Finanziaria di Partecipazioni SpA

IFIL GROUP IN 2003

DIRECTORS' REPORT ON OPERATIONS

Finanziaria di Partecipazioni SpA

Capital stock € 1,075,195,737, fully paid-in
Registered office in Turin - Corso Matteotti 26 - Turin Company Register No. 00914230016

IFIL GROUP IN 2003
DIRECTORS' REPORT ON OPERATIONS

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This is an English translation of the Italian original "Relazione sulla Gestione" approved by the IFIL Board of Directors on March 29, 2004, which has been prepared solely for the convenience of the reader.

The version in Italian takes precedence and 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 2003" containing the Directors' Report on Operations and the Consolidated and Statutory Financial Statements also available on the corporate website: http://www.ifil.it

Finanziaria di Partecipazioni SpA

Board of Directors

Chairman and Managing Director
Gianluigi Gabetti

General Manager
Daniel John Winteler

Directors
Winfried Bischoff
Tiberto Brandolini d'Adda
Edoardo Ferrero
Luigi Garosci
Franzo Grande Stevens
Mario Greco
Giancarlo Lombardi
Antonio Maria Marocco
Giuseppe Recchi (co-opted on May 14, 2003)
Claudio Saracco
Pio Teodorani-Fabbri

Secretary to the Board
Pierluigi Bernasconi

Executive Committee

Chairman
Gianluigi Gabetti

Tiberto Brandolini d'Adda
Luigi Garosci
Daniel John Winteler

Audit Committee

Chairman
Luigi Garosci

Giancarlo Lombardi
Claudio Saracco

Compensation and Nominating Committee

Chairman
Franzo Grande Stevens

Tiberto Brandolini d'Adda
Gianluigi Gabetti

Board of Statutory Auditors

Chairman	Piero Locatelli
Standing Auditors	Cesare Ferrero
	Natale Ignazio Girolamo
Alternate Auditor	Giorgio Giorgi

Independent Auditors

Deloitte & Touche S.p.A.

Expiry of term of office
The three-year terms of office of the Board of Directors and the Board of Statutory Auditors, elected by the Stockholders' Meeting on May 27, 2002, expire concurrently with the Stockholders' Meeting for the approval of the financial statements for the year ending December 31, 2004.
The Independent Auditors are appointed for the three-year period 2003-2005.

Corporate Governance
The Chairman and Managing Director, according to the by-laws (art. 20), may legally represent the Company. The Chairman and Managing Director, without specific authorization by the Board of Directors, may carry out all acts falling under the corporate business purpose, except as restricted by law.
The Board of Directors, under resolution on May 27, 2002, 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.
Specific operating powers have been conferred to the General Manager on June 25, 2003.

CHAIRMAN'S LETTER

To our Stockholders,

IFIL S.p.A. closed 2003 with a net income of € 72.7 million, thus laying the foundations for a return to the distribution of dividends. While the Group again reported a loss, amounting to € 45 million, the objective of reducing the debt position was met, which was decreased by more than half from € 484.4 million at year-end 2002, to € 234.7 million at year end 2003.

The Reorganization Plan involving IFI and IFIL, which now holds all the equity interests of the Group, was carried out during the year.

The Reorganization, followed by a restructuring of all the company functions, gave IFIL a more streamlined and efficient structure, which the market lost no time in acknowledging and rewarding, as witnessed by the increase in the ordinary share price (+76% from July 2003 to March 2004), aided by IFIL's entry to the Midex (index of mid-cap companies listed on the Italian stock exchange).

From the corporate standpoint, the most important event during the year was the capital increase which raised € 504 million, allowing IFIL to subscribe to its full share of the FIAT capital increase.

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The economic climate in which we operated during 2003 – which persists even now – was strongly influenced by the depreciation of the US dollar against the euro, with a beneficial effect on companies abroad, especially for the activities linked to exports. This is a phenomenon that, along with the reduction in tax pressure and buoyed by higher public expenditure, enabled the United States to achieve an annual GDP growth of 3.1%.

The absence of similar policies on this side of the Atlantic translated into a gradual but relentless erosion of the competitive capacity of European countries crushed by American exports as well as aggressive manufacturing and commercial policies of Asian countries, first and foremost China.

All these factors thus compromised the development of the European economy, which altogether recorded a growth rate of less than 1%. The weak pace of growth by the most important euro-zone countries (+0.1% in France and -0.1% in Germany) was basically in line with the poor performance of Italy (+ 0.3%).

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The aforementioned economic picture could not but have an impact on Group Companies.

As regards Fiat, the capital increase as well as the divestments of non-strategic businesses and the rigorous cost-cutting policy, placed our most important stockholding in a condition to be able to work with complete equanimity and concentration towards its future, under the guidance of a totally new and highly qualified management. Although the 2003 financial statements still highlight the difficulties of the present time, some important positive signs were nevertheless seen, namely the increase in profitability of industrial operations in the last quarter of 2003, the promptness in respecting the deadlines and targets set down in the relaunch plan, and the positive market response to the new models.

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Our most direct operating commitment was dedicated to the dynamic management of our diversified portfolio. The distribution of extraordinary dividends by Worms & Cie and La Rinascente and the divestment of the minority interest in Sifalberghi made up part of this strategy.

Our support of the reorganization initiatives by Alpitour and La Rinascente was just as important. The Travel Group – which reinforced its top management with new highly qualified professionals, and a new internal organizational structure, set-up per business unit – redefined its industrial and commercial strategy based upon the enhancement and promotion of the Italian touristic cultural heritage and the opening of new accommodation facilities in the Peninsula.

As for La Rinascente, work especially concerned the divisionalization of the distribution Group, which made it possible, among other things, to seize an interesting partnership opportunity for the development of the Gallerie Commerciali.

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The business outlook for the current year appears closely linked to Europe's capacity to set in motion, after the example of the United States, a cycle of sound and lasting economic recovery. Nevertheless, the signs in Q1 2004 do not as yet appear to justify forecasts of satisfactory growth, thus reinforcing the voice of many who call for a decisive change of direction in the economic policy of the Continent. The revision of the stability pact rules, together with the use of the monetary lever as an incentive factor for the development of economic activities, will take on, more and more, a key role in the coming months in order to avoid the risk that the current persistent weakness of the growth of Europe could transform itself into outright stagnation.

In this framework, Italy is called to respond to a double challenge: to work together with its European partners to enhance and increase our competitiveness on international markets and re-establish full trust in the credit and savings system, hit hard by the financial scandals that have involved important companies in the national economic scenario.

As regards IFIL, we are convinced that, during the year, the new organizational structure and the strategy of dynamic management of the investment portfolio will continue to mark out new interesting opportunities for the development and optimization of the investments, a condition necessary to stimulate a new virtuous cycle of investments. The setting up of an IFIL branch office in the United States represents an important step in this direction: with a sound presence in one of the most interesting centres of the world market, the professionalism of our management will make it possible to increase investment possibilities, selecting the most advantageous opportunities from the viewpoint of the creation of value.

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Finally, together with the Board of Directors, I would like to thank the Stockholders for the confidence shown, as well as the Statutory Auditors, the Independent Auditors, the Executives and Staff of IFIL and its subsidiaries for the intense work carried out in a particularly demanding year.

Gianluigi Gabetti

IFIL GROUP PROFILE

THE INVESTMENT PORTFOLIO

IFIL – Finanziaria di Partecipazioni S.p.A. is the operating holding company for the investments of the Group and is headed by Giovanni Agnelli e C. S.a.p.az. (through IFI – Istituto Finanziario Industriale S.p.A. which holds 62.03% of its ordinary capital stock). It commands two distinctive areas of operations: the active management of the controlling investment in FIAT and the dynamic management of the other holdings.

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

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

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

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

La Rinascente (jointly controlled with the Auchan Group, through Eurofind, which holds more than 99% of the ordinary capital stock) is one of the largest Italian retailers operating throughout Italy with roughly 1,850 points of sale (direct, affiliates and associates) and over 31,000 employees.

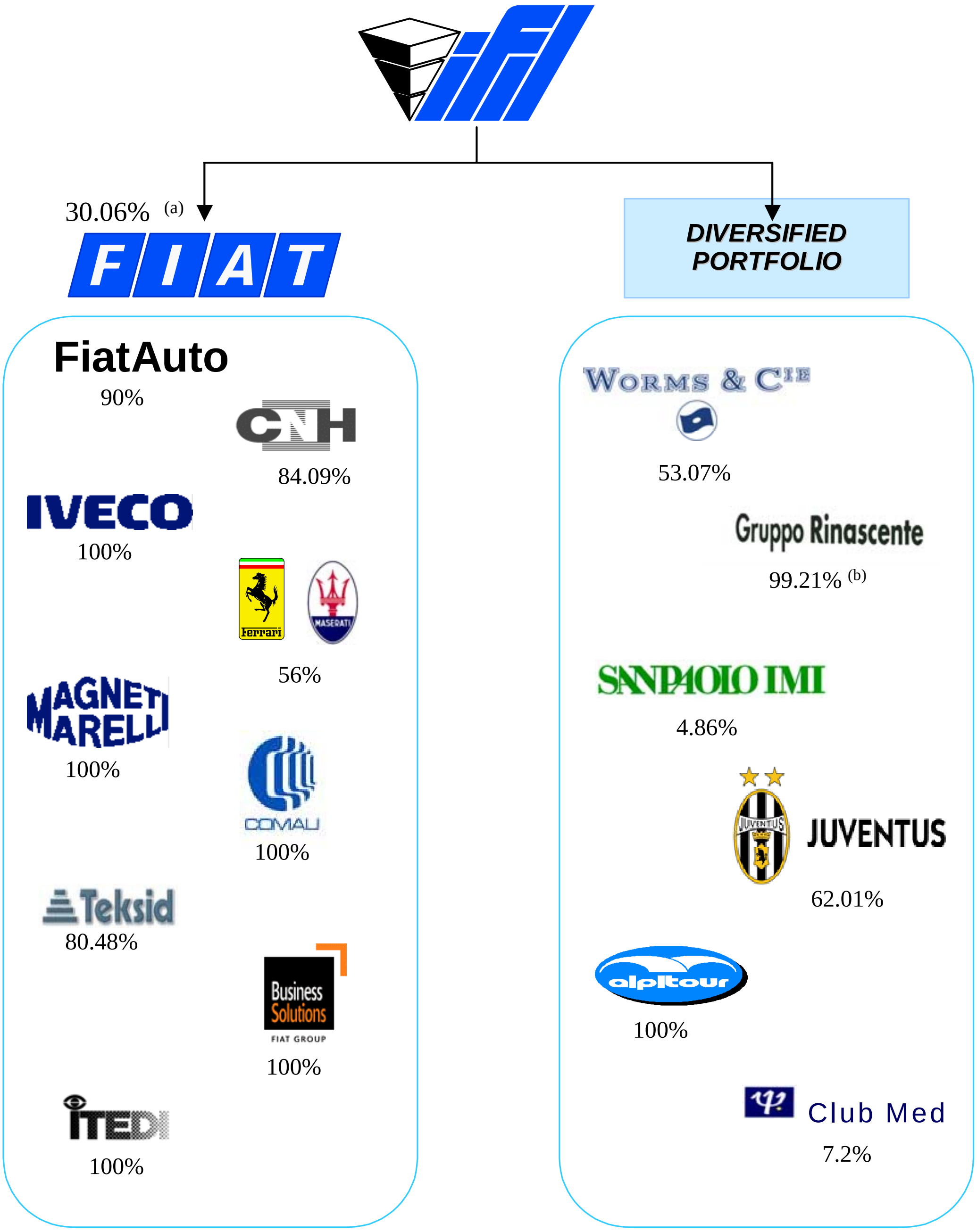
SANPAOLO IMI (4.86% holding in ordinary capital stock) is a leading national banking group with over 3,000 branches throughout Italy.

Alpitour (100% holding through NHT New Holding for Tourism) is a leading company in Italian tourism.

Club Méditerranée (7.2% holding in capital stock) is a company in which the Agnelli Group also holds an equity interest through Exor Group (16.72% holding in capital stock).

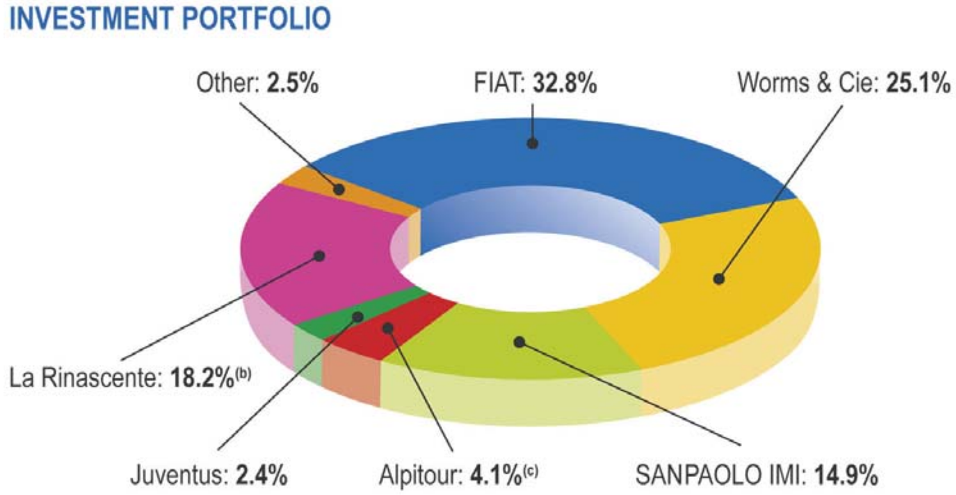
Juventus Football Club (62.01% holding in capital stock) is a company with more than one hundred years of history and an enviable record gained at various national and international sports events.

The following chart is updated to the end of February 2004 and presents the simplified structure of the investment portfolio. Percentage holdings refer to ordinary capital stock.



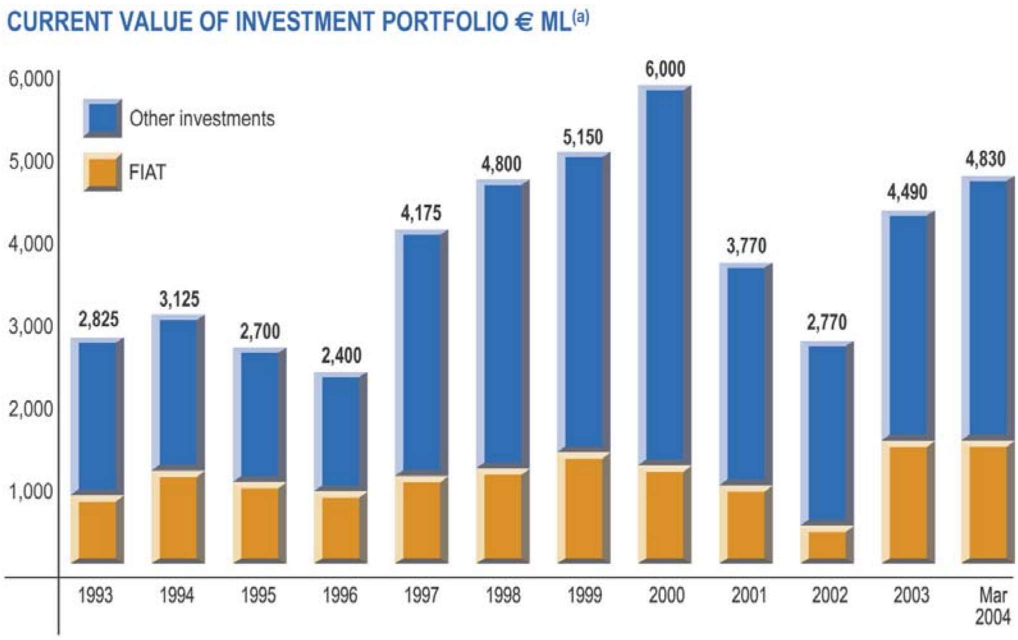
(a) IFIL also holds 30.09% of preferred capital stock.
(b) Control is exercised jointly with the Auchan Group through Eurofind (50% by IFIL and 50% by Auchan); Eurofind also holds 99.06% of the savings capital stock and 88.92% of the preferred capital stock of La Rinascente.

The following charts show the composition of the investment portfolio at current values and the change in its value over the last 10 years.



Portfolio Current Value: € 4,830 m (a)

(a) Listed investments valued on the basis of the average official market prices during the period between March 1 and March 17, 2004.
(b) Through Eurofind (50% IFIL).
(c) Through NHT (100% IFIL).



(a) The current value of the portfolio is calculated consistently with the change in the accounting representation. The value of the portfolio recorded at March 2004 was calculated, as in the previous chart, using the average market prices of the listed investments from March 1 to March 17, 2004.

KEY OPERATING AND FINANCIAL DATA

The key results of the Group and IFIL S.p.A. are presented as follows:

IFIL GROUP

Condensed consolidated figures (a)					
€ in millions	2003	2002	2001	2000	1999
Consolidated net income (loss) - Group	(45)	(367)	351	345	285
Share of earnings (losses) and dividends	(28)	(271)	289	306	194
Financial fixed assets	4,223	3,207	3,695	3,400	3,186
Consolidated stockholders' equity - Group	3,954	2,708	3,395	3,142	2,947
Net financial position of the "Holdings System"	(235)	(484)	(323)	(120)	(203)
Earnings per share (€)					
Consolidated net income (loss) - Group (b)	(0.06)	(0.85)	0.81	0.78	0.64
Consolidated stockholders' equity - Group (c)	3.68	6.13	7.69	7.12	6.41

(a) Details regarding the criteria used for the preparation of the financial statements are provided in the section "Analysis of IFIL Group condensed consolidated results".
(b) Calculated using the average number of shares outstanding.
(c) Calculated using the number of shares issued at the end of the year; in 1999, the calculation is net of the treasury stock that was being cancelled.

IFIL S.p.A.

€ in millions	2003	2002	2001	2000	1999
Net income (loss) - IFIL S.p.A.	73	(516)	104	102	141
Stockholders' equity - IFIL S.p.A.	3,194	1,823	2,421	2,399	2,474
Total dividends paid out	70.5 (a)	-	81.2	82.6	78.3
Dividends paid out per share (€)					
Per ordinary share	0.0620	-	0.18	0.18	0.17
Per savings share	0.0827 (b)	-	0.2007	0.2007	0.1907

(a) These dividends will be covered in motion to be proposed to the Stockholders' Meeting convened for the approval of the financial statements for the year ended December 31, 2003.
(b) In addition to € 0.0827 for the adjustment of the preference dividends referring to 2002 for a total of € 3 million.

STOCKHOLDERS AND THE STOCK MARKET

Capital stock

At December 31, 2003, IFIL S.p.A.'s capital stock, fully subscribed to and paid-in, amounted to € 1,075,195,737 and was composed of 1,037,812,717 ordinary shares and 37,383,020 savings shares all with a par value of € 1 each.

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 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.

The directors have the right, for a period of five years from the resolution passed on May 14, 2003, to increase, at one or more times, also in divisible form, the capital stock up to a maximum of € 1,500 million and to issue, at one or more times, bonds, also convertible bonds, up to the same figure but for amounts which, each time, do not exceed the limits established by law.
The directors also have the right, for a period of five years from the date of the resolution passed on May 25, 2001, 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 parent companies or the subsidiaries of the same parent companies.

Stockholders

IFIL has approximately 33,600 stockholders.
The controlling stockholder, IFI – Istituto Finanziario Industriale S.p.A., holds 62.03% of ordinary capital stock (62.8% of ordinary capital stock outstanding).

Treasury stock

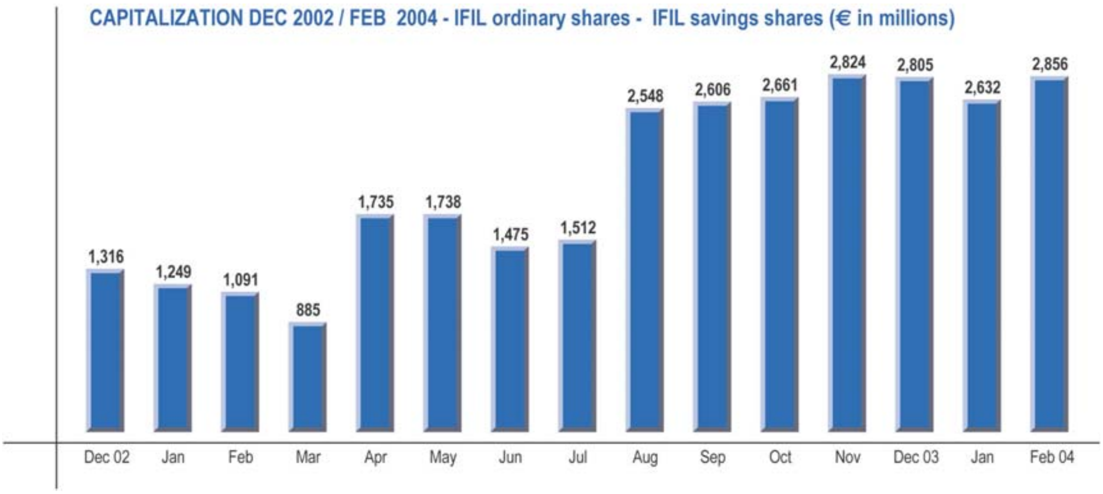
At the end of February 2004, IFIL holds 12,627,410 ordinary shares of treasury stock (1.22% of the class of stock) including 810,262 shares held through the subsidiary Soiem.
On March 29, 2004, the Board of Directors voted to present a motion to the Ordinary Stockholders' Meeting for renewal of the resolution for the authorization of the buyback of treasury stock for a maximum of 90 million IFIL ordinary shares and/or savings shares, setting aside a total of € 300 million.

Stock performance

During the first half of 2003, the share price of IFIL ordinary shares performed negatively until mid-July. After the successful conclusion of the capital stock increase, the share price began to rise and steadily continued the upward trend which made it possible to close the second half of 2003 with a 51.5% gain compared to 10.3% by the Global Index during the same period. At the beginning of 2004, the ordinary share price continues to show gains.
Even so, the overall share performance of IFIL ordinary shares for the entire year is a negative 16.1% compared to the positive 13.6% performance by the Global Index.

In the first quarter of 2003, IFIL savings shares generally followed the negative performance of the ordinary shares. Afterwards, thanks to the defensive profile which characterizes the shares and the operation for the conversion of savings shares to ordinary shares (which ended in May), the savings shares began to gain and this performance continued into the first months of 2004.
In 2003, savings shares showed a positive 7.36% performance.

During 2003, IFIL's capitalization went from € 1,300 million to € 2,800 million. This change can principally be ascribed to the two capital stock increase transactions which took place in the first half and at the beginning of the second half of 2003: the Reorganization transaction (March – May) and the capital increase (June – July). Since July 2003, IFIL's capitalization began a steady bullish trend which also continues into the first months of 2004.



During 2003, the amount and quantity of shares traded increased considerably. The increment in the volumes of ordinary shares traded (liquidity) is specifically one of the objectives reached with the Reorganization, thanks also to the success of the conversion of savings shares to ordinary shares. The conversion also explains the reduction, in absolute terms, of the volumes of savings shares traded in comparison with 2002. Such volumes, however, are important considering that, after the conversion, there are still about 37.4 million savings shares that remain outstanding.

In September, after IFIL's ordinary stock was listed on the MIDEX for mid-cap companies, the liquidity of IFIL's ordinary stock increased even more.

MARKET INFORMATION	**2003**	2002	2001	2000	1999
Market price per ordinary share (€):					
. year-end	**2.62**	3.00	4.62	7.76	8.38
. high	**3.40**	4.72	7.88	11.36	8.47
. low	**1.65**	2.64	3.92	6.34	5.06
Market price per savings share (€):					
. year-end	**2.38**	2.13	3.52	4.57	3.67
. high	**2.54**	3.66	4.81	4.92	4.47
. low	**1.42**	1.91	2.89	3.22	3.31
Quantities traded during the year					
. ordinary shares (millions of shares)	**464**	62	104	164	122
. savings shares (millions of shares)	**67**	87	85	176	130
Equivalent annual volumes traded on stock market (€ in millions)					
. ordinary shares	**1,025**	274	710	1,527	895
. savings shares	**121**	304	388	845	546

The market prices have been adjusted on the basis of the capital stock increase in July 2003.

FINANCIAL COMMUNICATIONS AND INVESTOR RELATIONS

Again in 2003, IFIL devoted special attention to relations with stockholders, analysts, institutional investors and Italian and foreign economic journalists.

By way of information:

- more than 1,200 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;
- meetings with institutions (at Milan in July and September) and conference calls (in March) with investors and analysts have been organized;
- intensive contacts have been established through individual meetings with financial analysts and Italian and foreign institutional investors;
- far-reaching, comprehensive information has been circulated through the Italian and foreign economic and financial press.

Information for Stockholders, Investors and the Press

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MAJOR EVENTS IN 2003

The Reorganization of the Group

Following the resolution passed by IFIL's Extraordinary Stockholders' Meeting held on April 23, 2003, IFI and IFIL gave effect to the Group Reorganization Plan proposed by the respective Boards of Directors on March 3, 2003.

IFIL thus received the following investments and warrants as a contribution from the parent company IFI:

			Contribution value			
		% of class	Accounting value		Economic value	
	Number	of stock	Per share (€)	Total (€ ml)	Per share (€)	Total (€ ml)
Fiat ordinary shares	77,944,334	17.99%	7.197	561.0	8.869	691.3
Fiat preferred shares	19,582,500	18.96%	5.165	101.1	5.165	101.1
Warrants 2007 on Fiat ordinary shares	11,216,334	-	0.319	3.6	0.319	3.6
SANPAOLO IMI ordinary shares	16,300,000	1.13%	6.605	107.7	6.605	107.7
Juventus Football Club	74,992,103	62.01%	0.156	11.7	1.823	136.7
Soiem	18,286,500	50.10%	0.516	9.4	0.633	11.6
TOTAL				794.5		1,052.0

The economic value of the contribution was calculated (with the exception of Soiem, which is unlisted and valued at net asset value) on the basis of the average official market prices on the stock exchange in the period between September 2, 2002 and February 28, 2003 and resulted in a total of € 1,052 million.
The contribution, however, was recorded for € 794.5 million in that, in accordance with the provisions of art. 3 of Legislative Decree No. 358 of October 8, 1997, the Fiat ordinary shares, the Juventus Football Club shares and the Soiem shares (representing investments in subsidiaries or affiliates) were contributed with a view to the continuity of the accounting values recorded in the financial statements of IFI S.p.A. for the year ended December 31, 2002, whereas the SANPAOLO IMI ordinary shares, the Fiat preferred shares and the Fiat 2007 warrants on ordinary shares were contributed at economic values.

In exchange for this contribution, based upon the economic value of IFIL determined for purposes of the transaction, IFIL issued to IFI 167,450,949 ordinary shares at the accounting per share price of approximately € 3.122 and 119,635,991 savings shares at the accounting per share price of approximately € 2.272. The par value of the IFIL shares issued amounted to € 287,086,940, plus € 507,460,128 of additional paid-in capital, for a total of € 794,547,068.

After this transaction, IFIL's capital stock was fully subscribed to and paid-in and amounted to € 728,824,587 and was composed of 425,105,958 ordinary shares and 303,718,629 savings shares, all with a par value of € 1.

On May 12, 2003, the voluntary conversion of IFIL savings shares to IFIL ordinary shares based upon a conversion ratio of 17 IFIL ordinary shares for every 20 IFIL savings shares was closed without payment of any cash differential. There were 266,335,609 IFIL savings shares (equal to 87.69% of savings capital stock) converted to 226,385,269 IFIL ordinary shares, which bear the same features and have the same rights as the shares outstanding. The remaining 39,950,340 IFIL savings shares were cancelled in September 2003, in conformity with the provisions of article 2445 of the Italian Civil Code, with the consequent reduction of the capital stock by € 39,950,340. In order to provide greater protection to the creditors of the company, the par value of the cancelled IFIL savings shares has been posted to an undistributable reserve except, upon authorization of the Extraordinary Stockholders' Meeting, it can be used for allocation to the capital stock account or to cover losses.

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 (not quantified) suffered as a result of the unlawful conduct (allegedly) by IFI.
At the next hearing, scheduled for April 7, 2004, the judge will rule on the preliminary inquiries that might be presented by the litigants.
Both of the above complaints (request to declare the stockholders' resolution null and void and to seek an unspecified sum of compensation for damages) appear to be inadmissable and groundless and therefore at this time the Company does not believe that any contingent liabilities or losses 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.

IFIL S.p.A. capital stock increase

On June 27, 2003, by the power vested in it pursuant to art. 2443 of the Italian Civil Code by the Extraordinary Stockholders' Meeting held on May 14, 2003, the Board of Directors of IFIL S.p.A. voted to increase the capital stock against payment, and in divisible form, for a maximum amount of par value € 386,321,490, through the issue of a maximum of 386,321,490 IFIL ordinary shares of par value € 1 each, with normal dividend rights, with option rights offered to the stockholders at a price of € 1.30, at a ratio of 57 shares for every 100 IFIL ordinary and/or savings shares held.

At the end of the rights offering period, 383,794,965 new IFIL ordinary shares were subscribed to, equal to 99.35% of the shares offered.

Following the subsequent offering of the 4,432,500 unexercised rights on the market (which generated proceeds of € 1.8 million for IFIL that were allocated as an increase to stockholders' equity), the remaining 2,526,525 new IFIL ordinary shares were subscribed to in August.

The capital stock increase was concluded, without the intervention of the Underwriting Syndicate, with the subscription of all 386,321,490 ordinary shares in the rights offering for proceeds of € 504 million (of which € 1.8 million deriving from the sale of unexercised rights).

At December 31, 2003, IFIL S.p.A. capital stock was fully subscribed to and paid-in and amounted to € 1,075,195,737 and was composed of 1,037,812,717 ordinary shares and 37,383,020 savings shares all with a par value of € 1 each.

Subscription to Fiat capital stock increase

In July 2003, Fiat S.p.A. launched the capital stock increase voted by the Board of Directors on June 26, 2003 upon the occasion of the approval and presentation of the Fiat Group Relaunch Plan.

The capital stock increase was concluded in August, without the intervention of the Underwriting Syndicate, with the subscription of all the 367,197,108 Fiat ordinary shares in the rights offering at the price of € 5 per share, for a total equivalent amount of € 1,836 million.

IFIL, after having purchased 18,791,725 rights for € 5 million, subscribed to 108,921,627 Fiat ordinary shares for an investment of € 544.6 million. On December 31, 2003, IFIL thus held 240,583,447 Fiat ordinary shares (30.06% of ordinary capital stock) and 31,082,500 Fiat preferred shares (30.09% of preferred capital stock).

Transactions regarding La Rinascente and Eurofind

In January 2003, Eurofind, the subsidiary jointly controlled by Ifil Investissements and the Auchan Group, launched a tender offer for the residual ordinary and preferred shares of La Rinascente and a voluntary tender offer for the purchase of La Rinascente savings shares for the purpose of obtaining all La Rinascente shares not yet held by Eurofind.
By the end of the offer period (February 28, 2003), the total shares tendered comprised 10,768,383 ordinary shares, equal to 3.6% of ordinary capital stock, 491,006 preferred shares, equal to 15.61% of preferred capital stock, and 2,596,139 savings shares, equal to 2.52% of savings capital stock.
The transaction involved a total payment of € 60.9 million (€ 4.45 per ordinary and preferred share and € 4.15 per savings share) and the delisting of all classes of La Rinascente stock.

In the following months, Eurofind purchased off-market 7,380,130 ordinary shares (2.47% of ordinary stock), 45,215 preferred shares (1.44% of preferred stock) and 308,225 savings shares (0.30% of savings capital stock) for a total amount of € 34.4 million.

At the end of December 2003, Eurofind holds 401,223,236 La Rinascente shares (equal to 99.09% of capital stock) and, in particular, 296,556,269 ordinary shares (99.21% of ordinary capital stock), 2,797,086 preferred shares (88.92% of preferred capital stock) and 101,869,881 savings shares (99.06% of savings capital stock).

In December 2003, La Rinascente paid extraordinary dividends of € 600 million which gave rise to receipts of € 240.6 million for the IFIL Group (€ 594.5 million for Eurofind).

In accordance with what was previously agreed, in January 2003, the subsidiary Ifil Investissements had sold a further 270,666 Eurofind shares (0.85% of capital stock) to Mediobanca at the price of € 15.2 million; likewise, the Auchan Group had sold the same stake to Société Générale.
After these transactions, Ifil Investissements and the Auchan Group each held a 40.47% interest (50% of voting rights) in Eurofind's capital stock. Mediobanca and Société Générale each owned 9.53% of Eurofind's capital stock (represented by shares without voting rights). Such holdings were covered by sale and purchase options (puts and calls) structured so as not to in any way alter the joint control over Eurofind by Ifil Investissements and the Auchan Group.
Mediobanca had a sales option (put) with IFIL on 9.53% of the Eurofind capital stock held, exercisable from June 2004 to December 2004, except for the accelerating events stated in the agreements, in line with market practice. In January 2004, Ifil Investissements exercised its call option and purchased 9.53% of Eurofind capital stock from Mediobanca for an outlay of € 116.1 million, including accrued interest and net of dividends paid by Eurofind.

Currently, Eurofind is controlled equally by Ifil Investissements and the Auchan Group, with each holding 50% of Eurofind's capital stock.

Increase in IFIL bonds

In February 2003, the IFIL bonds issued in December 2002 were increased from € 145 million to € 200 million. These are three-year bonds placed with primary institutional investors.
In December 2003, IFIL floated a second bond issue for € 100 million. These are also three-year bonds subscribed to by primary institutional investors.

Both bond issues are listed on the Luxembourg stock exchange.

Transactions relating to Worms & Cie

Ifil Investissements purchased 1,438,059 Worms & Cie shares (equal to 1.37% of capital stock) for a total equivalent amount of € 23.7 million.
After this transaction, Ifil Investissements holds 55,922,623 Worms & Cie shares, equal to 53.07% of capital stock.

In May 2003, Worms & Cie paid dividends of € 1.5 per share (including extraordinary dividends for € 0.9) which gave rise to receipts of € 83.9 million for Ifil Investissements.

Purchase of 1.96% of SANPAOLO IMI ordinary capital stock from Ifil Investissements

In May 2003, IFIL purchased 28,419,000 SANPAOLO IMI ordinary shares (equal to 1.96% of ordinary capital stock) from Ifil Investissements at a per share price of € 7.183 (corresponding to the average market price during the period April 9, 2003 – May 9, 2003) for a total of € 204.1 million. The transaction was entered into so that the entire investment in SANPAOLO IMI could be concentrated in IFIL S.p.A.

Sale of Juventus Football Club shares

In May 2003, the subsidiary Soiem sold on the market 394,000 Juventus Football Club shares (0.33% of capital stock), for a total of € 0.9 million, realizing a gain of € 0.1 million.
At December 31, 2003, IFIL held 74,992,103 Juventus Football Club ordinary shares (equal to 62.01% of capital stock).

Atlanet investment

In May 2003, the Extraordinary Stockholders' Meeting of Atlanet voted to absorb the losses in excess of stockholders' equity by reducing capital stock to zero and consequently canceling the shares outstanding. Ifil Investissements decided not to subscribe to its share (3.1%) of the recapitalization of Atlanet's capital stock and is therefore no longer a stockholder of the company.

Sale of 25% of Sifalberghi capital stock

In August 2003, IFIL sold 25% of the capital stock of Sifalberghi to the Accor Group for the price of € 32 million, realizing a gain of € 25.1 million on consolidation, with a 12.5% IRR.

Buyback of IFIL treasury stock

In September 2003, IFIL purchased 700,000 of its ordinary shares on the market, equal to 0.07% of the class of stock, for € 1.7 million; these shares were recorded in current assets since they will be used to service stock option plans.

At December 31, 2003, IFIL and the subsidiary Soiem also held 11,927,410 IFIL ordinary shares (respectively, 11,117,148 and 810,262) recorded in fixed assets, equal to 1.15% of ordinary capital stock and 1.11% of capital stock.

ANALYSIS OF IFIL GROUP CONDENSED CONSOLIDATED RESULTS

IFIL holds important investments through Dutch and Luxembourg holding companies. This control structure is the result of the Group's strategy to globalize investments and secure strategic agreements with leading foreign partners in the sectors of investment. Moreover, IFIL controls two companies incorporated under Irish law operating with the aim of optimizing the management of the financial resources of the Group, and Soiem, a services company.
The aggregate of these companies constitutes the so-called "Holdings System".

In order to assist in the analysis of the financial position and results of operations of the IFIL Group, a condensed consolidated Balance Sheet and a condensed consolidated Statement of operations have been prepared wherein the financial holding companies have been consolidated line-by-line or proportionally while the investments in the operating holding companies and in the other subsidiaries and associated companies have been accounted for using the equity method.

In detail, the scope of consolidation is as follows:

		% holding in capital stock outstanding	
		12/31/2003	12/31/2002
HOLDINGS SYSTEM	**Consolidated line-by-line**		
	- IFIL S.p.A.	-	-
	- Ifil Investment Holding N.V. (Netherlands)	100	100
	- Ifil Investissements S.A. (Luxembourg)	100	100
	- Ifil Capital B.V. (Netherlands)	100	100
	- Ifil Finance B.V. (Netherlands)	100	100
	- Ifilgroup Finance Ltd (Ireland)	100	100
	- Ifil International Finance Ltd (Ireland)	100	100
	- Soiem S.p.A. (a)	100	-
	- New Business Quindici S.r.l. (b)	100	-
	Consolidated proportionally		
	- Eurofind S.A. (Luxembourg)	40.47	41.32
	- Eufin Investments Unlimited (United Kingdom)	40.47	41.32
OPERATING COMPANIES	**Accounted for using the equity method**		
	- Fiat Group	27.62	10.88
	- Worms & Cie Group	53.07	51.71
	- Rinascente Group (c)	40.10	38.74
	- NHT Group (d)	90.00	90.00
	- Juventus Football Club S.p.A.	62.01	-
	- Sifalberghi S.r.l. (e)	-	25.00
	- Soiem S.p.A. (a)	-	49.90

(a) Control was assumed in the second quarter of 2003 following the Reorganization of the Group. The 49.9% stake in Soiem was previously accounted for using the equity method.
(b) Non-operating company purchased in December 2003.
(c) At December 31, 2003, Eurofind holds 99.09% of La Rinascente's capital stock outstanding (93.76% at December 31, 2002).
(d) New Holding for Tourism BV is the operating holding company for the tourism sector and holds the 100% stakes in Alpitour, Welcome Travel Group and Neos.
(e) Sold to the Accor Group in August 2003.

Lastly, there follows a description of the criteria applied in accounting for the transactions regarding the Reorganization of the Group (for additional details, please refer to “Major events in 2003”):

- the total accounting value of the investments contributed by the parent company, IFI S.p.A., recorded in the statutory financial statements of IFIL S.p.A., in exchange for the capital stock increase (including additional paid-in capital) reserved for IFI, amounted to € 794.5 million. In the consolidated financial statements, in order to eliminate tax interference, this value has been adjusted to the economic value attributed to the investments contributed, equal to € 1,052 million, with a contra-entry to the reserves in the consolidated stockholders’ equity of the IFIL Group for € 257.5 million;

- the investment in Soiem has been consolidated line-by-line starting April 1, 2003 (previously, the investment was accounted for using the equity method);

- the investments in Fiat and in Juventus Football Club have been accounted for using the equity method starting April 1, 2003;

- the difference of € 277.1 million between the economic value of the contribution of the Fiat investment (€ 792.4 million) and the underlying share of the consolidated stockholders’ equity of the Fiat Group at March 31, 2003 (€ 1,069.5 million) has been recorded in the caption “Consolidation reserve for risks and future expenses”. This reserve has been partly utilized (€ 207.5 million to cover the share of the loss of the Fiat Group for the period April 1 – December 31, 2003, on the shares acquired in the contribution;

- a difference on consolidation of € 83.2 million arose from the comparison between the economic value of the contribution of the investment in Juventus Football Club (€ 136.7 million) and the underlying share of the stockholders’ equity of the company at March 31, 2003 (€ 53.5 million), a portion of which, equal to € 42.8 million, has been deducted from the consolidation reserve, set up during 2003, up to the amount of the same; the remaining difference on consolidation (€ 40.4 million) is being amortized pro rata over a period of 10 years;

- the difference of € 1.9 million emerging from the comparison between the economic value of the contribution of the investment in Soiem (€ 11.6 million) and the underlying share of the stockholders’ equity of the company at March 31, 2003 (€ 9.7 million) has been allocated as an increase to the value of the building owned by Soiem, within the limits of its appraisal value.

Consolidated net loss for the year and condensed consolidated statement of operations

The year 2003 closed with a consolidated net loss of € 45 million for the IFIL Group compared to a consolidated net loss of € 367 million in 2002.

The main captions of the condensed consolidated statement of operations for the year 2003 are examined in the following paragraphs.

The **Group’s share of earnings (losses) of companies** accounted for using the equity method amounted to losses of € 49.7 million (losses of € 301.6 million in the year 2002). The positive change of € 251.9 million was due to the share of lower losses reported by the Fiat Group (+€ 229.3 million) and the NHT Group (+€ 8.8 million), the share of higher earnings by the Rinascente Group (+€ 65.2 million), the share of lower earnings by the Worms & Cie Group (-€ 45.8 million) and the losses reported by Juventus (-€ 5.5 million) and, finally, other changes (-€ 0.1 million).
The abovementioned changes include consolidation adjustments.

Dividends from other holdings amounted to € 21.2 million (of which € 21.1 million was received from SANPAOLO IMI).
At December 31, 2002, the dividends received from SANPAOLO IMI had totaled € 30.6 million.

Gains (losses), net, were due to the sale of 25% of Sifalberghi capital stock (€ 25.1 million) and losses, net, stemming from various transactions (- € 0.1 million). In 2002, the losses, net (-€ 51.8 million) had also included the writedowns of the investment in Club Méditerranée (-€ 33.7 million) and IFIL treasury stock (-€ 15.4 million).

Amortization of differences on consolidation amounted to € 13.7 million (€ 6.8 million in 2002).
The increase of € 6.9 million compared to December 31, 2002 was due to the increases in the investments in Juventus Football Club and in La Rinascente.

Financial expenses, net, totaled € 23.6 million (€ 20.6 million in 2002) and increased by € 3 million due to higher average net indebtedness position during the year (the reduction in gross indebtedness was more than compensated by the reduction in cash).

General expenses, net, amounted to € 13 million and decreased by € 0.4 million compared to the year 2002 (€ 13.4 million).

Other expenses, net, amounted to € 6.1 million (€ 12.2 million in 2002) and included the amortization of the expenses related to the IFIL S.p.A. capital stock increase (€ 2.2 million), nondeductible VAT associated with such costs (€ 1 million), legal consulting fees regarding pending litigation (€ 1.5 million), provisions for extraordinary expenses (to be paid over several years) in connection with recourse to the "Solidarity Fund for the support of earnings" in reference to some employees of IFIL and Soiem (€ 0.8 million) and lastly, other expenses, net, (€ 0.6 million).

Deferred taxes amounted to € 2.9 million and included deferred taxes accrued on the 2003 earnings of the foreign holdings (-€ 2.3 million) and the credit to the statement of operations for the release of excess deferred taxes set aside by IFIL in prior years (+€ 5.2 million).
Since there is no reasonable certainty of future recovery, the parent company IFIL did not book any deferred tax assets on the fiscal 2001, 2002 and 2003 tax losses and on the portions of investment writedowns posted in 2002 that, as allowed by existing tax legislation, will be deductible in future years.

The **condensed consolidated Statement of Operations** and details of the main captions are presented below.

€ in millions	2003	2002	Change
Group's share of earnings (losses) of companies accounted for using the equity method	(49.7)	(301.6)	251.9
Dividends from other holdings	21.2	30.6	(9.4)
Dividend tax credits	11.9	8.2	3.7
Gains (losses), net	25.0	(51.8)	76.8
Amortization of differences on consolidation	(13.7)	(6.8)	(6.9)
Investment expenses, net	(5.3)	(321.4)	316.1
Financial expenses, net	(23.6)	(20.6)	(3.0)
General expenses, net	(13.0)	(13.4)	0.4
Other expenses, net	(6.1)	(12.2)	6.1
Loss before taxes	(48.0)	(367.6)	319.6
Current income taxes, net	0.1	4.6	(4.5)
Deferred taxes	2.9	(4.0)	6.9
Net loss - Group	(45.0)	(367.0)	322.0

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

	Earnings (losses)		IFIL's share		
€ in millions	2003	2002	2003	2002	Change
Fiat Group	(1,900.0)	(3,948.0)	(410.4)	(429.5)	19.1
Worms & Cie Group	111.6	189.7	59.2	98.1	(38.9)
Rinascente Group	200.4	50.8	80.4	15.2	65.2
NHT Group (a)	(11.2)	(21.0)	(10.1)	(18.9)	8.8
Juventus Football Club	(8.9) (b)	-	(5.5)	-	(5.5)
Other	-	-	0.2	0.2	0.0
			(286.2)	(334.9)	48.7
Consolidation adjustments	-	-	236.5	33.3	203.2
Group's share of earnings (losses) of companies accounted for using the equity method			(49.7)	(301.6)	251.9

(a) For the NHT Group, the year coincides with the period November 1 - October 31.
(b) Result for the last three quarters of 2003; the loss of € 7.2 million for the first quarter of 2003 is not included.

At December 31, 2003, consolidation adjustments amounted to € 236.5 million (€ 33.3 million in 2002). They referred to:

- the use of the "Consolidation reserve for risks and future expenses" (+€ 207.5 million) to cover IFIL's share of Fiat Group's loss (April 1, 2003 – December 31, 2003) on the investment acquired in Fiat by IFIL in 2003 (17.039%);
- IFIL's share of the Fiat Group's result (+€ 11.8 million, equal to the gain from the dilution generated by the disposal of Fiat treasury stock held by Toro Assicurazioni, which was sold by the same Fiat);
- Worms & Cie Group's result (+€ 9.5 million, for higher gains on the sale of Groupe Danone shares and reversal of the amortization on the difference on consolidation relating to Permal Group);
- reversal of amortization taken by NHT on the difference on consolidation relating to Alpitour (+€ 7.8 million);
- allocation of Soiem's net income for the first-half of 2003 (-€ 0.1 million) to IFI.

Comments on the operating performance of the investment holdings are presented later in the report.

Amortization of differences on consolidation

€ in millions	Balance at 12/31/2002	Change in the year 2003 Increase	Decrease	Amortization	Balance at 12/31/2003
Rinascente Group (a)	158.2	7.4	-	(9.7)	155.9
Juventus Football Club (b)	-	83.2	(42.8) (c)	(4.0)	36.4
Total	158.2	90.6	(42.8)	(13.7)	192.3

(a) Amortized over 20 years.
(b) Amortized over 10 years.
(c) Deducted from the consolidation reserve.

Gains (losses), net

€ in millions	2003	2002	Change
Gains (losses)			
- Sifalberghi, sale of 25% of capital stock	25.1	-	25.1
- Other, net	(0.1)	(2.7)	2.6
Writedowns			
- 1,393,090 Club Méditerranée shares (from € 49.404 to € 25.243)	-	(33.7)	33.7
- 3,946,896 IFIL ordinary shares (from € 5.774 to € 4.133)	-	(6.5)	6.5
- 8,435,575 IFIL savings shares (from € 4.063 to € 3.008)	-	(8.9)	8.9
Gains (losses), net	25.0	(51.8)	76.8

Income taxes

€ in millions	2003	2002	Change
Current income taxes	(0.2)	(3.3)	3.1
Tax credits (a)	0.3	7.9	(7.6)
Current income taxes, net	0.1	4.6	(4.5)
Deferred taxes	2.9	(4.0)	6.9
Income taxes	3.0	0.6	2.4

(a) On dividends received by companies consolidated line-by-line or accounted for using the equity method.

Condensed consolidated balance sheet

€ in millions	12/31/2003	12/31/2002	Change
Financial fixed assets:			
- investments	4,174.0	3,161.0	1,013.0
- treasury stock	44.5	41.7	2.8
- bonds	4.6	4.5	0.1
	4,223.1	3,207.2	1,015.9
Financial assets recorded in current assets:			
- cash and short-term investments	434.6	244.5	190.1
- treasury stock	1.7	0.0	1.7
	436.3	244.5	191.8
Other assets	87.3	53.8	33.5
Total assets	4,746.7	3,505.5	1,241.2
Stockholders' equity, Group	3,953.9	2,708.1	1,245.8
Financial payables:			
- short-term	216.9	434.2	(217.3)
- medium-term	450.0	295.0	155.0
	666.9	729.2	(62.3)
Reserve for employee severance indemnities and reserves for risks and charges	99.6 (a)	41.3	58.3
Other liabilities	26.3	26.9	(0.6)
Total liabilities and stockholders' equity	4,746.7	3,505.5	1,241.2

(a) Includes the remaining "Consolidation reserve for risks and future expenses" of € 69.6 million.

Financial fixed assets

€ in millions	12/31/2003	12/31/2002	Change
Investments accounted for using the equity method			
Fiat Group	1,876.1	806.2	1,069.9
Worms & Cie Group	1,019.3	1,066.2	(46.9)
Rinascente Group (40.47% holding)	461.6	626.4	(164.8)
Juventus Football Club S.p.A.	84.2	-	84.2
NHT Group	70.6	86.0	(15.4)
Sifalberghi S.r.l.	0.0	7.3	(7.3)
Soiem S.p.A. (a)	0.0	9.5	(9.5)
	3,511.8	2,601.6	910.2
Investments valued at cost			
SANPAOLO IMI S.p.A.	620.0	512.3	107.7
Club Méditerranée S.A.	35.2	35.2	0.0
Warrants 2007 on Fiat ordinary shares	3.6	0.0	3.6
Other	3.4	11.9	(8.5)
	662.2	559.4	102.8
Total investments	4,174.0	3,161.0	1,013.0
Treasury stock			
IFIL ordinary shares	44.5	16.3	28.2
IFIL savings shares	-	25.4	(25.4)
Total treasury stock	44.5	41.7	2.8
Ocean Club Méditerranée bonds	4.6	4.5	0.1
Total financial fixed assets	4,223.1	3,207.2	1,015.9

(a) Consolidated line-by-line beginning 2003.

The increase in the carrying value of investments, equal to € 1,013 million, is due to the following changes:

€ in millions	
Investments contributed by IFI	1,052.0
Additions to investments	611.9
Changes in the net equity of companies accounted for using the equity method	(278.2)
Translation adjustments in the stockholders' equity of companies accounted for using the equity method	(272.9)
Share of earnings (losses) of companies accounted for using the equity method	(49.7)
Change due to the line-by-line consolidation of Soiem	(21.0)
Sales of investments	(15.4)
Amortization of differences on consolidation	(13.7)
Net change during the year	1,013.0

Investments accounted for using the equity method – Other information

€ in millions	Number of shares held	% holding of Class of stock	% holding of Capital stock	Carrying value Per share (€)	Carrying value Total (€ ml)
Investments accounted for using the equity method					
Fiat Group:					
- ordinary shares	240,583,447	30.06	24.46	6.91	1,661.4
- preferred shares	31,082,500	30.09	3.16	6.91	214.7
			27.62		1,876.1
Worms & Cie Group	55,922,623	-	53.07	18.23	1,019.3
Rinascente Group:					
- ordinary shares	120,010,391 (a)	40.15	29.64	2.84	341.2
- savings shares	41,224,703 (a)	40.09	10.18	2.84	117.2
- preferred shares	1,131,925 (a)	36.00	0.28	2.84	3.2
			40.10		461.6
Juventus Football Club S.p.A.	74,992,103	-	62.01	1.12	84.2
NHT Group	29,682	-	90.00	2,378.95	70.6
Total investments accounted for using the equity method					3,511.8

(a) Equal to 40.47% of shares held by Eurofind.

Investments, treasury stock and bonds valued at cost – Comparison between carrying values and market prices

	Number of shares held	% holding of class of stock	Carrying value Unit (€)	Carrying value Total (€ ml)		Average market price 2nd half 2003 Unit (€)	Average market price 2nd half 2003 Total (€ ml)	Average market price December 2003 Unit (€)	Average market price December 2003 Total (€ ml)
SANPAOLO IMI S.p.A. - ordinary shares	70,371,000	4.86	8.81	620.0		9.34	657.1	10.81	760.5
Club Méditerranée S.A. - shares	1,393,090	7.20	25.24	35.2	(a)	31.70	44.2	31.94	44.5
Warrants 2007 on Fiat ordinary shares	18,914,511	-	0.19	3.6		0.27	5.2	0.25	4.7
IFIL ordinary shares, treasury stock	11,927,410 (b)	1.15	3.73	44.5	(c)	2.33	27.7	2.60	31.0
Ocean Club Méditerranée bonds	76,614	-	60.52	4.6		60.75	4.7	60.84	4.7
Total				707.9			738.9		845.4

(a) Net of writedowns of € 86.4 million made in previous years.
(b) Including 810,262 IFIL ordinary shares held by the subsidiary Soiem.
(c) Net of writedowns of € 19.3 million made in previous years.

The per share carrying value of IFIL ordinary shares (€ 3.73) is basically in line with the per share value of the consolidated stockholders' equity of the IFIL Group at December 31, 2003 (€ 3.68).

IFIL ordinary treasury stock recorded in current assets

These refer to 700,000 IFIL ordinary treasury stock (0.07% of class of stock), used to service stock option plans, recorded at the purchase price of € 1.7 million, which is below estimated realizable value.

Stockholders' equity - Group

At December 31, 2003, the stockholders' equity - Group, amounted to € 3,953.9 million (€ 2,708.1 million at the end of 2002). The positive change of € 1,245.8 million is due to the following changes:

€ in millions	
Stockholders' equity - Group at December 31, 2002	**2,708.1**
IFIL S.p.A. capital stock increase reserved for IFI S.p.A.	794.5 (a)
Difference between the economic value (€ 1,052 million) and accounting value (€ 794.5 million) of the investments contributed by IFI S.p.A.	257.5
IFIL S.p.A. capital stock increase against payment (b)	504.0
Posting of the consolidation reserve arising from the increases in the investments in Fiat and Worms & Cie	42.8
Use of consolidation reserve for the amortization of the difference on consolidation on Juventus Football Club	(42.8)
Translation adjustments (-€ 272.9 million) in the stockholders' equity of companies accounted for using the equity method and other changes, net (+€ 7.7 million)	(265.2)
Consolidated net loss - Group	(45.0)
Net change during the year	**1,245.8**
Stockholders' equity - Group at December 31, 2003	**3,953.9**

(a) Accounting value of IFIL shares issued.
(b) Includes the gain on sale of unexercised rights for € 1.8 million.

Consolidated net financial position of the "Holdings System"

The consolidated net financial position of the "Holdings System" refers to companies consolidated line-by-line and proportionally and showed a net indebtedness position at December 31, 2003 of € 234.7 million (€ 484.4 million at the end of 2002). The composition of the consolidated net financial position is detailed as follows:

	12/31/2003			12/31/2002		
€ in millions	Short-term	Medium/ long-term	Total	Short-term	Medium/ long-term	Total
Cash and short-term investments	434.6	0.0	434.6	244.5	0.0	244.5
Other assets (financial accrued income and prepaid expenses)	0.2	0.0	0.2	0.3	0.0	0.3
Total financial assets	434.8	0.0	434.8	244.8	0.0	244.8
Borrowings from banks	(216.9)	(150.0)	(366.9)	(428.5)	(150.0)	(578.5)
IFIL 2002/2005 bonds	0.0	(200.0)	(200.0)	0.0	(145.0)	(145.0)
IFIL 2003/2006 bonds	0.0	(100.0)	(100.0)	0.0	0.0	0.0
Other liabilities (financial accrued expenses and deferred income)	(2.6)	0.0	(2.6)	(5.7)	0.0	(5.7)
Total financial liabilities	(219.5)	(450.0)	(669.5)	(434.2)	(295.0)	(729.2)
Consolidated net financial position "Holdings System"	215.3	(450.0)	(234.7)	(189.4)	(295.0)	(484.4)

The positive change of € 249.7 million (more than 51%) was due to the following flows:

€ in millions		
Consolidated net financial position of the "Holdings System" at December 31, 2002		(484.4)
Dividends received from:		
- La Rinascente	258.9	
- Worms & Cie	83.9	
- SANPAOLO IMI	21.1	
- Sifalberghi	0.6	
- Other	0.1	
Dividends received		364.6
Financial expenses, net		(23.6)
General expenses, net		(13.0)
Investments:		
- Fiat, subscription to the capital stock increase (and purchase of rights for € 5 million)	(549.6)	
- La Rinascente, 2.16% of capital stock	(38.6)	
- Worms & Cie, 1.37% of capital stock	(23.7)	
Investments		(611.9)
Sales:		
- Sifalberghi, 25% of capital stock (to Accor Group)	32.0	
- Eurofind, 0.85% of capital stock (to Mediobanca)	15.2	
- Other	2.2	
Sales		49.4
Other changes:		
- IFIL S.p.A. capital stock increase against payment	504.0 (a)	
- IFIL S.p.A. capital stock increase expenses	(11.2)	
- Change in the scope of consolidation	5.2 (b)	
- Other, net	(13.8)	
Other changes		484.2
Net change during the year		249.7
Consolidated net financial position of the "Holdings System" at December 31, 2003		(234.7)

(a) Including the gain on sale of unexercised rights for € 1,8 million.
(b) Cash of the subsidiary Soiem, consolidated line-by-line beginning 2003.

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

ANALYSIS OF IFIL GROUP CONSOLIDATED RESULTS

The summarized consolidated **Statement of Operations** and the summarized consolidated **Balance Sheet** drawn up in accordance with Legislative Decree 127/91 (line-by-line consolidation), as well as the composition and the change in the line-by-line consolidated net financial position are shown below.

Summarized consolidated statement of operations (line-by-line consolidation)

€ in millions	2003	2002
Value of production	55,554	5,390
Costs of production	(55,941)	(5,246)
Difference between value and costs of production	(387)	144
Financial expenses, net	(982)	(14) (a)
Adjustments to financial assets	(83)	(459) (a)
Extraordinary income, net	437	246 (a)
Loss before taxes	(1,015)	(83)
Income taxes	(714)	(175)
Net loss before minority interest	(1,729)	(258)
Minority interest	1,477	(109)
Use of consolidation reserve for risks and future expenses	207	0
Net loss - Group	(45)	(367)

(a) Items reclassified for purposes of comparison with the data supplied by the subsidiaries.

Summarized balance sheet (line-by-line consolidation)

€ in millions	12/31/2003	12/31/2002
Fixed assets	23,705	5,559
Current assets	45,317	2,540
Other assets	849	40
Total assets	69,871	8,139
Stockholders' equity	10,517	3,752
Reserves for risks and charges and employee severance indemnities	7,312	606
Financial payables	24,345	2,533
Other liabilities	27,697	1,248
Total liabilities and stockholders' equity	69,871	8,139

The line-by-line consolidation of the Fiat Group and the subsidiary Soiem beginning from April 1, 2003 does not make it possible to homogeneously compare the 2003 data with the data previously published in 2002, wherein the investments then held in the Fiat Group and in Soiem had been valued using the equity method. Accordingly, to facilitate the comparative analysis, the consolidated data of the IFIL Group at December 31, 2002 has been restated to give effect to the line-by-line consolidation of the economic and balance sheet data of the Fiat Group and Soiem (please refer to the statements on the following page), however without modifying the previously published economic results and consolidated stockholders' equity of the IFIL Group.

Summarized consolidated statement of operations (line-by-line consolidation in 2003) compared to the consolidated statement of operations (line-by-line consolidation in 2002) restated for purposes of comparison

€ in millions	2003	2002 (restated) (a)	Change Amount	Change %
Value of production	55,554	63,487	(7,933)	-12.5
Costs of production	(55,941)	(64,104)	8,163	-12.7
Difference between the value and costs of production	(387)	(617)	230	-37.3
Financial expenses, net	(982)	(685)	(297)	43.4
Adjustments to financial assets	(83)	(838)	755	-90.1
Extraordinary income (expenses), net	437	(2,257)	2,694	n.a.
Loss before income taxes	(1,015)	(4,397)	3,382	-76.9
Income taxes	(714)	379	(1,093)	n.a.
Net loss before minority interest	(1,729)	(4,018)	2,289	-57.0
Minority interest	1,477	3,651	(2,174)	-59.5
Use of consolidation reserve for risks and future expenses	207	0	207	n.s.
Net loss - Group	(45)	(367)	322	n.s.

(a) Restated for purposes of comparison to give effect to the line-by-line consolidation of the data of the Fiat Group and Soiem.

Summarized consolidated balance sheet (line-by-line consolidation in 2003) compared to the consolidated balance sheet (line-by-line consolidation in 2002) restated for purposes of comparison

€ in millions	12/31/2003 Amount	12/31/2003 %	12/31/2002 restated (a) Amount	12/31/2002 restated (a) %	Change
Fixed assets:					
- intangible fixed assets	4,711	7	6,223	6	(1,512)
- property, plant and equipment	10,813	15	13,323	13	(2,510)
- financial fixed assets	8,181	12	18,846	19	(10,665)
	23,705	34	38,392	38	(14,687)
Current assets:					
- inventories	15,938	23	15,880	16	58
- receivables	10,757	15	13,994	14	(3,237)
- financial assets	15,161	22	26,354	26	(11,193)
- cash	3,461	5	3,733	4	(272)
	45,317	65	59,961	60	(14,644)
Other assets	849	1	1,281	2	(432)
Total assets	69,871	100	99,634	100	(29,763)
Stockholders' equity:					
- Group	3,954	6	2,708	3	1,246
- Minority interest	6,563	9	8,696	8	(2,133)
	10,517	15	11,404	11	(887)
Reserves for risks and charges and employee severance indemnities	7,312	10	25,843	26	(18,531)
Financial payables	24,345	35	31,457	32	(7,112)
Other liabilities	27,697	40	30,930	31	(3,233)
Total liabilities and stockholders' equity	69,871	100	99,634	100	(29,763)

(a) Restated for purposes of comparison to give effect to the line-by-line consolidation of the data of the Fiat Group and Soiem.

Consolidated net financial position (line-by-line consolidation)

The consolidated net financial position (line-by-line consolidation) showed a net indebtedness position of € 4,230 million (€ 5,357 million at December 31, 2002).

At December 31, 2003, the consolidated net financial position (line-by-line consolidation) was composed as follows:

€ in millions	12/31/2003	12/31/2002 (restated) (a)	Change
Cash	3,461	3,733	(272)
Marketable securities and other short-term investments	4,269	1,828	2,441
Financial receivables, finance lease contracts receivable and other financial fixed assets	12,959	21,805	(8,846)
Financial accrued income and prepaid expenses	387	662	(275)
Total financial assets	21,076	28,028	(6,952)
Financial payables due within one year	(8,274)	(10,229)	1,955
Financial payables due beyond one year	(16,071)	(21,228)	5,157
Financial accrued expenses and deferred income	(961)	(1,928)	967
Total financial payables	(25,306)	(33,385)	8,079
Consolidated net financial position (line-by-line consolidation)	(4,230)	(5,357)	1,127

(a) Restated for purposes of comparison to give effect to the line-by-line consolidation of the data of the Fiat Group and Soiem.

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

€ in millions	12/31/2003	12/31/2002 restated (a)	Change
Consolidated net financial position of the IFIL "Holdings System"	(235)	(479)	244
Adjustment to eliminate the net financial position of the holdings consolidated proportionally (b)	(6)	(52)	46
Consolidated net financial position:			
- Fiat Group	(3,028)	(3,780)	752
- Worms & Cie Group	(887)	(999)	112
- NHT Group	(74)	(47)	(27)
Consolidated net financial position (line-by-line consolidation)	(4,230)	(5,357)	1,127

(a) Restated for purposes of comparison to give effect to the line-by-line consolidation of the data of the Fiat Group and Soiem; the latter is included in the "Holdings System".
(b) Balances not included in the consolidated financial statements (line-by-line consolidation) of the IFIL Group since they refer to Companies accounted for using the equity method (consolidated, instead, proportionally in the "Holdings System").

Research and development costs

In 2003, research and development costs expensed directly to income during the year totaled € 1,763 million, including € 1,747 million relative to the Fiat Group (€ 1,748 million in 2002) and € 16 million relative to the Worms & Cie Group (€ 14 million in 2002).

ANALYSIS OF IFIL S.p.A. STATUTORY RESULTS

Net income for the year and summarized statement of operations of IFIL S.p.A.
The net income of IFIL S.p.A. for 2003 was € 72.7 million, compared to the net loss of € 516.4 million for 2002 due to writedowns of the carrying values in the investments held, directly and indirectly, in Fiat, Club Méditerranée and Soiem, and also in IFIL treasury stock.

The main captions of the summarized statement of operations are described in the following paragraphs.

Dividends received from holdings amounted to € 76.8 million (€ 54,5 million in 2002). The increase of € 22.3 million is due to higher dividends paid by the subsidiaries Ifil Investissements and Ifil Investment Holding (+€ 36 million) and by SANPAOLO IMI (+€ 6.5 million, following the increase in the investment) and the absence of dividends from Fiat (-€ 20.2 million).

Gains (€ 23 million) derived from the sale of 25% of Sifalberghi capital stock.

Financial expenses, net, amounted to € 28.6 million in 2003 and decreased by € 1.8 million due to lower average indebtedness during the year.

General expenses, net, increased by 1.8% (from € 11.3 million to € 11.5 million) mainly as a result of higher personnel expenses.

Other expenses, net, equal to € 4.4 million, included the amortization of costs connected with capital stock increases (€ 2.2 million), nondeductible VAT associated with such costs (€ 1 million), legal consulting fees regarding pending litigation (€ 1.5 million), extraordinary expenses (to be paid over several years) in connection with recourse to the "Solidarity fund for the support of earnings" (€ 0.3 million) and, lastly, other income, net (€ 0.6 million).

The taxable income calculated in accordance with tax laws did not generate any current income taxes for 2003 and led to the release of excess deferred income taxes payable of € 5.2 million booked in prior years. Since there is no reasonable certainty of future recovery, the parent company IFIL did not book any deferred tax assets on the fiscal 2001, 2002 and 2003 tax losses and on the portions of investment writedowns posted in 2002 that, as allowed by existing tax legislation, will be deductible in future years.

The summarized statement of operations is presented below:

€ in millions	2003	2002	Change
Dividends	76.8	54.5	22.3
Dividend tax credits	12.2	16.2	(4.0)
Gains	23.0	1.8	21.2
Writedowns	0.0	(537.7)	537.7
Income/(expenses), net, from investments and other financial fixed assets	112.0	(465.2)	577.2
Financial expenses, net	(28.6)	(30.4)	1.8
General expenses, net	(11.5)	(11.3)	(0.2)
Other expenses, net	(4.4)	(7.3)	2.9
Income (loss) before taxes	67.5	(514.2)	581.7
Deferred taxes	5.2	(2.2)	7.4
Net income (loss)	72.7	(516.4)	589.1

Summarized balance sheet

The summarized balance sheet is presented below:

€ in millions	12/31/2003 Amount	%	12/31/2002 Amount	%	Change
Intangible fixed assets	9.0	0.2	0.0	0.0	9.0
Financial fixed assets	3,808.3	98.1	2,520.8	98.0	1,287.5
Other assets	67.1	1.7	52.0	2.0	15.1
Total assets	3,884.4	100.0	2,572.8	100.0	1,311.6
Stockholders' equity	3,194.4	82.2	1,823.2	70.9	1,371.2
Financial payables:					
- bonds 2002/2005	200.0	5.1	145.0	5.6	55.0
- bonds 2003/2006	100.0	2.6	0.0	0.0	100.0
- banks, short-term	216.9	5.6	428.5	16.7	(211.6)
- banks, medium-term	150.0	3.9	150.0	5.8	0.0
- subsidiaries	8.6	0.2	0.0	0.0	8.6
	675.5	17.4	723.5	28.1	(48.0)
Other liabilities and reserves	14.5	0.4	26.1	1.0	(11.6)
Total liabilities and stockholders' equity	3,884.4	100.0	2,572.8	100.0	1,311.6

The principal equity and financial captions are analyzed in the following tables.

Financial fixed assets

Details are presented below:

€ in millions	12/31/2003	12/31/2002	Change
Subsidiaries			
Fiat S.p.A. (ordinary shares)	1,600.7	476.4 (a)	1,124.3
Fiat S.p.A. (warrants 2007 on ordinary shares)	3.6	0.0 (a)	3.6
Fiat S.p.A. (preferred shares)	146.9	59.4 (a)	87.5
	1,751.2	535.8	1,215.4
Ifil Investissements S.A.	1,356.0	1,610.5	(254.5)
Ifil Investment Holding N.V.	162.8	162.8	0.0
Juventus Football Club S.p.A.	11.7	0.0	11.7
Soiem S.p.A.	21.7	9.6 (a)	12.1
New Business Quindici S.r.l.	0.0 (b)	0.0	0.0
	3,303.4	2,318.7	984.7
Associated companies - Sifalberghi S.r.l.	0.0	9.0	(9.0)
Other companies - SANPAOLO IMI S.p.A. (ordinary shares)	463.2	151.4	311.8
Other investments	3,766.6	2,479.1	1,287.5
Treasury stock			
IFIL ordinary shares	41.7	16.3	25.4
IFIL savings shares	0.0	25.4	(25.4)
	41.7	41.7	0.0
Total financial fixed assets	3,808.3	2,520.8	1,287.5

(a) Associated companies up to December 31, 2002.
(b) Carried at € 9,668.

The net increase in financial fixed assets of € 1,287.5 million was the result of the following movements:

€ in millions		
Financial fixed assets at December 31, 2002	2,520.8	
Contribution by IFI S.p.A.:		
- Fiat, 77,944,334 ordinary shares (17.99% of the class of stock)	561.0	
- Fiat, 11,216,334 warrants 2007 on ordinary shares	3.6	
- Fiat, 19,582,500 preferred shares (18.96% of the class of stock)	101.1	
- SANPAOLO IMI, 16,300,000 ordinary shares (1.13% of the class of stock)	107.7	
- Juventus Football Club, 74,992,103 shares (62.01% of capital stock)	11.7	
- Soiem, 18,286,500 shares (50.1% of capital stock)	9.4	
	794.5	
Other increases (decreases)		
- Fiat, subscription to 108,921,627 ordinary shares (capital stock increase)	549.6	(a)
- SANPAOLO IMI, purchase of 28,419,000 ordinary shares (1.96% of the class of stock) by Ifil Investissements	204.1	
- Soiem, payment against future capital increase	2.7	
- Ifil Investissements, partial reimbursement of additional paid-in capital	(254.4)	
- Sifalberghi, sale of 25% capital stock	(9.0)	
	493.0	
Net change during the year	1,287.5	
Financial fixed assets at December 31, 2003	3,808.3	

(a) Including purchase of rights for € 5 million.

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

€ in millions	Fiat ord. shares	Warrants 2007 Fiat ord. shares	Fiat pref. shares	SANPAOLO IMI	Juventus	IFIL ord. shares	Total
Market price at December 30, 2003	(123.0)	0.3	(31.8)	269.6	114.0	(12.6)	216.5
Average market price in the second half of 2003	(76.6)	1.6	(28.2)	193.9	133.5	(15.8)	208.4
Average market price March 1-17, 2004, update	(133.8)	0.2	(31.4)	256.8	105.4	(10.2)	187.0

The carrying values of Fiat ordinary and preferred shares (respectively, € 6.65 and € 4.73) are lower than the per share value of the consolidated stockholders' equity of the Fiat Group at December 31, 2003 (€ 6.91).

The per share carrying value of IFIL ordinary shares (€ 3.75) is substantially in line with the per share value of the consolidated stockholders' equity of the IFIL Group at December 31, 2003 (€ 3.68).

Stockholders' equity

Stockholders' equity at December 31, 2003 amounted to € 3,194.4 million (€ 1,823.2 million at December 31, 2002). The positive change of € 1,371.2 million was due to the following changes:

€ in millions		
Stockholders' equity at December 31, 2002	1,823.2	
Capital stock increase reserved for IFI S.p.A.	794.5	(a)
Capital stock increase against payment	504.0	(b)
Net income for 2003	72.7	
Net change during the year	1,371.2	
Stockholders' equity at December 31, 2003	3,194.4	

(a) Accounting value of the IFIL shares issued.
(b) Including the sale of unexercised rights for € 1.8 million.

Net financial position

The net financial position of IFIL S.p.A. at December 31, 2003 showed a net indebtedness position of € 677.8 million (€ 729.2 million a the end of 2002) which is composed as follows:

€ in millions	12/31/2003	12/31/2002	Change
Short-term financial receivables	0.2	0.0	0.2
Bonds	(300.0)	(145.0)	(155.0)
Financial payables:			
- short term	(216.9)	(428.5)	211.6
- medium-term	(150.0)	(150.0)	0.0
Financial payables to subsidiaries	(8.6)	0.0	(8.6)
Financial accrued expenses	(2.5)	(5.7)	3.2
Net financial position	(677.8)	(729.2)	51.4

The positive change, equal to € 51.4 million in 2003, resulted from the following cash flows:

€ in millions		
Net financial position at December 31, 2002		(729.2)
Dividends received from holdings		76.8
Financial expenses, net		(28.6)
General expenses, net		(11.5)
Investments:		
- Fiat, subscription to 108,921,627 ordinary shares	(549.6) (a)	
- SANPAOLO IMI, purchase of 28,419,000 ordinary shares (1.96% of the class of stock) from Ifil Investissements	(204.1)	
- Soiem, payment against future capital increase	(2.7)	
- IFIL, purchase of 700,000 ordinary shares (0.07% of the class of stock)	(1.7)	
Investments		(758.1)
Sale of 25% of Sifalberghi capital stock		32.0
Partial reimbursement of additional paid-in capital by Ifil Investissements		254.4
Other changes:		
- IFIL S.p.A. capital stock increase against payment	504.0 (b)	
- Capital stock increase expenses	(11.2)	
- Other, net	(6.4)	
Other changes		486.4
Net change during the year		51.4
Net financial position at December 31, 2003		(677.8)

(a) Including the purchase of rights for € 5 million.
(b) Including the proceeds on the sale of unexercised rights for € 1.8 million.

OTHER INFORMATION

Corporate structure of the Group

IFIL holds important investments through Dutch and Luxembourg holding companies. This control structure is the result of the Group's strategy to globalize investments and secure strategic agreements with leading foreign partners in the sectors of investment.

Moreover, IFIL controls two companies incorporated under Irish law which operate with the aim of optimizing the management of the financial resources of the Group, Soiem and the services companies.

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

In 2003, the major rating agencies downgraded Fiat's debt to below investment grade level and, accordingly, should this condition exist at July 2004, the lending Banks could bring forward the conversion of the debt to capital stock for an amount up to € 2 billion.

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

Transition to International Financial Reporting Standards

Following the coming into force of the European Union Regulation No. 1606, dated July 19, 2002, beginning from 2005 those EU companies whose securities are traded on an EU regulated market must prepare their consolidated financial statements in accordance with International Financial Reporting Standards (IFRS/IAS).

IFIL is operating on three levels to ensure a proper transition.

At its operating subsidiaries and associated companies (Fiat, Worms & Cie, Juventus F.C., New Holding for Tourism and La Rinascente), IFIL has taken note of the transition processes in progress, agreeing the timetables to obtain the 2003 and 2004 data, in compliance with IFRS, which will be necessary for the preparation of the opening consolidated balance sheet as at January 1, 2004, as well as the 2004 interim quarterly and semi-annual consolidated financial statements of the IFIL Group, prepared in accordance with IFRS (to be shown for comparative purposes with the equivalent data for 2005).

With regard to IFIL and the Italian and foreign subsidiaries that are part of the "Holdings System", a working group was created to identify the differences between the national and Group accounting principles currently in place and the IFRS/IAS, to ascertain the adequacy of the accounting systems and procedures compared to the new requirements and to ensure that each company prepares, on a timely basis, the necessary accounting statements (equivalent to those examined with regard to the operating subsidiaries and associated companies).

Finally, a working group was established at IFIL, which includes a representative of each operating subsidiary and associated company, to verify the observance of deadlines, gather information on the progress of the transition processes at Group companies, contribute to the timely distribution of updates of the standards and, where necessary, manage the consistency of interpretation of the new standards within the companies of the Group.

With regard to IFIL S.p.A., the first indications from the work performed to date are that the adoption of the new IFRS will principally impact the following items:

Financial fixed assets:	the LIFO method (last in-first out) can no longer be used.
Treasury stock:	the carrying value of treasury stock should be recorded as a reduction of stockholders' equity; any gains/losses deriving from disposals should be recorded in stockholders' equity.
Employee severance indemnities and employee benefits:	should be recalculated for each employee in accordance with the provisions of IAS19; to that end, the Company will use an independent actuary.
Intangible fixed assets:	the residual balance of some costs that benefit more than one year that have been capitalized and amortized in accordance with the regulations in force should be eliminated from assets and recorded as a reduction of stockholders' equity.

Transactions among Group companies and with related parties

Transactions among IFIL, the parent companies, the subsidiaries and the companies in which a significant influence is exercised are entered into in conformity with the provisions of existing laws, based upon an evaluation of reciprocal economic gain.

In addition to the comments in respect of the Reorganization of the Group, the most important transactions can be summarized as follows:

- services rendered to subsidiaries and associated companies and recoveries of costs;
- services rendered by the parent company, IFI, and by the subsidiary Soiem;
- purchase of 28,419,000 SANPAOLO IMI ordinary shares (1.96% of the class of stock) from Ifil Investissements for € 204.1 million;
- partial reimbursement of additional paid-in capital by Ifil Investissements for € 318.7 million, of which € 254.3 million to IFIL and € 64.3 million to Ifil Investment Holding;
- use of loans from the subsidiary Soiem for € 8.5 million and from the parent company, Giovanni Agnelli e C., for € 51.7 million (repaid in May) bearing interest at monthly floating market rates;
- sale of receivables from the tax authorities to the subsidiary Francorosso Incentive (€ 250 thousand);
- payment of € 2.7 million to the subsidiary Soiem to be used to set up the undistributable reserve, pursuant to art. 2359 bis, paragraph 4, of the Italian Civil Code, in respect of the carrying value of IFIL ordinary shares owned by Soiem.

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

€ in thousands	Accounts receivable 12/31/2003	Accounts payable 12/31/2003	Income 2003	Expenses 2003
La Rinascente S.p.A.	64	7	67	
Alpitour S.p.A.	5		28	
Ifil Investissements S.A.	12		18	
Ifil Finance BV	4		4	
Ifil Capital BV			6	
Ifil International Finance Ltd	4		4	
Ifilgroup Finance Ltd			4	
Giovanni Agnelli e C. S.a.p.az.				74
Juventus Football Club S.p.A.	2		2	192
Orione - Consorzio Industriale per la Sicurezza e la Vigilanza		3	34	
Ifil Investment Holding N.V.	17		19	
Espin S.p.A.		7		
Fiat Auto S.p.A.		3		
Gestione Lavoro S.p.A.		1		1
Fiat Sava S.p.A.		1		18
Fiat Sepin S.p.A.		10		12
Savarent S.p.A.		22		138
Human Resources Services S.p.A.		2		4
IFI S.p.A.		201		201
Eurofind S.A.			1	
Eufin Investments UK			1	
SICI S.p.A.	5			
Soiem S.p.A.	24	9,072		1,796
Publikompass S.p.A.		1		
SANPAOLO IMI S.p.A.		23,535		4,635
Total	137	32,865	188	7,071

The IFIL Group, through the Companies which make up the Group, has maintained and maintains relations with "related" parties as defined by Consob, which, even when considered from the standpoint of potential conflicts of interest, are nonetheless governed by market terms. In this sense, particular mention should be made of:

- option rights on IFIL ordinary shares granted to Directors and Managers of IFIL, the parent company, IFI, and the subsidiary Soiem;
- option rights on Alpitour shares granted by Alpitour to the Directors of IFIL under a stock option plan for the Directors, Managers and Cadres of Alpitour and its direct and indirect subsidiaries.

In February 2003, all the Directors and Managers of the Group, who had the right, sold their Atlanet shares to Ifil Investissements (from which they had previously bought the Atlanet shares) at prices slightly lower than the investments made.

With a view to optimizing the management of the Group's financial resources, loan transactions were entered into among foreign companies of the Group during the year.

Additionally, certain transactions between Group companies and related parties are described in the following paragraphs:

- partial reimbursement of additional paid-in capital:
  - by Eurofind to Ifil Investissements for € 240.7 million;
  - by Ifil International Finance to Ifil Investissements for € 120 million;
  - by Eufin Investments to Eurofind for € 111.5 million;
- payments against future capital increases by Ifil Investissements to Ifil International Finance for € 255 million.

In March 2003, Alpitour purchased 60% of the capital stock of Altamarea, headed by three current directors of the same company, for € 2.2 million.

In October 2003, Francorosso Incentive purchased 30% of the capital stock of Promoviaggi, headed by two current directors of the same company, for € 1.1 million.

In January 2003, the NHT Group repaid a US$ 4.4 million loan secured from companies headed by two directors of Maldivian subsidiaries.

During the course of the year, the Director Franzo Grande Stevens rendered professional services to the Fiat Group for consideration of € 875 thousand.

Additional information and details (including commitments for purchases and sales of investments, dividends received and purchases and sales of investments) are disclosed in the section "Major events in 2003" of the Directors' report on operations, in the "Notes to the statutory financial statements of IFIL S.p.A." and in the consolidated financial statements.

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

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 12/31/2002	Increase	Decrease	Held at 12/31/2003
Directors					
Gabetti Gianluigi	IFIL ordinary shares (a)	0	120,000		120,000
	Worms & Cie (a)	0	1		1
Arnaudo Luigi	IFIL ordinary shares (a)	60,000			60,000
	IFIL savings shares (a)	70,000			70,000
Brandolini d'Adda Tiberto	Worms & Cie (a)	88			88
Garosci Luigi	IFIL savings shares (b)	6,000		(6,000) (c)	0
	IFIL ordinary shares (b)	0	8,007		8,007
Lombardi Giancarlo	IFIL ordinary shares (a)	12,650			12,650
Marocco Antonio Maria	IFIL ordinary shares (a)	46,750	26,619		73,369
	Fiat ordinary shares (a)	15,000			15,000
Teodorani-Fabbri Pio	IFIL ordinary shares (a)	0	200,000		200,000
	IFIL ordinary shares (b)	0	500,000		500,000
	Fiat ordinary shares (b)	1,969	4,614		6,583
	Warr. 2007 on Fiat ord. shares (b)	825			825
	Fiat savings shares (b)	5,720			5,720
Agnelli Umberto	Worms & Cie (a)	2			2 (e)
	Permal Group (a)	1			1 (e)
	Juventus F.C. (a)	26,595			26,595 (e)
Statutory Auditors					
Ferrero Cesare	Fiat ordinary shares (a)	1			1
Girolamo Natale Ignazio	IFIL savings shares (b)	12,500		(12,500) (d)	0
	IFIL ordinary shares (b)	-	10,625		10,625
General Manager					
Winteler Daniel John	Worms & Cie (a)	1	1		2

(a) Direct holding.
(b) Indirect holding through spouse.
(c) Converted into 5,100 IFIL ordinary shares.
(d) Converted into 10,625 IFIL ordinary shares.
(e) Shares held on March 3, 2003, date of resignation from the post.

SIGNIFICANT SUBSEQUENT EVENTS

Purchase of 9.53% of Eurofind capital stock

As stated earlier, in January 2004, Ifil Investissements purchased 3,029,651 Eurofind shares (equal to 9.53% of capital stock) from Mediobanca for an investment of € 116.1 million.
Eurofind's capital stock is currently held equally by the IFIL Group (50%) and the Auchan Group (50%).

Purchase of 10% of NHT New Holding for Tourism capital stock

In January 2004, Ifil Investissements purchased 3,298 NHT New Holding for Tourism shares (equal to 10% of capital stock) from the TUI Group for an outlay of € 46.3 million. As part of this transaction, NHT also purchased the remaining 50% of the capital stock of Neos S.p.A. from the TUI Group for an investment of € 2.7 million.
IFIL currently holds, through the subsidiaries Ifil Investissements and Ifil Finance, complete control of NHT.

IFIL's new organization in the United States of America

For the purpose of contributing to the search for new investment opportunities, IFIL set up an organization in the United States with offices in New York. Thanks to its positioning in one of the most interesting international financial centers and with its highly-qualified professional management staff, the organization – which will operate in close coordination with IFIL's offices in Turin – could significantly boost the opportunities of creating economic value for the Company.

Change in the consolidated net financial position of the "Holdings System"

At the end of February 2004, the net financial position of the "Holdings System" showed an indebtedness position of € 393 million. The net negative change during the period (€ 158.3 million) was determined by the following flows:

€ in millions	
Consolidated net financial position of the "Holdings System" at December 31, 2003	(234.7)
Purchase of 9.53% of Eurofind capital stock (from Mediobanca)	(116.1)
Purchase of 10% of capital stock of NHT New Holding for Tourism (from the TUI Group)	(46.3)
Financial expenses, net	(4.9)
Receivables collected from the tax authorities	8.8
Other changes, net	0.2
Net change during the period	(158.3)
Consolidated net financial position of the "Holdings System" at the end of February 2004	(393.0)

Programming document on security

The Company has prepared the programming document on security (Dps) for the year 2003 according to the laws then in force and is currently proceeding to update this document pursuant to the provisions of Legislative Decree No. 196 dated June 30, 2003, Attachment B – technical specifications regarding minimum safety measures.

BUSINESS OUTLOOK

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

The consolidated result of the IFIL Group for 2004 will be closely linked to the performance of its main holdings. The forecasts formulated by the holdings themselves are as follows:

Fiat Group
The forecast for 2004 calls for the global economy to grow, driven by expansion in the United States and Southeast Asia. However, the growth rates projected for Italy and the rest of Europe are significantly lower. Consequently, the Fiat Group will be faced with market demand that will expand slightly in the United States but hold relatively steady in most other countries, and with aggressive competition from other carmakers.

In this environment, all of the Group's Sectors will strive to achieve significant gains in profitability. They will pursue this goal by following the guidelines set out in the Relaunch Plan, by restructuring and by streamlining their manufacturing operations. At the same time, they will be making major investments in renewing their product range and improving their distribution networks.

The Group will continue to strengthen its management organization by pursuing a strategy of bringing in top professionals from the outside and leveraging the competencies available inside.

While taking into account the current business outlook, management's goal will continue to be to achieve the objectives of the Relaunch Plan: an operating breakeven for the Group, a further reduction of Fiat Auto's losses and better operating results than in 2003 from all other Sectors.

Worms & Cie Group
In 2003, although operating in a difficult economic context, the companies of the Worms & Cie Group raised or maintained their market share and took structural actions that will make it possible to consolidate or improve their operating results in 2004.

The first two months of 2004 confirm this forecast with a strong level of activities for the subsidiaries SGS and Permal Group and make it possible to anticipate a gradual turnaround in the paper sector where manufacturing costs are being subjected to a rigorous controlling policy.

Rinascente Group
In the first two months of 2004, the Rinascente Group reported sales of € 1,023.9 million, with an increase of 7.9% compared to the corresponding period of the prior year.

In an economic context with growth forecasts uncertain, the Rinascente Group will support every commercial initiative necessary to pursue the objectives of efficiency and process effectiveness in order to preserve and, if possible, improve the operating result.

NHT Group
In view of the actions undertaken to reduce operating costs and the performance during the first few months, the NHT Group is forecasting a further improvement in its results for the year 2003/2004. However, the impacts deriving from a worsening of international political tension, partly as a result of recent terrorist attacks in Spain, could make reaching the anticipated results more difficult.

Juventus Football Club
Juventus, in light of the economic and balance sheet performance for the first six months of the year and information available to date, should register a negative net result for the year that will end on June 30, 2004. Such result could nevertheless be significantly affected by any extraordinary transactions regarding its assets.

SANPAOLO IMI
SANPAOLO IMI recently announced the distribution of dividends per share of € 0.39 which will bring IFIL receipts of € 27.4 million.

PERFORMANCE OF THE MAJOR GROUP COMPANIES

FIAT

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

For the Fiat Group, 2003 was a difficult and challenging year of transition.
The Company operated in a global economy characterized by stagnant or contracting markets, while contending with the strengthening of the euro versus the U.S. dollar and other major currencies as well as the impact of highly destabilizing international political events. At the same time, in 2003 Fiat launched one of the most profound transformations in its history: a new management team was put in charge in late February. June saw the launch of a four-year industrial and financial plan; and the Group drastically altered the scope of its operations, focusing on its core automotive businesses and divesting a number of companies: Toro Assicurazioni, FiatAvio, FiatAuto's European and Brazilian retail financing operations, Fraikin, and a controlling interest in IPI.
The results for the full year 2003 show that the Group's continuing operations made significant progress. Most importantly, Fiat Auto is already beginning to benefit from cost reductions and the industrial synergies developed with General Motors, even though profit margin improvements were not fully realized, as new models launched at the end of 2003 could not produce their full positive impact on the year's result. There are still challenges ahead as the Group continues on its long and difficult course, but Fiat can take satisfaction in having met its goals for 2003 and brought its main operating and financial metrics in line with the objectives of its Relaunch Plan.

As regards the main activity sectors, in 2003, **Fiat Auto** worked hard to launch new products, upgrade its existing models and improve the performance of its industrial operations. This effort gained fresh momentum during the second half of the year with the start of specific programs implemented under the Relaunch Plan. Special focus was placed on increasing the competitiveness of Fiat Auto's cost structure, revitalizing its technological innovation capabilities and requalifying its distribution networks. Most importantly, Fiat Auto significantly stepped up the renewal of its product line, launching four new models (Lancia Ypsilon, Fiat Panda, Fiat Idea, Alfa GT) and overhauling three existing models (Fiat Punto, Alfa 156 and Alfa 166). These new products were immediately welcomed by the motoring public and received prestigious international rewards. Most notably, the Fiat Panda was named 2004 Car of the Year.
Fiat Auto reported revenues of € 20,010 million for 2003, 9.6% less than the € 22,147 million reported in 2002, due to the contraction in sales volumes and disposal of retail financing activities (decrease of approximately 8% on a comparable basis). Fiat Auto sold a total of approximately 1,700,000 automobiles and light commercial vehicles, down to 8.8% less from 2002. In Western Europe, 1,179,000 units were sold and the decrease was 9.4% with respect to the previous year. The main causes for this downturn were persistent softness on its principal markets, growing competitive pressures, and anticipation leading up to the introduction of new products. The new models came onto the market only at the end of 2003 and, thus the benefits deriving from their sale were only marginal. FiatAuto reduced its operating loss, equal to € 979 million in 2003, compared with a loss of € 1,343 million in 2002. On a comparable basis – excluding from both years the results of the financial companies that were sold – the reduction in losses totaled € 468 million. This improvement is the result of savings on product costs and overhead deriving from the cost reduction plan and industrial synergies generated by the alliance with General Motors; on the other hand, the Sector suffered from the negative effects of lower volumes and higher research and development costs.

In 2003, CNH posted revenues of € 9,418 million, -10,4% compared with the € 10,513 million reported in the previous year, in consequence of the negative foreign exchange effect caused by the weakening of the dollar against the euro. On a comparable basis, revenues would have been largely unchanged from the previous year, insofar as the higher revenues from agricultural equipment sales were offset by the reduction in revenues from construction equipment.
CNH posted operating income of € 229 million in 2003, up from the € 163 million reported in 2002, notwithstanding the negative foreign exchange effect stemming from appreciation of the euro. The Sector result improved markedly thanks to improved margins on new products, higher sales prices, and cost savings realized through the integration plans with Case and the Relaunch Plan. These factors more than compensated for the negative impact of volumes and product mix, the costs associated with the introduction of new products, and higher social security and medical costs for its employees.

Iveco had revenues of € 8,440 million in 2003, down by 7.6% from the € 9,136 million reported in 2002, caused by the disposal of activities and deconsolidation of Naveco. On a comparable basis, revenues would have been virtually the same as in 2002.
Iveco closed fiscal year 2003 with operating income of € 81 million, against income of € 102 million in the previous year, which included the positive result of sold activities.
On a comparable basis, it would have posted a slight decrease: the Sector was negatively impacted by a contraction in volumes and intense price pressures, connected with the difficult market situation, and an unfavorable foreign exchange effect. Iveco responded to these negative factors by significantly reducing manufacturing costs and overhead.
In 2003, Iveco continued to work tirelessly on product innovation. The most recent fruits of these efforts include the Stralis equipped with the innovative Active Day and Active Time cabs, which was honored with the 2003 Truck of the Year award, and the recent launch of the New Eurocargo, which represents a further enhancement of the Sector's line of intermediate vehicles.

The consolidated results of the Fiat Group in 2003 can be summarized as follows:

€ in millions	2003	2002	Change Amount	%
Net revenues	47,271	55,649	-8,378	-15.1%
Operating result	(510)	(762)	+252	-33.1%
Result before taxes	(1,298)	(4,817)	+3,519	-73.1%
Group's interest in net result	(1,900)	(3,948)	+2,048	-51.9%
Investments in property, plant and equipment and R&D	3,758	4,519	-761	-16.8%
Cash flows provided by operations	321	(1,649)	+1,970	-119.5%
Net financial position	(3,028)	(3,780)	+752	-19.9%
Number of employees	162,237	186,492	-24,255	-13.0%

Fiat Group's **net revenues** totaled € 47,271 million in 2003, reflecting a 15.1% decrease from the previous year, largely due to the disposal of activities. If continuing operations are considered – excluding the revenues of businesses sold in 2003 from the values for both fiscal years – the reduction would have been 7.3%. The negative foreign exchange effect caused by appreciation of the euro against other currencies and contraction in the volumes of Fiat Auto were the principal causes of the change.

The 2003 **operating result** reflected a reduction in losses, which decreased from € 762 million in 2002 to € 510 million in 2003. This improvement of € 252 million is even more evident if the performance of Continuing Operations alone is considered, which reported a € 634 million decrease in operating loss (from a loss of € 1,348 million in 2002 to a loss of € 714 million in 2003). The recovery accelerated over the course of the year, reflecting the efficiency gains realized through implementation of the Relaunch Plan.

The **Group's consolidated interest in net result** reported a loss of € 1,900 million, compared with a loss of € 3,948 million in fiscal year 2002. This improvement, which reflects the decrease in the operating loss, was also made possible by:

- better results from the equity investments, equal to - € 156 million compared to a negative balance of € 690 million for the previous year, which included the losses incurred by marking equity securities portfolios held by the insurance companies, which were sold in May 2003;
- a reduction in non-operating charges, which decreased mainly due to lower provisions, restructuring charges and extraordinary asset writedowns;
- higher gains earned on asset disposals compared with 2002. These gains included € 1,258 million, net of transaction costs, on the sale of FiatAvio; € 390 million, net of transaction costs, on the disposal of Toro Assicurazioni; € 103 million on the disposal of Fiat Auto's Brazilian retail financing operations; and € 15 million on the sale of IPI. Non-operating income earned in 2002 included, among other items, the gains generated by the disposals of a 34% interest in Ferrari and a 14% interest in Italenergia Bis.
  Net income taxes for the year totaled € 650 million, compared with a credit of € 554 million in 2002. In particular, the income taxes due for fiscal year 2003 include the use of the tax assets that had been previously recorded against expected gains on disposal of the Toro Assicurazioni Group and FiatAvio S.p.A., which were subsequently realized.

As for the equity and financial aspects:

- **Consolidated stockholders' equity - Group** at December 31, 2003 was € 6,793 million, compared to € 7,641 million at December 31, 2002;

- The **net financial position**, i.e. net indebtedness (financial payables and related accruals and deferrals, net of cash and securities) minus financial receivables, totaled - € 3,028 million at December 31, 2003, reflecting an improvement of € 752 million compared with the negative net financial position of € 3,780 million at December 31, 2002. During the fiscal year, the net resources generated by disposals and the capital increase concluded in August more than offset the financial and operating requirements (loss for the fiscal year and increase in working capital).

€ in millions	31/12/2003	31/12/2002	Change
Financial payables, net of intersegment	(22,034)	(28,923)	6,889
Accrued financial expenses	(593)	(785)	192
Prepaid financial expenses	85	118	(33)
Cash	3,211	3,489	(278)
Securities	3,789	1,507	2,282
Net indebtedness	(15,542)	(24,594)	9,052
Financial receivables and lease contracts receivable	12,576	21,406	(8,830)
Accrued financial income	301	543	(242)
Deferred financial income	(363)	(1,135)	772
Net financial position	(3,028)	(3,780)	752

At December 31, 2003, the financial payables included:

- bonds for € 9,610 million;
- the five year bond issued at the beginning of 2002 and exchangeable for 32,053,422 General Motors shares (US$ 2,229 million – equal to € 1,765 million). It should be noted, however, that each bondholder has the right to request early reimbursement, with payment on July 9, 2004, of all or part of his bonds pursuant to the terms and conditions envisaged in the issue prospectus;
- borrowings from banks for a total of € 9,384 million. This amount includes, among others, the mandatory convertible facility (€ 3 billion) and the loan by Citigroup (lead manager of a restricted pool of banks), secured by the agreements with EDF as part of the Italenergia Bis transaction (approximately € 1,150 million).

Financial receivables and finance lease contracts receivable at December 31, 2003, include financial receivables from the dealer network totaling € 2,020 million (€ 1,904 million at December 31, 2002). Receivables from the dealer network are a typical component of the portfolio of the financial services companies. The receivables from the dealer network illustrated in the preceding table are net of allowances for doubtful accounts totaling € 313 million at December 31, 2003 (€ 333 million at December 31, 2002), computed on the basis of historical statistical analyses and updated according to evolutions in market trends. At December 31, 2003, the Group held guarantees totaling over € 2 billion as security for these receivables.

The Group met the targets agreed to with the lending banks under the mandatory convertible facility agreement by reducing its net financial position to € 3 billion and reducing gross indebtedness to € 23.6 billion. At December 31, 2003, gross indebtedness totaled € 22.5 billion, while net financial position was substantially in line with the agreed target without using the previously mentioned Citigroup loan (approximately € 1,150 million) to reduce net financial position (approximately € 3,028 million), as determined by the agreements with the lending banks.
At December 31, 2003, the rating assigned to the Fiat Group by the leading rating agencies was "non investment grade". Therefore, if this situation persists, in July 2004, the banks could convert up to € 2 billion of the principal loaned into equity.

As regards the significant events occurring since the end of the fiscal year, the most relevant transactions completed by the Fiat Group during early months of 2004 are reviewed below:

- in February 2004, 100% of the interest held in Fiat Engineering S.p.A. was sold to Maire Investimenti S.p.A. At the same time, Fiat Partecipazioni S.p.A. subscribed to a capital increase in Maire Investimenti S.p.A. and now owns 30% of its capital. On said 30% interest, both parties hold call and put options that are exercisable within three years at a predetermined price;
- Fiat signed an agreement to sell 65 million ordinary shares of Edison S.p.A., representing Fiat's direct stake in Edison. Fiat retains its 24.6% interest in Italenergia Bis, the controlling entity of Edison. The transaction does not change any of the future strategic options of the Fiat Group;
- with regard to the new products introduced during the first quarter of 2004, Fiat Auto chose the 74th International Geneva Motor Show for the worldwide introduction of several Fiat-brand models, including the on-road and off -road versions of the gasoline and diesel-powered Panda 4X4, the new Fiat Multipla with updated styling, and the Trepiùno, a small car that serves as a styling and technological laboratory for the development of future microcars.
  Alfa Romeo staged the worldwide launch of the Alfa Crosswagon, a sporty and elegant all-wheel-drive car capable of handling off-road driving conditions.
  Lancia presented to buyers worldwide its Musa, a new compact MPV for motorists who want to enjoy good taste but are unwilling to give up convenience.

(53.07% of capital stock through Ifil Investissements)

Worms & Cie is one of the major investment holding companies in France listed on the "Premier Marché" of the Paris stock exchange.
The Group's portfolio is essentially made up of industry holdings (ArjoWiggins and Carbonless Europe) and services holdings (Antalis, Permal Group and SGS SA).

The condensed consolidated results, with the operating companies accounted for using the equity method, are summarized below:

			Change	
(€ in millions)	2003	2002	Amount	%
Share of earnings (losses) of consolidated subsidiaries accounted for using the equity method				
- ArjoWiggins	73	114	(41)	-36
- Carbonless Europe	(7)	5	(12)	n.s.
- Antalis	6	(5)	11	n.s.
- SGS	36	22	14	64
- Permal Group	25	15	10	67
- Other	15	9	6	67
Share of earnings and dividends	148	160	(12)	-7.5
Financial income/(expenses), net	12	18	(6)	-33
General expenses, net	(12)	(15)	3	-20
Income taxes	11	32	(21)	-67
Current net profit	159	195	(36)	-18
Extraordinary items	31	74	(43)	-58
Amortization of differences on consolidation	(78)	(79)	1	-1
Total net income - Group	112	190	(78)	-41
Stockholders' equity - Group	1,998	2,157	(159)	-
Net financial position	(612)	(698)	86	-

The consolidated net income - Group was € 112 million compared to € 190 million in 2002.

The change from the prior year can be explained as follows:

- the current net profit decreased (-18%) mainly due to a worsening in the results of the industrial companies (ArjoWiggins and Carbonless Europe) which was not compensated by the improvement in the results of the service companies (Antalis, Permal Group and SGS SA), besides a lower net income tax benefit;
- financial income/(expenses), net, showed an income balance in 2003 of € 12 million in that certain financial assets, not included in net debt for accounting purposes, generated considerable interest income (the Appleton crédit vendeur, in particular);
- general expenses in 2003 were € 12 million, a reduction of € 3 million from 2002;
- a reduction in extraordinary items from € 74 million to € 31 million, was recorded principally due to lower gains, net of taxes, realized in 2003 compared to 2002.

Stockholders' equity of the Group amounted to € 1,998 million at the end of December 2003, compared to € 2,157 million at the end of December 2002.

Net financial position of the Group was € 612 million at the end of December 2003, a decrease of € 86 million compared to € 698 million at the end of December 2002.

Worms & Cie Group's stockholders at December 31, 2003 were:

	% of capital stock	% of voting rights
IFIL Group	53.07	53.11
Family Group	22.85	22.86
A.G.F.	14.83	14.84
Public	9.18	9.19
Treasury stock	0.07	-

The operating performance of the main holdings of the Worms & Cie Group in 2003 is described below.

ARJOWIGGINS

(100% of capital stock through Worms & Cie)

ArjoWiggins is the world leader in the manufacture of high value-added paper products for industry and the world of merchanting and graphic arts, with operations principally in Europe, in North America, in South America and Asia. Its ranges of products are marketed throughout the world and can count on a highly visible corporate image thanks to its brands (Canson, Conqueror, etc.…) and its excellent reputation for product and service quality.

Numerous negative factors affected the business climate in 2003 (wars, SARS and economic slowdown) which together with the strengthening of the euro had a strong impact on the markets and prices of paper products. Additionally, the reduction in advertising investments and communication budgets begun in 2002 continued for all of 2003. Despite the unfavorable setting, however, sales by ArjoWiggins kept pace thanks to its strategic positioning at the high end of the niche market in the paper segment and the introduction of new products. Volumes, in fact, grew by 2% from last year. In contrast, sales registered a 7% decline due to price reductions and the negative foreign exchange effect. Meanwhile, stable pulp prices led to a contraction of margins.
Even though intense efforts were again made in 2003 to reduce fixed costs, the operating result was € 122 million, a decline of 33% compared to the prior year, and with a reduction in the operating margin from 9.8% to 7.1% of sales.

Beginning January 1, 2004, ArjoWiggins incorporated Carbonless Europe's activities relating to the manufacture of carbonless paper. The purpose is to exploit every possible synergy between the two companies in order to be better able to confront the tendential contraction of the carbonless paper segment by offering, in the meantime, competitive capacity for the development projects in the coated paper and printing paper segments.
The tardy arrival of the proclaimed economic recovery in the paper sector and market weakness and lower competitiveness caused by a strong euro continue to weigh heavily on sales prices. In this climate of uncertainty, an increment in the result will mostly come about from the implementation of efficiency programs and the introduction of new products on the market.

The key consolidated highlights are presented in the following table:

			Change	
€ in millions	2003	2002	Amount	%
Net revenues	1,727	1,863	(136)	-7
Operating income	122	183	(61)	-33
Operating margin	7.1%	9.8%		

CARBONLESS EUROPE

(100% of capital stock through Worms & Cie)

Carbonless Europe is the European leader in the manufacture of carbonless paper. With operations in every country of Europe, in South America, in Asia and East Europe, its products are marketed under the Idem brand.
The company has a strong commercial position, especially in Europe where it has about a 35% market share.

The demand for carbonless paper on the world market in 2003, as anticipated, declined significantly, depending on the geographic area, and featured strong tension over prices and margins.
Given this situation, Carbonless ended the year with an operating result that was close to breakeven, thanks to:

- the diversification strategy which translated into a growth in uncoated paper sales;
- the continuation of the restructuring plan.

After three years of significant restructuring, efforts to reduce fixed costs will also continue into 2004. However, the priorities for the year will mainly be directed towards the diversification of products with a higher margin and the exploitation of new commercial opportunities resulting from the incorporation in ArjoWiggins.

The main results reported for 2003 are summarized as follows:

€ in millions	2003	2002	Change Amount	Change %
Net revenues	304	334	(30)	-9
Operating income (loss)	(2)	6	(8)	n.s.
Operating margin	-0.7%	1.8%		

(100% of capital stock through Worms & Cie)

Antalis is the leading European group in the merchanting of printing and writing paper for printing firms and corporate businesses. It is present in almost all the nations of Europe, in South America, Asia and in the south of Africa. In each of these markets, Antalis ranks as the leader or co-leader.

In 2003, the lack of confidence in the economic panorama had an impact on communication and advertising expenses with immediate repercussions on corporate investments. The European merchanting market thus registered, for the third consecutive year, a decline in volumes of 3% together with a notable reduction in prices.

Surrounded by this weak economic climate, Antalis showed a great capacity for resistance, continuing to significantly improve its operating performance.

Pursuing a strategy founded upon customer satisfaction, Antalis concentrated its efforts on responding to the needs of the market. The effectiveness of the commercial policy translates into a consolidation of market share and a jump in margins. Operational rigor and the continuation of cost-cutting programs have enabled the company to effectively face the negative impact of the contraction in volumes connected with the deterioration of the markets.

Despite the decline in sales, Antalis doubled its operating margin, now at 1.6% of sales, and increased operating income to € 37 million from € 19 million last year.

Economic prospects for 2004 are still uncertain, irrespective of the recovery in demand during the last two months of the year. Having a solid basis, Antalis could capitalize on its strong points to grow even in the absence of market expansion.

The key consolidated results of the Group can be summarized as follows:

€ in millions	2003	2002	Change Amount	Change %
Net revenues	2,324	2,458	(134)	-5
Operating income	37	19	18	95
Operating margin	1.6%	0.8%		

SGS

(23.8% of capital stock through Worms & Cie)

Founded in 1878, SGS SA is today the world leader in the sector of verification, inspection and certification of product and service quality. Present in 140 countries, the Group operates with more than 1,200 offices and laboratories. SGS is listed on the Zurich stock exchange.

In an uneven international trading environment, whose development was hampered by a wide range of factors, from geopolitical events to unusual climatic conditions, revenues for the Group were CHF 2,454 million, an increase of CHF 163 million compared to the prior year in local currency terms.

The key consolidated results can be summarized as follows:

			Change	
CHF in millions	2003	2002	Amount	%
Net revenues	2,454	2,392	62	3
Operating income (before extraordinary items)	300	216	84	39
Operating margin	12.2%	9.0%		
Net income - Group	227	109	118	108

Strong revenue growth was achieved in Consumer Testing, Oil Gas & Chemicals and Systems and Services Certification with all these businesses delivering more than 10% growth.

Operating income, before extraordinary items, was CHF 300 million, with an increase of 39% compared to 2002. Operating margins improved in all the businesses compared to the previous year with the most significant upward shifts being achieved by Consumer Testing, Systems and Services Certification, Life Sciences and Trade Assurances Services. The operating margin of the Group passed from 9% in 2002 to 12.2% in 2003.

Consolidated net income before extraordinary items for the year improved from CHF 159 million to CHF 224 million (+41%). Consolidated net income - Group reached CHF 227 million, compared to CHF 109 million in 2002.

SGS expects to continue to significantly improve operating performance in 2004, determined to achieve the 2005 target of CHF 45 earnings per share. This is notwithstanding the recent weakness in the U.S. dollar and the currencies which trend highly depends on it.

At December 31, 2003, SGS Group's significant stockholders were composed as follows: Worms & Cie which held a 23.8% stake and Mr August Von Finck and his family who held a 23.7% stake.

(100% of capital stock through Worms & Cie)

Active in the management of funds since 1974, Permal Group is an international group offering highly specialized financial services.

After three challenging years for the market and despite the financial scandals, the war in Iraq and the soaring American deficit, the financial market ended 2003 with important gains (S&P 500 +28.7%, MSCI World Index +33.8% and Nikkei 225 +24.5%).
In this context, Permal Group continued to demonstrate throughout the entire year the validity of the management model developed.
Attention is specifically drawn to the following distinguishing characteristics:

- assets managed totaled US$ 12,945 million, with an increase of US$ 5.630 million;
- net subscriptions during the year stood at US$ 4,100 million, 61% of which was through new distribution channels attesting to the effectiveness of the diversification policy of the sales network;
- an AA rating was assigned by Standard & Poor's to five of the principal funds managed by Permal;
- registration with the SEC was obtained by Permal Asset Management Inc, a wholly-owned subsidiary of Worms & Co Inc.

Permal Group intends to uphold its performance thanks to the continuation of the development of the distribution network and the opening of new markets.

The key results for the year 2003 were as follows:

			Change	
U.S. dollars in millions	2003	2002	Amount	%
Net revenues	178	99	79	80
Operating income	43	19	24	126
Operating margin	24.2%	19.2%		
Assets managed	12,945	7,315	5,630	77

Gruppo Rinascente

(99.21% of ordinary capital stock and 99.06% of savings capital stock through Eurofind)

Economic stagnation and lower consumption in its reference markets were the backdrop for the Rinascente Group in 2003.
The Group's store formulas have confronted the new wave of weakness in demand with actions aimed at improving the quality of its product offering, the competitiveness of its prices, the level of service rendered to the customer and reception at the points of sale.

- *Auchan* hypermarkets have affirmed the desire to continue along the strategic lines that were decided in 2002 to be the low-price and commercial attraction leader in its class. The projects now underway are geared to enhancing all operating levers, particularly the competitiveness of purchase and sale prices, promotions, customer loyalty, the preservation of basic services, merchandise assortment and operating efficiency. The sales network was expanded in the South by the stores opened at Mesagne (BR) and Melilli (SR).
- *SMA* supermarkets have operated along the same lines as the hypermarkets to achieve the objectives of food safety, private label development, competitive market repositioning and intensification of promotional pressure. They are also involved in developing a multi-formula organization which comprises Cityper, Sma and Punto Sma in order to take advantage of the possible synergies of a company of national importance but strongly rooted in the single territories in which it is present. The direct network increased with the opening of five new supermarkets.
- The *Upim* division is transforming the Variety Store formula to the new Multi-Specialty Store format based upon five merchandise modules that identify the world of apparel for men, for women, for children and cosmetics and the home. Consequently, the offering structure, the marketing policy, the service model, the operating processes and the organization were revised. Seven new units were opened, 16 were renovated and, with a view towards relaunching the sales network based upon a standard model that guarantees the uniformity of the image of the stores, 10 points of sale were closed.
- *La Rinascente* department stores are going forward with the implementation of the restructuring program for all the branches and the design of new marketing formats, in parallel with projects to improve the offering and leverage the label name, the service and the operational methods. Two new branches came into operation in 2003: the Bergamo branch and the new *JAM* sign in the Rome-Galleria Colonna mall targeting the youth market.
- The company *SIB*, the Italian leader in the bricolage sector, directed its efforts to improving the operations of the stores and developing the network by adding three new units and moving a *Bricocenter* to bigger premises. A significant step was taken with the inauguration at Bologna of the largest bricolage store in Italy under the *Leroy Merlin* store name.

The Rinascente Group took important steps along the road to renovation and development in 2003 which can be summed up as follows:
- the programs continue for the transfer of operational and managerial tools to the divisions and, in the meantime, the creation of a Services Center, with the aim of offering itself as a recognized professional entity capable of providing its services to the users with increasing levels of quality, efficiency and competitiveness as compared to market values. In order to best achieve these objectives, Rinascente identified Accenture, a world leader in the consulting and management and technological sector, as the partner best able to provide the know-how necessary to create a center that over time would guarantee the supply of services characterized by the highest qualitative standards. The activities, the persons and the infrastructures of the Services Center of the Rinascente Group, effective August 5, 2003, were contributed to Arthis S.p.A., a company in which Accenture has an 80% stake and Rinascente a 20% stake. Arthis supplies the divisions of the Rinascente Group with administrative and accounting services in addition to personnel administration, general services and information systems services which provide support to these areas;

- a joint venture was set up with Simon Property Group Inc., the leading American shopping center operator, for the management and development of malls in Italy. In December 2003, the relative shopping center activities were contributed to Gallerie Commerciali Italia S.p.A. and as of December 22, 2003 the company is 49%-owned by the Simon Property Group and 51%-owned by Rinascente.
  The partnership is consistent with the Rinascente Group's plan to focus on the trades and the businesses and is directed towards consolidating and increasing the leadership position reached in Italy in this sector.

The consolidated results of the Rinascente Group in 2003 can be summarized as follows:

			Change	
€ in millions	2003	2002	Amount	%
Gross sales	6,652.1	6,145.6	506.5	8.2
Gross operating profit	377.9	348.9	29.0	8.3
Operating income	175.3	152.1	23.2	15.3
Current profit	178.9	149.0	29.9	20.1
Net income - Group	200.4	50.8	149.6	294.5
Stockholders' equity - Group	762.5	1,208.5	(446.0)	-36.9
Consolidated net financial position	(481.2)	18.5	(499.7)	n.s.

Specifically:
- **gross sales** of the Group, including VAT incorporated in the retail sales price, were € 6,652.1 million, with a growth of 8.2%;
- **gross operating profit** (gross cash flow) amounts to € 377.9 million, compared to € 348.9 million, with an increase of 8.3%;
- **operating income** was € 175.3 million, with a growth of € 23.2 million;
- **current profit** amounted to € 178.9 million compared to € 149 million, with an increase of 20.1%. Financial management generated net financial income of € 3.5 million (compared to net financial expenses of € 3.1 million in 2002);
- net **extraordinary items** generated an income balance of € 148.7 million (compared to € 19.3 million in 2002) thanks to the gain of € 172.3 million realized on the sale of the 49% equity interest in Gallerie Commerciali Italia S.p.A.;
- **net income - Group** amounted to € 200.4 million, compared to € 50.8 million in 2002; the decrease in consolidated stockholders' equity – Group was due to the payment of extraordinary dividends of € 600 million, voted last December.
- **net cash flows** provided by operations (net income + amortization and depreciation) totaled € 437.6 million compared to € 281.1 million in 2002.

An analysis of performance by store formula is presented in the following paragraphs.

Food formulas accounted for a higher percentage of total sales (from 83.3% to 83.6%). An analysis is presented below:
- *Auchan* hypermarkets generated sales of € 2,899.6 million (+7.0%), of which € 1,722.5 million (+5.2%) referred to food products and € 1,177.1 million to non-food products (+9.8%).
  The *Auchan* hypermarkets demonstrated a clear and precise desire to increase competitiveness and productivity and every operating lever was used to reach this objective:
  - commerce (strengthening of the pricing positioning compared to the competition, more promotions, greater assortment in the low-price product range and in private labels);
  - human resource management (generalization of the progress bonus and responsibilization of the teams);
  - costs (optimization of logistics);
- *SMA* supermarkets reported sales of € 2,581.4 million, with an increase of 11.4%.
  The supermarkets work in harmony and synergy with the hypermarkets to achieve the objectives of food safety, development of the private label and competitive repositioning. The significant increase in private label products and the importance of the lowest priced product lines allowed SMA to respond satisfactorily to the demands for savings voiced by the clientele.
  Promotional pressure was increased and contributed to raising the level of public awareness for traditional campaigns (sales and below cost promotions). Sales by franchising activities totaled € 563.4 million (+35.7%).

Traditional non-food formulas now account for a lower percentage of total sales, from 16.8% to 16.4%. An analysis is presented below:

- *Upim* posted sales of € 573 million, including franchising activities, with an increase of 3.1%. Sales by franchising activities totaled € 60 million (+8.5%).
- *Department stores* reported sales of € 310.1 million, with an increase of +0.8%. Sales performance was affected by the negative economic picture which continues to limit the flow of foreign customers, and the adverse weather conditions in 2003, which had an effect on the entire textile area.
- *Bricolage* - the sector managed by *S.I.B.* S.p.A., which contributes 50% of its results to the Rinascente Group - reported sales of € 206.1 million, including franchising business, with an increase of 19.7%.

SANPAOLO IMI

(4.86% of ordinary capital stock)

Banca FIDEURAM | BANCA OPI SPA | BANCA IMI | SANPAOLO WM

In the first half of 2003, initiatives continued with the aim of implementing the development and rationalization plan for the SANPAOLO IMI Group's distribution networks. The plan is directed towards gradually introducing the model already successfully adopted by the Sanpaolo Network, which is based upon the specialization of the operating points, to all the Group's networks. The model found immediate application in the territorial reorganization of the Sanpaolo and Banco di Napoli distribution networks following the merger of SANPAOLO IMI and the Neapolitan bank on December 31, 2002.
All of the activities necessary to integrate the SanPaolo and Banco di Napoli branches from the commercial, credit, organizational and information system standpoints were put into place. The company SANPAOLO BANCO DI NAPOLI was also set up; all the Sanpaolo and Banco di Napoli branches in the four Mezzogiorno continental regions of Campania, Apulia, Calabria and Basilicata were spun-off to this new bank of the Group. SANPAOLO BANCO DI NAPOLI can count on 745 operating points and serves more than one million customers and approximately 20,000 companies.

On November 25, 2003, the Stockholders' Meeting approved the merger by incorporation of Cardine Finanziaria into the Parent Bank, becoming legally effective from December 31, 2003 and effective for accounting and tax purposes from January 1, 2003. The aim of this integration is:

- realization of scale and scope economies with the gradual centralization in the Partner Bank of the operating support (MOI and Logistics);
- best exploitation of local brands, deeply rooted in the regional reference markets;
- maximizing distributive effectiveness through a common commercial policy.

The merger has led, as already envisaged in the 2003-2005 Plan, to the creation of the North East Territorial Direction, in support of the bank networks operating in the Triveneto (comprising the regions Veneto, Friuli Venezia Giulia and Trentino Alto Adige) and Emilia areas. The Direction, based in Padua, controls the commercial and credit activities of the Group branches operating in this area.
In the same month of November 2003, the merger between Cassa di Risparmio di Udine e Pordenone and Cassa di Risparmio di Gorizia was effected, with the establishment of a regional bank named Friulcassa S.p.A. Cassa di Risparmio Regionale.

On November 18, 2003, SANPAOLO IMI acquired 7% of the capital of Banca delle Marche, in accordance with the agreement signed in July with Banca delle Marche, Fondazione CR Jesi, Fondazione CR Provincia di Macerata and Fondazione CR Pesaro; in particular, a 4.8% share was purchased directly from Banca delle Marche and 2.2% from the Fondazioni. The purchase price of € 1.77 per share, involved a total outlay of € 92 million. SANPAOLO IMI also granted the Fondazioni a put option on a further 8% of the bank's capital, exercisable before 12/31/2006.
The agreement also provides for a collaboration agreement aimed at developing commercial and operating synergies in wealth management, in investment banking, corporate and international banking and in the financing of public works.
Banca delle Marche, leader in one of Italy's most dynamic regions, operates for retail customers and small-and-medium-sized companies through a network of 262 branches in Central Italy, of which 230 situated in the Marche.

On March 3, 2003, SANPAOLO IMI and Santander Central Hispano, which jointly participate in the capital of Finconsumo Banca, reached an agreement which provides for the sale of the stockholding of Finconsumo Banca held by SANPAOLO IMI to Santander Central Hispano. The transaction determined, on consolidation, a total gross capital gain of € 100 million. The agreement provided for the sale of an initial share of 20% in September 2003 at a total price of € 60 million, with a gross capital gain on consolidation of € 44 million, while on the remaining 30%, SANPAOLO IMI exercized a put option on January 20, 2004 at a total price of € 80 million, giving rise to a gross capital gain on consolidation € 55 million.

In December 2003, the disposal of 60% of the French subsidiary Banque Sanpaolo to Caisse Nationale des Caisses d'Epargne (CNCE) was completed by SANPAOLO IMI. The initiative, which is part of the context of the strategic agreements defined in 2001 between SANPAOLO IMI and Eulia, a French holding company created by the Caisse des Dépôts et Consignations Group and by the Caisse d'Epargne Group, generated a gross capital gain of € 240 million for the Group and implemented the first part of the agreement signed on July 31, 2003. This agreement, for the remaining 40%, provides for a put and call option system exercisable after four years, liable to extension by two, in exchange for cash or shares in one of the companies of the CNCE Group.

In December 2003, full control was acquired in Noricum Vita, an insurance company which sells its own products through the branches of Cassa di Risparmio in Bologna and Banca Popolare dell'Adriatico, with the acquisition (by Sanpaolo Vita) of the 51% share belonging to Unipol Assicurazioni and of the 5% share belonging to Reale Mutua (directly by the Parent Bank), which join the 44% already held by SANPAOLO IMI. The transaction, which involved a total outlay of € 44 million, allows consolidation of the Group's already relevant presence in the insurance sector.
Noricum Vita is the corporate vehicle identified for the realization of the plan to concentrate the Group's insurance activities. This plan provides for the concentration of all the life insurance companies and those in the property and casualty branch into a single pole, and is aimed at expanding and strengthening the range and innovative capacity of products in sectors such as pensions, personal protection and property insurance.

The lively trend in operating revenues and the cost containment actions, together with the writebacks and profits made on the investment portfolio, enabled extensive compensation for adjustments to loans and extraordinary expenses (€ 475 million) linked with the staff leaving incentives. The net income of € 972 million for the year, showed a growth of 7.9% compared with 2002.

The key results of the SANPAOLO IMI Group can be summarized as follows:

€ in millions	2003	2002 pro-forma (a)	Change Amount	Change %
Net interest income	3,716	3,653	63	1.7
Net interest, commissions and other banking income	7,482	7,066	416	5.9
Operating income	2,717	2,334	383	16.4
Income before extraordinary items	1,700	704	996	141.5
Net income - Group	972	901	71	7.9
Total assets	202,580	199,645	2,935	1.5
Stockholders' equity - Group	10,995	10,702	293	2.7
Numbers of employees	43,465	45,217	(1,752)	-3.9

(a) The pro-forma figures for 2002, which are unaudited, were prepared to enable consistent comparison with the figures for 2003. The pro-forma schedules reflect the line-by-line consolidation of the Inter-Europa Bank and Eptaconsors and the proportional consolidation of Cariforlì commencing from January 1, 2002, as well as the exclusion of Banque Sanpaolo and IW Bank from the line-by-line consolidation area and of Finconsumo Banca from the proportional consolidation area as of the same date and, with exclusive regard to the first quarter of 2002, the line-by-line consolidation of the former Cardine Group, taking place for the first time as of June 30, 2002, with accounting effect as of January 1, 2002.

Net interest income for 2003 was € 3,716 million; the 1.7% increase compared with the prior year was the result of the positive contribution of volumes, joined by a greater spread in transactions with customers.

Net interest income, commissions and other banking income totaled € 7,482 million, an increase of 5,9% compared to the corresponding period of the prior year. This change is not only due to the favorable increase in interest income but also to the positive trend in commission income (+8,6%), the gains from financial transactions and dividends from holdings (+47 %).

Operating income in 2003, equal to € 2,717 million, increased by 16.4%.

With regard to the balance sheet components at the end of December 2003, the following can be said:

- **total consolidated assets** amounted to € 202,580 million;
- **net loans to customers**, excluding non-performing loans and loans to SGA, amounted to € 122,415 million; the percentage of net non-performing loans to total net loans to customers was 0.9%;
- **total customer financial assets** amounted to € 368,042 million, including assets managed of € 143,711 million;
- **stockholders' equity - Group** was € 10,995 million, compared to € 10,702 million at the end of December 2002.

(62.01% of capital stock)

Juventus won its twenty-seventh Italian Championship title triumphing in the 2002/2003 season and took second place of the 2003/2004 U.E.F.A. Champions League.

In August 2003, Juventus also captured the fourth Italian Supercup, the 50th title in its list of victories.

The fiscal year July 1, 2002 – June 30, 2003 ended with a net income of € 2.2 million (compared to € 6.3 million in the prior year); the decrease was mainly due to the lower contribution from player management.

The increase in operating revenues from € 175.3 million to € 215.4 million (+22.9%) reflects all the components of the value of production, which benefited from the brilliant sports results achieved during the season.

Operating costs rose but to a lower extent than revenues so that a gross operating profit was reported (€ 16.3 million) compared to the operating loss for the prior year of € 12.8 million.

As far as player management is concerned, the net income from the management of players' registration rights amounted to € 13 million, with a considerable reduction compared to € 116.2 million in 2001/2002. Investments totaled € 39 million while the transfer campaign as a whole showed a negative net financial balance of € 9.4 million. The amortization of the investments in players amounted to € 61.6 million (€ 68.2 million in the prior year). In this regard, Juventus chose not to take advantage of the benefits allowed under Law No. 27 dated February 21, 2003 and thus continued to amortize players' registration rights using the normal process.

Moreover, on June 30, 2003, Juventus sold 27.2% of the subsidiary Campi di Vinovo to Costruzioni Generali Gilardi, a contractor in Turin, realizing an extraordinary gain of € 32.5 million.

Stockholders' equity at June 30, 2003 amounted to € 99.6 million, substantially unchanged compared to June 30, 2002. The net financial position, however, showed a cash position of € 69.2 million (compared to a net cash position of € 95 million at the end of the prior year).

For purposes of the preparation of the consolidated financial statements of the IFIL Group, Juventus prepared financial statements for the period January 1 – December 31, 2003, which can be summarized as follows:

Year				Change	
2002/2003 (a)	€ in millions	2003 (b)	2002 (b)	Amount	%
215.4	Total revenues	212.9	189.0	23.9	12.6
16.3	Gross operating loss (c)	(51.1)	(70.1)	19.0	-27.1
2.2	Net loss	(16.1)	(35.3)	19.2	-54.4
99.6	Stockholders' equity (d)	77.0	93.6	(16.6)	-17.7
69.2	Net financial position (d)	13.1	34.8	(21.7)	-62.4

(a) Corresponding to the period July 1, 2002 – June 30, 2003.
(b) Periods corresponding to the financial year.
(c) Before amortization of players' registration rights.
(d) Data referring to the end of the year.

The result for the year 2003 was a loss of € 16.1 million, an improvement of € 19.2 million compared to 2002 due particularly to the increase in revenues, which also had a positive effect on the operating income.

The economic effect of the 2003 transfer campaign, originating from the sale of players' registration rights and the termination of player copartnerships, produced income of € 2.3 million and was impacted by the overall contraction of the market.

The reduction in stockholders' equity from € 93.6 million at December 31, 2002 to € 77 million at December 31, 2003 is basically due to the loss for the period. The net financial position shows a net cash position of € 13.1 million.

Among the major events in 2003, in addition to the above, is the signing, in June, of the notarized deed for the ninety -nine year lease on the Stadio delle Alpi and adjacent areas, renewable at the end of the lease period. The consideration is equal to € 25 million, of which € 1 million was paid when the contract was signed, € 6 million when the building permit was received (application filed in December) and € 18 million is payable over nine years.

In February, as part of a judicial inquiry on the soccer sector by the Public Prosecutor's Office in Rome, the Revenue Guard Corp took documentation from the headquarters of F.I.G.C. – Federazione Italiana Giuoco Calcio, L.N.P. - Lega Nazionale Professionisti and all the teams registered in the Serie A and Serie B Championships for the soccer seasons 1999/2000 to 2003/2004 with respect to the manner of the preparation of the financial statements and the registrations for the Championships during that period.

As far as the current soccer season is concerned, the First Team was eliminated in the qualifying round of the U.E.F.A. Champions League but reached the finals in Coppa Italia TIM Cup 2003/2004.
The Primavera under-21 team won the 56th edition of the Viareggio International Coppa Carnevale, duplicating last season's victory.

Gruppo NHT New Holding for Tourism

(100% of capital stock through Ifil Investissements and Ifil Finance)

NHT New Holding for Tourism unites the IFIL Group's investments in the tourism sector. Such holdings specifically refer to the Alpitour Group, which is active in the tour operating, incoming and hotel management segments, Welcome Travel Group, which offers tourist packages through owned agencies and affiliates and via the Internet, and Neos, which is an airplane charter operator with three B737-800 airplanes.

The key consolidated results of the NHT Group for the year 2002/2003 can be summarized as follows:

			Change	
€ in millions	2002/2003	2001/2002	Amount	%
Net revenues	945.9	937.7	8.2	0.9
Operating income	26.7	23.4	3.3	14.1
Net loss - Group	(11.2)	(21.0)	9.8	-46.8
Stockholders' equity - Group	227.2	253.0	(25.8)	-10.2
Net financial position	(74.2)	(46.9)	(27.3)	58.1

After a 2002 marked by a weak economic performance and for the most part affected by the September 11 crisis, the first quarter of 2002/2003 confirmed some signs of an upturn in demand that first became evident in the summer season of last year. This helped to increase sales and raise volumes and margins. The second quarter, which was impacted by the international political events culminating with conflict in Iraq and the SARS health emergency which hit the Asian areas, again registered symptoms of weakness in demand. The third quarter, thanks to the re-emergence of a quieter international political scene, slowly returned to a substantially normal market situation which was then consolidated during the course of the summer season.

The above overall scenario obviously influenced the economic performance of all the tourism sectors in which the Group operates, namely the tour operating, incoming, hotel management, distribution and airline carrier segments, although the area that was most directly affected by the general situation was obviously tour operating which is headed by the Alpitour Group and which represents the core business of the Group.

The consolidated results of the holdings in the NHT Group are described in the following paragraphs:

			Change	
€ in millions	2002/2003	2001/2002	Amount	%
Tour operating	806.6	821.8	(15.2)	-1.8
Incoming	193.4	197.4	(4.0)	-2.0
Hotel management	77.4	55.7	21.7	39.0
Distribution	14.8	9.7	5.1	52.6
Total	1,092.2	1,084.6	7.6	0.7
Eliminations of intersegment relations	(146.3)	(146.9)	0.6	-0.4
Total	945.9	937.7	8.2	0.9

As far as tour operating is concerned, despite the first line-by-line consolidation of Viaggidea, the year ended with a decrease in sales of approximately € 15 million (€ 807 million in 2002/2003 compared to € 822 million in 2001/2002), equal to a reduction of roughly 2 percentage points. This decrease is principally due to weaker demand in certain periods of the year in conjunction with international turbulence (the war in Iraq and SARS), as well as the fall in sales in the "incentive" sector.

With regard to volumes, in 2002/2003, there were 950,000 passengers compared to 1,015,000 recorded in the previous year, with a reduction of some 6.4%.

The sales mix in 2002/2003 recorded a good recovery in long-haul destinations, centered mainly in the Carribean area (Mexico, Cuba, Santo Domingo and Jamaica), with an average increase of about 4%. An appreciable gain of 13% in volumes was also registered in destinations to the Indian Ocean, whereas travel to all destinations in the Far East took a sharp plunge on account of SARS. A considerable downturn was also reported in Tanzania and Zanzibar, destinations that were penalized by local political tensions which led to the closing, in the middle of the high season, of the resorts (Bravo Club and Sea Club) owned by the Group.

In Mediterranean Africa, on the other hand, the year just ended produced a slight increase in volumes to destinations in Egypt and a decline to Morocco and Tunisia.

Short-haul destinations generally displayed a decline in volumes, especially in the area of Spain and destinations in the east Mediterranean (Turkey, in particular). Volumes were positive, instead, to Cape Verde where the local Bravo Club received more than 13,000 holiday seekers.

Lastly, destinations in Italy had an excellent showing, with growth of roughly 9% in volumes, thanks to the opening of the new Bravo Clubs in Sardinia, Calabria and Basilicata.

In October 2003, a further 30% stake was acquired in Promoviaggi S.p.A., the second-largest Italian operator in the incentive tourism market. This brought the Group's equity interest in the company to 60% and strengthened its position as leader in that market.

The incoming sector, headed by the Jumboturismo Group, reported consolidated sales of approximately € 193.4 million in 2002/2003 (€197.4 million in 2001/2002), including € 110.9 million in sales to the Alpitour Group. The reduction in sales of about 2% is mostly attributable to the contraction of volumes from third-party, mainly British, Irish and Dutch tour operators. The traffic produced by these operators totaled 601,000 passengers compared to 682,000 in 2001/2002, following a decline in demand to destinations in the Canary Islands and Balearic Islands on all major European markets.

Volumes contributed by the tour operators of the Group, instead, totaled 396,000 passengers for an increase of over 18% compared to 2001/2002, thanks mainly to incoming which came into full operation in Tunisia and the build up of Cape Verde.

The hotel sector, which reports to the Horizon Holidays Group and the new subsidiary Altamarea (a 60% holding purchased in March 2003), posted consolidated sales of approximately € 77.4 million, compared to a corresponding amount of € 55.7 million in 2001/2002. This increase of roughly 39% was achieved thanks to the first-time consolidation of Altamarea, as well as the increase in volumes of sales to registered third-party operators for the hotels in Tunisia, Mexico and Cape Verde. The hotel complexes owned by the Group, which are principally marketed under the "Bravo Club" brand by Alpitour and "Sea Club" brand by Francorosso, reported a daily presence in 2002/2003 of more than 980,000, corresponding to about 110,000 guests.

The distribution sector generated sales of approximately € 14.8 million (€ 9.7 million in the prior year), operating mainly through the travel agency network of the Welcome Travel Group, which developed a network of 200 affiliated agencies (under franchising arrangements) and 38 owned agencies.

Notwithstanding higher sales, mainly achieved by an increment in the sales of the Group's products, the Welcome Group's results were still negative, although much better than last year. Economic performance, in fact, is still affected by the structure costs and the start-up costs of the new activities which had a negative impact on the operating margin.

The Welcome Group, however, continued to pursue its development plans by opening new agencies in important Italian cities such as Rome, Bergamo and Brescia. Thanks to the good trend of network activities, the number of franchises is constantly growing.

The Welcome Group also operates through the Welcome On Line brand, which is a virtual travel agency and tourism portal.

Regardless of the persisting unfavorable economic situation and an unstable international political climate which undoubtedly penalized the entire tourism sector, the year just ended nevertheless produced a considerable improvement in the economic result of the Group which, besides benefiting from extraordinary transactions, is the result of numerous actions undertaken mainly on the front of cutting operating costs.

Club Med

(7.2% of capital stock through Ifil Capital)

Club Méditerranée's business in 2002/2003 was still impacted by the difficulties of the sector (and that of the airplane carrier sector) as a result of the war in Iraq, the persisting threat of world terrorism and the SARS syndrome.

At October 31, 2003, the consolidated financial statements of the Group showed revenues of € 1.6 billion, with a reduction of 7.7% compared to the prior year, resulting in a net loss of € 94 million (net loss of € 62 million in 2001/2002). At the operating level, the Group substantially reported breakevens at both the economic operating level (an operating loss of € 6 million) and the financial operating level (balanced operating cash flows).

The relaunch plan begun in prior years continued through actions aimed at reducing structure costs and bringing the hotel capacity into line with the changed conditions of the market. The divestiture of non-profitable businesses generated net financial flows of € 42 million compared to a negative free cash flow of € 12 million in 2001/2002.
The consolidated stockholders' equity of the Group at October 31, 2003 amounted to € 474 million.

In 2003/2004, the Group expects a gradual improvement in the economic climate, which, for the last three years, has negatively affected its results.

Ifil Investissements (Luxembourg)

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

The key highlights for the year ended December 31, 2003 can be summarized as follows:

€ in millions	2003	2002	Change
Net income (loss)	(154.2)	112.1	(266.3)
Stockholders' equity	1,947.3	2,483.0	(535.7)
Financial fixed assets	1,917.6	2,497.1	(579.5)
Net financial position	34.1	(1.1)	35.2

The most important transactions which took place in 2003 are described in the section “Major events in 2003”.

The loss for the year of € 154.2 million was basically the result of the loss (€ 161.3 million) on the sale of 1.96% of SANPAOLO IMI ordinary capital stock to the parent company, IFIL, at market price, and the adjustment (€ 106.8 million) of the accounting carrying value of the investment in NHT to the value of the share of its consolidated net equity at October 31, 2003.
These negative components were partly compensated by dividends received from Worms & Cie (€ 83.9 million) and Eurofind (€ 22.6 million) and other net positive components of € 7.4 million.

Stockholders’ equity decreased by € 535.7 million following the partial reimbursement of additional paid-in-capital to the parent companies IFIL (€ 254.4 million) and Ifil Investment Holding (€ 64.3 million), dividends paid to these same companies (€ 62.8 million in total) and the loss for the year (€ 154.2 million).

Financial fixed assets comprised the following investments and bonds at December 31, 2003:

		12/31/2003			
€ in millions	Number of shares	% of capital stock	Carrying value	12/31/2002	Change
Worms & Cie S.A.	55,922,623	53.07	775.5	751.7	23.8
Eurofind S.A.	12,863,063	40.47	431.9	687.8	(255.9)
Ifil International Finance Ltd	4,000,000	100.00	544.0	409.0	135.0
SANPAOLO IMI S.p.A.	-	-	0.0	365.4	(365.4)
NHT - New Holding for Tourism BV	19,682	59.68	135.6	242.4	(106.8)
Ifil Finance BV	10,000	100.00	18.5	18.5	0.0
Atlanet S.p.A.	-	-	0.0	6.4	(6.4)
Other	-	-	7.4	11.4	(4.0)
Total investments			1,912.9	2,492.6	(579.7)
Ocean Club Méditerranée convertible bonds	76,614	-	4.7	4.5	0.2
Total financial fixed assets			1,917.6	2,497.1	(579.5)

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

€ in millions	Worms & Cie	Ocean Club Med bonds	Total
Market price at December 30, 2003	261.9	0.2	262.1
Average market price in the second half of 2003	229.2	0.2	229.4
Average market price March 1-17, 2004, update	437.0	0.2	437.2

Eurofind (Luxembourg)

(50% of capital stock through Ifil Investissements)

The key highlights for the year ended December 31, 2003 can be summarized as follows:

€ in millions	2003	2002	Change
Net income	640.4	55.8	584.6
Stockholders' equity	1,734.8	1,745.1	(10.3)
Financial fixed assets	1,721.8	1,737.9	(16.1)
Net financial position	13.7	13.7	0.0

Eurofind's activities in 2003 were marked by the voluntary takeover bid for La Rinascente shares which ended in February 2003 and the subsequent tender offer for residual shares (referred to in the section "Major events in 2003").

Net income amounted to € 640.4 million and mainly derives from the receipt of extraordinary dividends from La Rinascente totaling € 594.5 million.

Financial fixed assets comprised the following investments at December 31, 2003:

		12/31/2003			
€ in millions	Number of shares	% of capital stock	Carrying value	12/31/2002	Change
La Rinascente (Italy)					
- ordinary shares	296,556,269	73.24	1,325.5	1,244.5	81.0
- savings shares	101,869,881	25.16	383.4	371.5	11.9
- preferred shares	2,797,086	0.69	12.6	10.2	2.4
		99.09	1,721.5	1,626.2	95.3
Eufin Investments	243,100	100.00	0.3	111.7	(111.4) (a)
Financial fixed assets			1,721.8	1,737.9	(16.1)

(a) The reduction of € 111.4 million relates to the reimbursement of reserves by Eufin Investments in January 2003.

Ifil International Finance Ltd (Ireland)

(100% of capital stock through Ifil Investissements)

The company ended its year of operations on December 31, 2003 with a net income of € 0.3 million (€ 0.6 million in 2002), stockholders' equity of € 544.8 million (€ 409.6 million at the end of 2002) and a net cash position of € 544.9 million (€ 409.7 million at December 31, 2002).

The liquidity is mainly invested in two medium/long-term loans granted to Ifil Investissements and due in December 2006 and January 2007 (€ 540 million at year-end).

Ifil Finance BV (Netherlands)

(100% of capital stock through Ifil Investissements)

The company closed the year ended December 31, 2003 with a loss of € 15 thousand (€ 12 thousand in 2002) and stockholders' equity of € 18.4 million, unchanged compared to the prior year.

The company holds 30.32% of the capital stock of NHT New Holding for Tourism carried at € 18.4 million.

The net financial position at December 31, 2003 is in equilibrium.

Ifil Investment Holding (Netherlands)

(100% of capital stock)

The key highlights for the year ended December 31, 2003 can be summarized as follows:

€ in millions	2003	2002	Change
Net income (loss)	7.8	(43.4)	51.2
Stockholders' equity	165.6	162.8	2.8
Financial fixed assets	320.3	384.6	(64.3)
Net financial position	(155.0)	(222.4)	67.4

Financial fixed assets comprised the following investments at December 31, 2003:

	12/31/2003				
€ in millions	Number of shares	% of capital stock	Carrying value	12/31/2002	Change
Ifil Investissements S.A.	224,194	20.18	285.2	349.5	(64.3) (a)
Ifil Capital B.V.	11,000	100.00	35.1	35.1	0.0
Financial fixed assets			320.3	384.6	(64.3)

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

Ifil Capital BV (Netherlands)

(100% of capital stock through Ifil Investment Holding)

The key highlights for the year ended December 31, 2003 can be summarized as follows:

€ in millions	2003	2002	Change
Net loss	- (a)	(33.8)	33.8
Stockholders' equity	35.1	35.1	0.0
Investment in Club Méditerranée (b)	35.2	35.2	0.0
Net financial position	(0.1)	(0.1)	0.0

(a) Loss equal to € 31 thousand.
(b) 7.2% of capital stock.

A comparison of the carrying value of the investment in Club Méditerranée with the market price shows the following unrealized gains:

€ in millions	Club Med
Market price at December 30, 2003	6.6
Average market price in the second half of 2003	9.1
Average market price March 1-17, 2004, update	13.8

In view of the loss of € 94 million reported by Club Méditerranée for the year ended October 31, 2003, the company prudently did not record the partial increase in the market share price of the investment which was written down in prior years for € 61.4 million.

MOTION FOR APPROVAL OF THE FINANCIAL STATEMENTS, INCREASE OF THE LEGAL RESERVE AND APPROPRIATION OF NET INCOME FOR THE YEAR

To our Stockholders,

We ask you to approve the financial statements for the year ended December 31, 2003 which show a net income of € 72,671,094, which we propose to appropriate, after adjusting the legal reserve to one-fifth of capital stock, equal to € 1,075,195,737, by drawing € 69,274,230 from the extraordinary reserve (which, after this withdrawal, will amount to € 128,821,989), as follows:

To the savings shares:		
- preference dividend due for the year 2002, corresponding to 8.27% of the par value of the shares, not paid out in 2003 (art. 24 of the by-laws): € 0.0827 equal to a maximum	€	3,091,575.75
- dividends due for the year 2003: € 0.0827 equal to a maximum	€	3,091,575.75
To the ordinary shares, dividends for the year 2003: € 0.062 equal to a maximum	€	64,344,388.45
The proposed dividends are due on shares that will be outstanding, thus excluding shares held by the company at the ex dividend date, for a total maximum	€	70,527,539.95
To the extraordinary reserve, the remaining amount, equal to a minimum	€	2,143,554.05
Net income for the year 2003	€	72,671,094.00

On the maximum amount of the proposed dividends (€ 70,527,539.95) to the receipients who could still be entitled to dividends with an ordinary tax credit (equal to 51.51%), the tax credit would be on a maximum of € 54,924,684.53; on the remaining € 15,602,855.42, there would be a limited tax credit (equal to 51.51%).

Turin, March 29, 2004

For the Board of Directors
The Chairman and Managing Director
Gianluigi Gabetti