due to a strong performance in the Car Bodywork and Maintenance areas.

Other Businesses, which comprise Services (Business Solutions), Publishing and Communications (Itedi) and Holding companies and Other companies, record an overall decrease of 19.2% from 2004 due to the performance of Business Solutions and Holdings and Other companies.

Business Solutions has revenues of € 752 million in 2005, down 23% from 2004. The decrease stems in part from the change in the scope of consolidation (sale of the temporary employment agency WorkNet). On a comparable scope of consolidation basis, the decrease in revenues is approximately 5%, mainly reflecting lower activity in the administration area, following a redefinition of the services the Sector provides to other Group companies.

In 2005, Itedi has revenues of € 397 million, down 2.5% from the previous year. The downturn is attributable to lower advertising revenues following termination of a major concession agreement, lower newspaper sales revenues, and a more selective and profitability-oriented approach to brand extension initiatives.

As regards significant events occurring since the end of the fiscal year, the Fiat Group has continued to implement its strategy of targeted industrial alliances and concluded important transactions for financial funding which are an indication of the credibility and confidence regained on the capital markets. Those most worthy of note are the following:

- in January 2006, Fiat Auto and Severstal Auto signed an industrial agreement for the assembly in Russia of several models, based on CKDs produced in Turkey by Tofas, the joint venture between Fiat Auto and the Koç Group;
- also in January 2006, the Fiat Group and Tata Motors signed an agreement to co-operate on dealer network sharing, which covers the sale of Fiat branded cars in India;
- in February 2006, Fiat communicated that it had successfully closed its offer to issue 6.625% Senior Notes having a face value of € 1 billion, and maturing February 2013, whose price was set on February 7, 2006 at 100% of the face value. It is to be noted that in January 2006 Fitch Ratings and Moody's changed their outlook on Fiat from negative to stable, as Standard & Poor's Rating Services had already done in August 2005. The notes, which were issued, have been admitted to listing on the Irish stock exchange;
- at the beginning of March 2006, the CNH Group issued senior notes with a face value of US $ 500 million, issued at face value, maturing in 2014 and with a fixed annual interest rate of 7.125% to professional investors;
- in February 2006, the Fiat Group and the Italian Ministry of Productive Activities signed a project agreement committing the Group to implementing an investment plan for a total of € 647 million to support Fiat's manufacturing operations at Pratola Serra and Termoli and the research activities carried out at Pomigliano d'Arco, supplemented by a government grant of approximately € 82 million.

(52.78% of capital stock through Ifil Investissements)

The 2005 consolidated results of the Sequana Capital Group, prepared in a condensed format with the operating companies accounted for by the equity method, can be summarized as follows:

€ in millions	2005	2004	Change
Share of earnings (losses) of companies accounted for by the equity method:			
- ArjoWiggins	56.5	60.5	(4.0)
- Antalis	30.4	17.2	13.2
- SGS	58.3	47.4	10.9
- Antonin Rodet	(1.0)	(2.9)	1.9
Share of earnings (losses) of operating companies on a comparable consolidation basis	144.2	122.2	22.0
- Permal Group (a)	41.2	46.2	(5.0)
- Pechel Industries	0.0	6.2	(6.2)
Share of earnings (losses) of operating companies sold	41.2	52.4	(11.2)
Trading loss of companies consolidated line-by-line	(17.7)	(2.0)	(15.7)
Trading profit - Group	167.7	172.6	(4.9)
Nonrecurring income (expenses)	180.4	(200.7)	381.1
Profit (loss) - Group	348.1	(28.1)	376.2
Consolidated equity - Group	2,190.0	1,818.0	372.0
Consolidated net financial position (line-by-line consolidation)	181.0	(235.0)	416.0

(a) Deconsolidated as of November 1, 2005.

The total share of the earnings (losses) of all the operating companies shows an increase of 6% due to the positive performance of SGS and Antalis. Instead, the performance of ArjoWiggins was hurt by a market context where the norm is still excess production capacity and by higher energy and raw material costs. Owing to its deconsolidation as of November 1, 2005, the share of the earnings of Permal Group is not comparable with that of the prior year.
The slight decrease in the trading profit of the Sequana Capital Group (-3% compared to 2004) can principally be ascribed to an increase in the tax charges booked by the holdings (-€ 3 million compared to a tax benefit of € 7 million in the prior year), in addition to a reduction in the contribution of financial income and expenses (€ 2 million compared to € 8 million in 2004).
Nonrecurring income (expenses) shown net of directly chargeable expenses and income taxes, principally includes the gain realized on the sale of the 70.5% stake in Permal Group Ltd to Legg Mason (€ 449.4 million), restructuring costs and writedowns of the assets of the Arjo Wiggins Group (-€ 201.4 million) and nonrecurring expenses (-€ 71.8 million) mainly in connection with the provision for the Fox River dispute.

The significant amount of proceeds from the sale of Permal Group was also a contributory factor to the net financial position (line-by-line consolidation) of the Sequana Group which shows a liquidity position of € 181 million at December 31, 2005 (compared to a net debt position of € 235 million at the end of 2004). This figure does not include the equivalent amount of proceeds of € 169 million on the Legg Mason shares sold during the first quarter of 2006.

On March 28, 2006, the Board of Directors voted to put forward a motion to the Stockholders' Meeting, called for May 10, 2006, for the payment of dividends of € 3.3 per share (of which € 0.6 for ordinary dividends and € 2.7 for extraordinary dividends) for a total of € 349.7 million.
The dividends to which IFIL are entitled amount to € 184.5 million.

The performance of the principal sectors in which the Sequana Group operates is reviewed in the following paragraphs.

ARJOWIGGINS

(100% of capital stock through Sequana Capital)

In Europe, the year 2005 featured weak economic growth and higher competition from Asian countries. In view of an excess of pre-existing production capacity, these factors contributed to a rise in pressure over prices. As for volumes, demand rose by only 1%.

Sales of the Arjo Wiggins Group in 2005 are € 2 billion (+1.4% against € 1.98 billion in the prior year).

The generalized increase in energy and raw material costs led to an erosion of margins. The operating profit of the Arjo Wiggins Group thus fell to € 82.6 million in 2005, declining by 22% compared to € 106.4 million reported in 2004.

Fixed overheads decreased by € 18 million owing to the restructuring measures implemented in previous years and still underway.

On the financial front, the Arjo Wiggins Group was nevertheless able to generate high cash flows (€ 124 million, including € 95 million provided in the second half of the year) as a result of a serious effort to reduce working capital and control investments. This enabled the Group to reduce the net debt at the end of the year to € 291 million, from € 404 million at December 31, 2004.

During the second half of 2005, a strategic analysis of the Arjo Wiggins Group was begun with the assistance of outside consultants. The analysis revealed the presence of important strong points (reputation and global presence, leadership position in various niche markets, high level of research, development and know-how and the world record for the purchase of raw materials such as cellulose paste) and also weak points (underdeveloped internal synergies, weak customer-oriented organization and highest concentration of business in mature Western markets).

Partly to adopt the changes required by this strategic review, in 2005, the Arjo Wiggins Group recorded restructuring costs of € 210 million, mainly for the closing of a production facility in Scotland and assets writedown.

Consolidated operating highlights of the Arjo Wiggins Group are the following:

			Change	
€ in millions	2005	2004	Amount	%
Sales	2,004	1,977	27	1
Operating profit	83	106	(23)	-22
Loss	(157)	(45)	(112)	n.s.

(100% of capital stock through Sequana Capital)

The positive signs seen at the end of 2004 in the reference markets were not confirmed in the year 2005, which recorded basically stable volumes and strong price pressures. As a consequence, the market declined by 2% in value during the year

Notwithstanding, in 2005, the business volumes of Antalis increased slightly over the prior year, from € 2,337 million to € 2,344 million.

Thanks particularly to the progress achieved in relations with customers, which made it possible to consolidate market share, and the decrease in logistics and sales expenses, the company further improved its results. The operating profit thus showed a substantial increase (+26%), reaching € 53 million compared to € 42 million in 2004.

Moreover, improvements at the level of financial income and expenses allowed Antalis to reach a consolidated profit of € 27 million, an increase of € 12 million compared to the prior year.

In 2005, Antalis continued its geographic expansion to areas with strong growth, making investments in Brazil and South Africa and concluding cooperation agreements with leading operators in the sector.

As for the key consolidated results of Antalis in 2005, they can be summarized as follows:

			Change	
€ in millions	2005	2004	Amount	%
Sales	2,344	2,337	7	0
Operating profit	53	42	11	26
Profit	27	15	12	n.s.

(23.77% of capital stock through Sequana Capital)

The SGS Group was able to capitalize on the favorable conditions displayed in 2005 by the reference markets of various sectors (in particular: agriculture, energy, construction and manufactured products), with demand and prices remaining high. Growth was across all geographic areas, with a record high in Asia which reported a gain of 30%.

Sales of the SGS Group grew 14.7%, reaching CHF 3.3 billion and benefiting from the diversification of the services offered, the geographical expansion (especially in Asia) and the integration of the companies acquired last year.

Operating profit is CHF 502 million or CHF 109 million more than in 2004, with the percentage of operating profit to sales being 15.2% with a high of 20.3% in the Consumer Testing sector. The sectors with the highest growth compared to the preceding year, apart from Consumer Testing, are Oil Gas & Chemical Services and Industrial Services.

With an increase in profit from CHF 278 million in 2004 to CHF 371 in 2005 (+33.5%), the market price of SGS stock reported a 37.5% gain.

The strategic development plan devised by the SGS Group is founded upon the following three basic growth factors:

- constant expansion of the services offered and the range of geographic action;
- development of the sectors with the highest growth rates (Life Science, Consumer Testing and Industrial Services), also by adopting a policy of outside acquisitions;
- tailoring the offering to match customers' needs in strategic markets with prospects of expansion.

In quantitative terms, the plan calls for a target business volume of CHF 5 billion and an operating margin of 17% by the end of 2008.

In short, the key consolidated results of the SGS Group in 2005 are the following:

			Change	
CHF in millions	2005	2004	Amount	%
Sales	3,308	2,885	423	15
Operating profit	502	393	109	28
Profit	371	278	93	n.s.

(5.86% of ordinary capital stock)

The Sanpaolo IMI Group closed the year 2005 with a **consolidated net profit** of € 1,983 million, an increase of 57.9% compared to 2004. RoE rose to 17.2% from 11.9% in the prior year while the cost/income ratio fell from 63.4 to 57.

The main income margins show an increase compared to the prior year with a growth in revenues during the last few months of the year.

Net interest income (€ 3,795 million) increased by 3% (a growth of 4.9% with the exclusion of investment banking activities which are characterized by greater volatility); this is an inversion of the downward trend seen in 2004. The main growth factor is attributable to the increase in the volumes dealt (+10.5%, on average, in terms of interest-earning assets) which amply compensated the reduction in the spread (16 basis points in transactions with customers) owing to an excessive supply of loans by the system.

All the main components of the interest-earning assets contributed to the increase in the amounts. In particular, under loans to customers (+10.5%), medium/long-term financing rose by 11.6%, benefiting from the positive performance of mortgage financing directed at the retail sector (+19.9%).

Direct deposits showed an increase of 6.8% on an annual basis reaching € 169.6 billion.

Total operating income, including income from insurance management, is € 8,402 million, a rise of 10.6% compared to the previous year. Growth was sustained by the positive performance of all the components.

Net commissions, totaling € 3,476 million (+6.8%), benefited from the increase in **indirect deposits** (+9.8%, also as a result of the positive performance of the financial markets) and the repositioning of asset management toward areas with a higher added value.

In absolute terms, the most significant increase (+€ 262 million) was recorded in the typical operations of Banca IMI and structured finance which include one-off components.

The good performance in life insurance is reflected in the **income from the insurance business**, in reference to the life and casualty companies headed by Assicurazioni Internazionali di Previdenza, which amounts to € 431 million (+31%) thanks to the favorable trend in financial management.

Net operating income, amounting to € 7,912 million (+13.1%), also benefited from the decrease in the adjustments of loans and other financial assets. Non-performing loans decreased by 5% while problem and restructured loans declined by 13.8%, showing an improvement in the risk profile of the loan portfolio.

Control over operating costs (-0.5%) thus made it possible to reach a **pre-tax operating profit** of € 3,023 million, an increase of 53.4% over 2004.

Shareholders' equity – Group amounts to € 13,483 million at the end of year (€ 12,035 million at December 31, 2004). The change includes, among others, the positive fair value adjustments of financial assets for € 478 million and actuarial losses on defined benefit employee funds and employee termination indemnities charged to equity reserves for € 199 million.

A summary of the highlights of the Sanpaolo IMI Group for the year 2005 is presented below:

			Change	
€ in millions	2005	2004	Amount	%
Net interest income	3,795	3,683	112	3.0
Net operating income	7,912	6,998	914	13.1
Pre-tax operating profit	3,023	1,971	1,052	53.4
Net profit - Group	1,983	1,256	727	57.9
Total assets	268,385	248,418	19,967	8.0
Loans to customers	138,427	125,143	13,284	10.6
Customer financial assets	406,232	376,381	29,851	7.9
Shareholders' equity - Group	13,483	12,035	1,448	12.0
Embedded value of the life insurance business	2,648	2,433	215	8.8
Branches and representative offices (Italy+foreign)	3,308	3,257	51	1.6
Employees (number)	43,666	43,184	482	1.1
Financial planners	4,151	4,317	(166)	-3.8

Following the structural reorganization of the Group, begun in July 2005, the activities of the Sanpaolo IMI Group are currently organized into the following sectors:

- Banking, divided in the “retail & private” and “corporate” business lines. This is the “core” sector of the Group, accounting for about 80% of the consolidated figures;
- Savings and Assurance, which includes Banca Fideuram and Assicurazioni Internazionali di Previdenza, now concentrated in the newly-established company Eurizon Financial Group, to which Sanpaolo IMI Asset Management was transferred in January 2006. The project, which is based upon the distinction between “product factories” and “banking distribution networks”, calls for Eurizon’s listing on the stock market so that the company can access the capital markets directly;
- Central functions (governance, support and control, strategic investments and finance).

2005 also saw the completion of the process to integrate and rationalize the Group banks.
In October, the 2006-2008 Plan was approved; the objectives can be summarized as achieving a RoE of 18% and a cost/income ratio of 52% at the end of 2008.

The plan to rationalize the distribution network will continue in 2006. It involves, firstly, the banks in the North East and along the Adriatic Sea, while the integration of the Group’s distribution networks in Romagna with those of the Cassa di Risparmi di Forlì is scheduled to take place in 2007. In that year, Sanpaolo IMI will confer its branches in the Romagna area and thus acquire control of Cassa di Risparmi di Forlì.

As for performance in the early months of the year, the economic results seem to be above budget forecasts. Loans to customer continue to record over 10% growth while mortgage loans to families (+30%), personal loans (+70%) and industrial loans to small- and medium-sized businesses (+60%) are particularly lively. The number of commercial bank customers has risen, reversing the trend seen in the corresponding period of 2005.
Income margins could benefit from the widening of the customer base, as well as improvement of the spread, favored by the recovery in market rates and the development of the financial services for the clientele.

The Board of Directors’ Meeting of the Bank held on March 23, 2006 voted to put forward a motion to the Shareholders’ Meeting called for April 27 or April 28, 2006 for the distribution of dividends per share of € 0.57.
Dividends for IFIL will amount to € 53 million.

(60% of capital stock)

The 2004/2005 sports season ended with the Club's 28th Italian Championship victory, which allowed Juventus to automatically qualify for the U.E.F.A. Champions League in the current season.

The last financial year closed on June 30, 2005 and recorded a loss of € 3 million, with an improvement over the loss of € 18.5 million reported in the prior year.
Operating revenues totaling € 229.3 million posted a considerable increase (+10%) over 2003/2004. The rise in revenues is due to the bonuses received for the Club's first-place victory in the Italian Championship, the higher number of games played (with the exception of only the Italian Cup) and the contractual increase established in the agreements for television and telephone rights.
In March 2005, income of € 18 million was also recorded as a result of the sale, to Oilinvest B.V., owner of the Tamoil brand, of the option rights relating to the new official sponsorship contract. In the first half of 2004, the operating revenues had included € 20 million received from the Mediaset Group on the sale of the rights to broadcast games in future seasons.

The gross operating margin rose to € 45.7 million (€ 37.1 million in the previous financial year). The benefit from the increase in revenues was partly offset by higher service expenses and personnel costs.

Net income from the management of players' registration rights amounted to € 16.8 million (€ 3.6 million in the previous season). Amortization of the investments in players decreased to € 59.1 million (€ 63.9 million in the year 2003/2004) thanks to the extension of the contract periods for certain players.

The players' transfer campaign for the 2004/2005 season led to net investments of € 69.9 million while the overall financial effect, taking into account the gain realized on disposals and on the termination of co-sharing rights, was a negative € 46.1 million.

The following highlights are taken from accounting data prepared and published by Juventus F.C. in accordance with Italian GAAP.

Year 2004/2005 (a)	Year 2003/2004 (a)	€ in millions	I Half 2005/2006 (b)	I Half 2004/2005 (b)	Change
229.3	208.2	Operating revenues	134.2	95.5	38.7
45.7	37.1	Gross operating margin (c)	37.6	7.0	30.6
(3.0)	(18.5)	Net income (loss)	2.1	(9.8)	11.9
77.9	80.9	Stockholders' equity (d)	80.0	71.2	8.8
(16.4)	53.1	Net financial position (d)	(22.7)	(20.5)	(2.2)

(a) Corresponding, respectively, to the periods July 1, 2004 to June 30, 2005 and July 1, 2003 to June 30, 2004.
(b) Corresponding, respectively, to the periods July 1, 2005 to December 31, 2005 and July 1, 2004 to December 31, 2004.
(c) Before amortization of players' registration rights.
(d) Data refers to the end of the period.

The result for the period July 1, to December 31, 2005, the first half of the current financial year, shows a net income of € 2.1 million. This is an increase of € 11.9 million compared to the loss of € 9.8 million for the same period of the prior year.
The comparison of operating revenues and the gross operating margin during the same periods shows a considerable improvement over 2004. This is due to the positive operating performance and also to significant nonrecurring items. In particular, the 2005 data includes € 30 million received by Juventus F.C. in December from the Mediaset Group for the consideration on an option right sold under a broader broadcasting agreement. This agreement allows the Mediaset Group to broadcast the home games of the Italian Championship for the 2007/2008 and 2008/2009 seasons using any distribution platform, and also covers other events and minor rights.
The right that was sold gives the Mediaset Group the option of extending the same rights that are covered by the principal agreement to the 2009/2010 season.
The consideration for the first two seasons was agreed, respectively, at € 108 million and € 110 million.

The 2005/2206 summer transfer campaign involved net investments of € 37.7 million. The economic effect of the transactions was a positive € 1.4 million whereas the financial effect was a negative € 21.8 million.
During the second stage of the campaign, conducted in January 2006, there were neither significant movements nor effects on the financial position, results of operations or cash flows.

Other important events worthy of note in 2005, besides those already mentioned, include, in December, the signing of a contract for the sale, to the company Virgiliocinque S.p.A. (owner of Juventus F.C.'s headquarters), of an option right for the purchase of the surface rights to the commercial areas outside the Delle Alpi Stadium. The consideration for the right sold was equal to € 0.1 million.

With regard to the investigation by the Judicial Authorities of Rome regarding the alleged falsification of financial statements by soccer clubs in order to obtain registration for the relevant championships, the documentation was sent to the competent territorial jurisdictions. The Procura della Repubblica of Turin collected further documentation from Juventus F.C. offices, with the mandatory inclusion of the name of the Chief Executive Officer in accordance with art. 335 of the Code of Criminal Procedure.

As for the investigation by the Judicial Authorities against the Chief Executive Officer and the Juventus F.C. physician concerning the alleged improper use of medicines by Juventus F.C. players, on December 14, 2005, the Corte d'Appello (Court of Appeals) fully acquitted both parties.

(100% of capital stock, through Ifil Investissements)

The year 2004/2005 was severely penalized by the decline in demand for some of the Group's most important destinations. The decline is a consequence of extraordinary external events such as the attack at Taba (Egypt) in October 2004, the crisis of the Volare group, the devastating tsunami which hit on December 26, 2004, followed by the vicious attack at Sharm El Sheik in July 2005.

With that in mind, despite a difficult start which had hurt the winter season and the persisting climate of political and economic uncertainty, the first months of the summer, up until the date of the attack at Sharm El Sheik, presented a positive picture: sales and margins were up compared to the corresponding period of the prior year and in line with forecasts.

The attack at Sharm El Sheik on July 22 again badly upset the market situation right in the middle of the high season causing numerous cancellations of reservations that had already been purchased. Following this exceptional event, the Group worked especially hard with a great deal of success and was able to suggest new destinations to customers who had originally planned vacations at Sharm El Sheik to a host of alternative destinations such as the Mare Italia, Greece, the Canary Islands, the Balearic Islands and Cape Verde. While this had the effect of limiting the impact on volumes, it did not, however, prevent a contraction in the margins caused by the different mix of destinations and the costs for re-protection.

Moreover, the summer season was dealt another severe blow, with particular reference to the Caribbean, by the effects of Hurricane Emily and Hurricane Wilma which hit the tourist areas along the Mayan Riviera.

As for the market, fierce competition and extremely aggressive sales policies on the part of tour operators persist in terms of prices and discounts offered on some of the most popular destinations. The propensity of customers to delay vacation reservations until just a few days before departure to take advantage of last minute offers also remains high.

To meet this situation and keep discounted sales prices at a normal level, the Group has re-proposed "early booking" campaigns where the final customer is rewarded with lower prices when reservations are made a good deal in advance. By using this promotional tool, the Group achieved significant improvements in programming, especially for the summer season, and an optimization of the costs and the risks associated with both land-based services and seat availability on flights.

The key consolidated financial statement data of the Alpitour Group for the year ended October 31, 2005, prepared in accordance with IFRS, can be summarized as follows:

			Change	
€ in millions	2004/2005	2003/2004	Amount	%
Net revenues	1,146.8	1,108.5	38.3	3.5
Operating profit	7.0	28.9	(21.9)	-75.8
Profit (loss) - Group	(10.7)	5.7	(16.4)	n.s.
Equity - Group	70.2	79.2	(9.0)	-11.3
Consolidated net financial position	(77.4)	(112.0)	34.6	30.9

Consolidated sales by business sector of the Alpitour Group is detailed below:

€ in millions	2004/2005	2003/2004	Change Amount	%
Tour operating	883.0	886.1	(3.1)	-0.3
Incoming	229.3	217.4	11.9	5.5
Hotel	96.1	92.7	3.4	3.7
Aviation	103.7	73.6	30.1	40.8
Distribution	30.2	23.5	6.7	28.7
Incentives and Grandi Eventi	45.6	44.7	0.9	2.1
Total	1,387.9	1,338.0	49.9	3.7
Elimination of intragroup transactions	(241.1)	(229.5)	(11.6)	5.1
Total	1,146.8	1,108.5	38.3	3.5

With regard to the Tour Operating business, sales of € 883 million were reported in 2004/2005 and are basically in line with those of the prior year (€ 886.1 million).

As for volumes, there were 997 thousand travelers in 2004/2005, a reduction of about 5.3% compared to the previous year (1,052 thousand). In terms of the sales mix, a considerable decline (about -30%) was recorded in 2004/2005 in destinations to Egypt and the Indian Ocean (the Maldives, in particular), due to the exceptional events mentioned early.

Instead, the trend of destinations to the Caribbean area, especially Honduras, Cuba and Santo Domingo, as well as to Africa (Tanzania, Kenya and Senegal) was positive.

The major destinations in the Mediterranean area and in Europe, on the other hand, overall, maintained substantially stable performance in line with the prior year.

The Incoming sector, headed by the Jumboturismo Group, reported consolidated sales of € 229.3 million in 2004/2005 (€ 217.4 million in 2003/2004), including € 102 million in sales to the Alpitour Group. An analysis of the increase in sales, equal to approximately 5.5%, shows a growth in the volumes from third-party operators, on one hand, and a slight decline in those contributed by operators of the Group, on the other.
As regards third-party operators, the incoming sector has further consolidated the growth of sales relations with other European markets: traffic brought by third-party operators (mainly English, Irish and Dutch) totaled 736 thousand travelers (655 thousand in 2003/2004), equal to about 64% of total volumes managed by the division. As for volumes from tour operators of the Alpitour Group, 414 thousand travelers were recorded compared to 432 thousand in 2003/2004. For the areas served by the Jumbo Group, a considerable increase in travelers to destinations in Italy, Morocco and the Balearic Islands was reported whereas a slight decline was noted in the Cape Verde and Mexico destinations.
The Jumboturismo Group expanded its operating structure during the year by opening two new offices, one in Tunisia and one in Italy, and is now present in nine countries.

The Hotel sector registered a significant increase in consolidated sales which reached € 96.1 million (€ 92.7 million in the prior year). The total includes € 42.4 million of sales to tour operators of the Group. This increase is due, on one hand, to the growth of the Italian market and, on the other, to a decline (in terms of volumes and prices) in sales involving foreign structures as a result of exceptional events (the tsunami and hurricanes).
The foreign hotel resorts of the Group, which are currently marketed under the brands of "Bravo Club" by Alpitour, "Sea Club" by Francorosso and "Volando Club" by Volando, reported a presence of 966 thousand in 2004/2005 (1,073 thousand in 2003/2004), equivalent to 107 thousand customers. The Italian hotel facilities operated by Altamarea, instead, registered a presence of 954 thousand, up from 593 thousand in 2003/2004. With reference to the Italian market, during 2005, two new four-star hotels were opened in Rome, as well as the Arenella Resort in Siracusa, a product targeting families, which is an addition to the already existing Bravo Club Arenella.

The Aviation sector, with Neos, posted total sales of € 103.7 million, including € 81.4 million in sales to operators of the Group. The increase over last year (approximately +41%) is principally linked to the start of long-haul travel using a B 767 airplane.
Neos has a fleet of four B 737-800 airplanes of modern conception, based at the airports of Milan Malpensa, Verona and Bologna and operates on the major short/medium-haul routes in the Mediterranean area and Egypt. Beginning in December 2004, Neos has wet leased a B767 for long-haul travel to the Maldives, Africa and the Caribbean.
Neos carried more than 633 thousand passangers during the year (618 thousand in the prior year).

The Distribution sector, which reported sales of € 30.2 million (including € 4.1 million of sales to the Group), principally operates through the Welcome Group travel agency network, which at present encompasses 356 affiliate agencies (under franchisings or partnerships) and 39 owned agencies.
The factors which allowed the distribution division to report a significant increase in sales (+28.7%) compared to the year 2003/2004 are the following: the investments made during the last two years, combined with more effective action to coordinate the activities of the owned points of sale, higher growth of the travel organization activities as compared solely to the simple brokering business and a consolidation of franchising arrangements with affiliate agencies.

The Incentive business, in spite of a persisting generalized weak market, recorded an increase in sales volumes thanks to precise marketing actions and a sales policy aimed at acquiring new market share. Sales of Francorosso Incentive in 2004/2005, in fact, reached € 34 million, up approximately 10% compared to sales of € 30.9 million in 2003/2004.
During the year, the number of passengers/travelers managed was more than 25,300 (21,000 in 2003/2004).
Sales of Jumbo Grandi Eventi in 2004/2005, instead, decreased to € 11.6 million (€ 13.7 million in 2003/2004 which, however, had benefited from the numerous events connected with the Italian EU Presidency for six months).
In 2005/2006, the activities conducted as part of the events surrounding the "2006 Turin Winter Olympics" will generate sales of approximately € 120 million.

At the level of consolidated gross operating margin, the increase in the rental costs of hotel facilities and the lease payments for airplanes caused a decline from the prior year of approximately € 20.8 million (€ 22.4 million in 2004/2005 against € 43.2 million in 2003/2004). In percentage terms, gross operating margin was equal to 2%, compared to 4% in 2003/2004. In fact, the anticipated level of profitability from the growth of the various business sectors was not reached owing to the difficult market situation.

Amortization and depreciation charges recorded an increase of € 1.1 million, from € 14.3 million to € 15.4 million, mainly because of the Arenella tourist resort in Sicily which became fully operational during the year.

The first few months of the year 2005/2006 show a trend towards a recovery compared to the prior year. However, the choices made by the final customers are still being influenced, although to a lesser degree, by the exceptional events which severely penalized travel last year, the tsunami, in particular, and the Sharm El Sheik incident.

In spite of an unfavorable macroeconomic picture, the Group is continuing with its development strategies. As regards tour operating, new destinations, in particular, to Brazil and South America have been launched and more emphasis is being placed on the resort product. During the course of the current year, long-haul charter travel will be running regularly and be able to guarantee a high qualitative level of service. The development of the hotel sector will be able to count on the fully operational new hotel structures in Italy and benefit from an increasingly higher integration with the Group's businesses. As for incoming, an upsurge in destinations to Italy is expected while distribution, through the Welcome Group, started a crucial development plan for its distribution network using contacts with full-franchising affiliates.

Starting from November 1, 2005, the corporate reorganization and simplification plans have become operational; they regard the hotel and distribution divisions using mergers by incorporation. Such mergers will lead to a better organizational structure of the Group and higher operating efficiency. Finally, the actual business model is currently under review with the aim of identifying potential new synergies among the Group's businesses and also seizing opportunities in new businesses and markets.

ALPITOUR WORLD

Ifil Investissements (Luxembourg)

(100% of capital stock directly and through Ifil Investment Holding)

The key highlights for the year ended December 31, 2005 can be summarized as follows:

€ in millions	2005	2004	Change
Net income	491.4	509.0	(17.6)
Stockholders' equity	1,657.1	1,993.1	(336.0)
Financial fixed assets	1,604.7	2,005.2	(400.5)
Net financial position	54.9	(7.0)	61.9

The most important transactions which took place in 2005 are described under "Major events in 2005".

Stockholders' equity decreased by € 336 million following the partial reimbursement of additional paid-in capital to the parents IFIL (-€ 618,8 million) and Ifil Investment Holding (-€ 156.5 million), dividends paid or declared to these same companies (-€ 52.2 million) and net income for the year (+€ 491.4 million).

At December 31, 2005, financial fixed assets include the following equity investments and bonds:

		12/31/2005			
€ in millions	Number of shares	% of capital stock	Carrying value	12/31/2004	Change
Sequana Capital S.A.	55,922,623	52.78	775.5	775.5	0.0
Eurofind Textile S.A.	30,000	50.00	-	81.5	(81.5)
Ifil International Finance Ltd	4,000,000	100.00	734.0	1,054.0	(320.0)
NHT - New Holding for Tourism BV (in liquidation)	32,980	100.00	79.5	61.3	18.2
Ifil Finance BV (in liquidation)	-	-	-	18.5	(18.5)
Ifilgroup Finance Ltd	4,000,000	100.00	4.0	4.0	0.0
Sadco S.A. (in liquidation)	300	100.00	1.0	1.4	(0.4)
Ifil USA Inc	100	100.00	0.5	0.5	0.0
Turismo & Immobiliare S.p.A.	30,000	25.00	4.1	0.1	4.0
Other	-	-	1.2	3.6	(2.4)
Total equity investments			1,599.8	2,000.4	(400.6)
Ocean Club Méditerranée convertible bonds	76,614	-	4.9	4.8	0.1
Total financial fixed assets			1,604.7	2,005.2	(400.5)

In January 2006, NHT – New Holding for Tourism (in liquidation) transferred 100% of the capital of Alpitour S.p.A. to Ifil Investissements, at an amount of € 79.4 million, as an advance on the distribution of the assets in liquidation.

A comparison between the carrying amounts and the market prices of listed financial fixed assets shows the following unrealized gains:

€ millions	Sequana Capital	Ocean Club Med bonds	Total
Market price at December 30, 2005	566.6	0.1	566.7
Average market price in the second half 2005	522.0	0.1	522.1
Market price at March 24, 2006, update	656.1	0.2	656.3

Ifil International Finance Ltd (Ireland)

(100% of capital stock through Ifil Investissements)

The company closed the year ended December 31, 2005 basically with a breakeven, like last year. Stockholders' equity amounts to € 734.8 million (€ 1,054.8 million at the end of 2004) and the net financial position is a liquidity position of € 734.8 million (liquidity position of € 1,054.9 million at December 31, 2004).

The liquidity is mainly invested in two medium/long-term loans made to Ifil Investissements (for a total of € 730 million) due in January 2010.

Ifil Investment Holding (Netherlands)

(100% of capital stock)

Key highlights for the year ended December 31, 2005 can be summarized as follows:

€ in millions	2005	2004	Change
Net income	10.4	92.3	(81.9)
Stockholders' equity	104.9	257.9	(153.0)
Financial fixed assets	104.5	261.0	(156.5)
Net financial position	0.4	(2.7)	3.1

Financial fixed assets are comprised of the equity investment in Ifil Investissements S.A. Details are as follows:

	12/31/2005				
€ in millions	Number of shares	% of capital stock	Carrying value	12/31/2004	Change
Ifil Investissements S.A.	224,194	20.18	104.5	261.0	(156.5) (a)

(a) The reduction is due to the partial reimbursement of additional paid-in capital by Ifil Investissements for the same amount.

MOTION FOR THE APPROVAL OF THE FINANCIAL STATEMENTS AND THE APPROPRIATION OF NET INCOME FOR THE YEAR

To our stockholders,

We invite you to approve the financial statements for the year ended December 31, 2005 and, in view of the fact that the legal reserve is equal to one-fifth of capital stock, we propose the appropriation of the net income for year of € 98,760,183 as follows:

To the ordinary shares, dividends of € 0.08, for a maximum	€	83,089,017.36		
To the savings shares, dividends of € 0.1007, for a maximum	€	3,764,470.12		
Shares outstanding are entitled to the proposed dividends, thus excluding the shares held by the company at the ex dividend date, for a total maximum			€	86,853,487.48
To the reserve for unrealized net foreign exchange gains (art. 2426, para. 8 bis, Italian Civil Code)			€	476.12
To the extraordinary reserve, the remaining amount, for a minimum of			€	11,906,219.40
Profit for the year 2005			€	98,760,183.00

Turin, March 30, 2006

For the Board of Directors
The Chairman
Gianluigi Gabetti