Istituto Finanziario Industriale

FIRST-HALF REPORT AT JUNE 30, 2003

Istituto Finanziario Industriale

Capital stock € 163,251,460, fully paid-in
Registered office in Turin - Corso Matteotti 26 – Turin Companies Register No. 00470400011

FIRST-HALF REPORT AT JUNE 30, 2003

Contents

This is an English translation of the Italian original "Relazione semestrale 2003" approved by the IFI Board of Directors on September 12, 2003 and has been prepared solely for the convenience of the reader.
The version in Italian takes precedence and for complete information about IFI S.p.A. and the Group reference should be made to the full original report in Italian "Relazione semestrale 2003", which contains a complete list of holdings.

This report is available on the corporate website: http://www.gruppoifi.com

Istituto Finanziario Industriale

Board of Directors

Chairman	Umberto Agnelli
Deputy Chairman	Gianluigi Gabetti
	Annibale Avogadro di Collobiano
	John Philip Elkann
	Gabriele Galateri di Genola
Secretary to the Board	Franzo Grande Stevens
	Andrea Nasi
	Lupo Rattazzi
	Pio Teodorani-Fabbri

General Manager Virgilio Marrone

Board of Statutory Auditors

Chairman	Cesare Ferrero
Standing Auditors	Giorgio Giorgi
	Lionello Jona Celesia
Alternate Auditors	Giorgio Ferrino
	Paolo Piccatti

The three-year terms of office for the Board of Directors and the Board of Statutory Auditors, elected by the Stockholders' Meeting on May 29, 2003, expire concurrently with the Stockholders' Meeting for the approval of the financial statements for the year ending December 31, 2005.

Corporate Governance

The Chairman, according to the by-laws (art. 21), may represent the Company, also before a court of law, and has signature powers, with the right, therefore, to carry out all acts which fall under the corporate business purpose, except as restricted by law, in compliance with article 2384 of the Italian Civil Code.

The Board of Directors, under resolution May 29, 2003, has conferred specific operating powers to the Deputy Chairman, Gianluigi Gabetti, and the Director Pio Teodorani-Fabbri.

Specific operating powers have been conferred to the General Manager by power of attorney dated July 30, 2002.

Independent Auditors Deloitte & Touche S.p.A.

IFI GROUP PROFILE

IFI is the controlling financial holding company of the Group led by Giovanni Agnelli e C. S.a.p.Az. The Company's assets are represented by investments in IFIL - Finanziaria di Partecipazioni S.p.A. (62.03% of ordinary capital stock) and in Exor Group (29.3% of capital stock).

IFIL is the operating holding company of the Group with a portfolio encompassing five "macro-sectors":

Industry, represented by investments in:
- Fiat (with more than a 30% stake in the ordinary and preferred capital stock), an international 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. Publishing and communications (Itedi) and services for corporations (Business Solutions) are also part of its business;
- ArjoWiggins and Carbonless Europe (Idem), groups that came into being upon the reorganization of the ex-AWA Group, in which 100% stakes are held by Worms & Cie (a listed French holding company held 53.07% by IFIL), both world leaders in the manufacture of high value-added paper products and the second, in Europe, leader in the manufacture of carbonless paper.

Retailing, including investments in:
- the Rinascente Group (jointly controlled with the Auchan Group, through Eurofind, which holds more than 99% of the ordinary capital stock), one of the largest Italian retailers operating throughout Italy with roughly 1,850 points of sale (direct, affiliates and associates) and over 30,000 employees;
- Antalis (100%-owned subsidiary of Worms & Cie), the third company that emerged from the reorganization of the ex-AWA Group, co-leader in Europe in the distribution of paper products for printing and writing.

Finance, through investments in:
- the SANPAOLO IMI Group (4.86% of ordinary capital stock), a leading national banking group with over 10% of the branches in the Italian banking system;
- the Permal Group (100%-owned subsidiary of Worms & Cie), one of the leaders in the management of investment funds.

Leisure time, represented by investments in:
- NHT - New Holding for Tourism (90% by IFIL and 10% by the TUI Group) which main asset is Alpitour with a 100% stake. The Agnelli Group (through Exor Group and IFIL itself) is also an important stockholder of Club Méditerranée;
- Juventus Football Club (62.01% of capital stock), a company with more than one hundred years of history and an enviable record gained at various national and international sports events.

Inspection and certification, represented by the investment, through Worms & Cie, in SGS-Société Générale de Surveillance Holding SA, leader in the verification, inspection and certification of product and service quality.

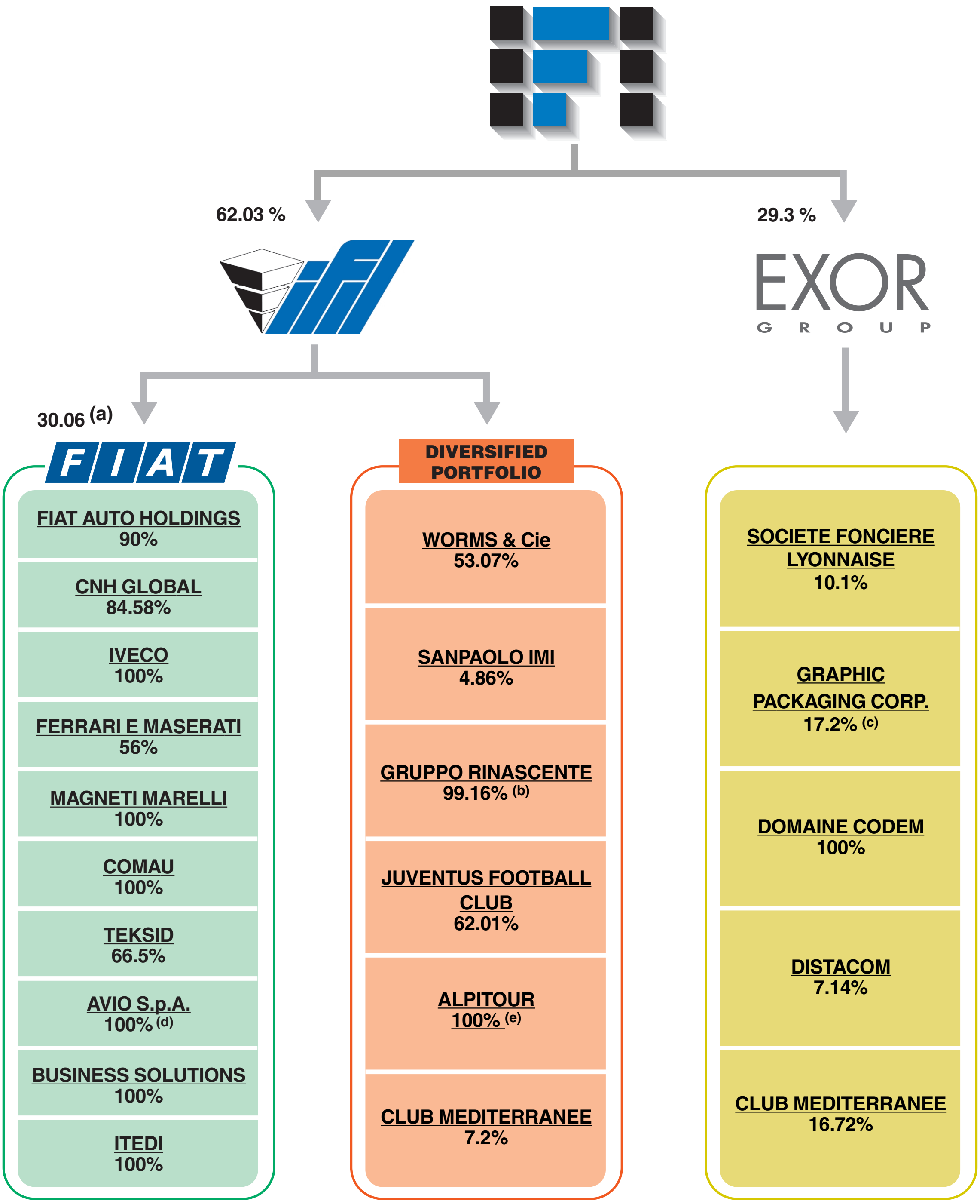
Exor Group is a Luxembourg holding company; its principal investments are the 16.7% stake in Club Méditerranée, the 17.2% interest in Graphic Packaging Corporation (a U.S.A. company in the packing sector that emerged from the recent merger of Riverwood and Graphic Packaging, listed on the New York Stock Exchange), the 10.1% holding in Société Foncière Lyonnaise (one of the most important real estate companies listed on the Paris Stock Exchange) and the 7.1% stake in Distacom (a company headquartered in Hong Kong operating in the telecommunications sector).

Highlights of the financial statements of the IFI Group and IFI S.p.A. are as follows:

€ in millions			
IFI GROUP	**6/30/2003**	12/31/2002	6/30/2002
Consolidated net income (loss) - Group	**(130.0)**	(803.0)	(75.0)
Stockholders' equity - Group	**1,848.8**	2,026.2	2,863.4
Financial fixed assets (a)	**2,294.0**	2,444.1	3,287.2
IFI S.p.A.	**6/30/2003**	12/31/2002	6/30/2002
Net income (loss)	**13.8**	(226.9)	72.5
Stockholders' equity	**1,108.7**	1,094.9	1,394.3
Net financial position	**(436.4)**	(426.5)	(405.4)
Financial fixed assets	**1,551.7**	1,524.7	1,826.1

(a) Condensed consolidated data.

The following chart is updated to the end of August 2003 and presents the simplified structure of the investment portfolio. Percentage holdings refer to ordinary capital stock.



(a) IFIL also hold 30.09% of the preferred capital stock.
(b) Control is exercised jointly by the Auchan Group through Eurofind (40.47% IFIL and 40.47% Auchan).
(c) Company emerging from the merger of Riverwood and Graphic Packaging.
(d) In the process of being divested.
(e) Held through N.H.T. (90% IFIL and 10% TUI).

MAJOR EVENTS IN THE FIRST HALF OF 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.

IFI thus contributed the following investments to the subsidiary IFIL:

			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 with a gain of € 22.6 million.

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 approx. € 3.122 and 119,635,991 savings shares at the accounting per share price of approx. € 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.

In April and May, IFI also purchased on the market 1,807,150 IFIL ordinary shares and 114,009 IFIL savings shares for a total investment of € 4.4 million.

In May, IFI then exercised the right to voluntarily convert all the 119,750,000 IFIL savings shares held for 101,787,500 IFIL ordinary shares, without payment of any cash differential.

After these transactions, at June 30, 2003, IFI held 409,472,374 IFIL ordinary shares equal to 62.85% of IFIL ordinary capital stock (64.02% of ordinary capital stock outstanding).

ANALYSIS OF IFI GROUP CONDENSED FIRST-HALF CONSOLIDATED RESULTS

In order to assist in the analysis of the financial position and results of operations of the IFI Group, a **condensed consolidated Balance Sheet** and a **condensed consolidated Statement of Operations** have been prepared wherein the investments in IFIL (60.49% of capital stock outstanding) and in Exor Group (29.3% of capital stock outstanding) have been accounted for using the equity method.

As regards the principles used in preparing the condensed consolidated financial statements, the following should be noted:

- subsequent to the Reorganization of the Group (please refer to the previous section "Major events in the first half of 2003"), the investment in Soiem was deconsolidated by IFI beginning April 1, 2003 and, from the same date, was consolidated line-by-line by IFIL. Effective the same date, the investments in Fiat and in Juventus Football Club were accounted for by IFIL using the equity method;
- accordingly, the condensed consolidated statement of operations of the IFI Group for the first six months of 2003 shows, for the above holdings, only the share of the earnings (losses) for the first quarter of 2003; for the second quarter of 2003, the results of these holdings, instead, were indirectly recorded through IFI's share of the consolidated result of the IFIL Group;
- the economic impact of the contribution of the investments in Fiat, Juventus Football Club, SANPAOLO IMI and Soiem (gains and losses compared to the carrying value of these holdings at March 31, 2003) have been completely eliminated, being transactions with a subsidiary.

The first half of 2003 shows a consolidated net loss for the IFI Group of € 130 million (consolidated net loss of € 75 million for the first six months of 2002) due substantially to the share of the first-quarter 2003 loss of the Fiat Group of € 110.8 million.

The **condensed consolidated Statement of Operations** and the **condensed consolidated Balance Sheet** and details of the most significant items are provided in the following tables.

Condensed consolidated statement of operations

Year 2002	€ in millions	**1st Half 2003**	1st Half 2002	Change
(755.2)	Group's share of earnings (losses) of companies accounted for using the equity method	**(116.8)**	(90.5)	(26.3)
14.7	Dividends and related tax credits	**0.2**	14.7	(14.5)
(60.3)	Gains/(losses), net	**0.0**	0.9	(0.9)
(7.4)	Amortization of goodwill	**0.0**	(0.2)	0.2
(808.2)	**Investment expenses, net**	**(116.6)**	(75.1)	(41.5)
(17.5)	Financial expenses, net	**(8.4)**	(8.2)	(0.2)
(9.2)	General expenses, net	**(3.4)**	(4.6)	1.2
(4.5)	Other expenses, net	**(1.6)**	(2.6) (a)	1.0
(839.4)	**Loss before taxes**	**(130.0)**	(90.5)	(39.5)
21.8	Current income taxes, net	**0.0**	2.3	(2.3)
14.6	Deferred taxes	**0.0**	13.2	(13.2)
(803.0)	**Net loss - Group**	**(130.0)**	(75.0)	(55.0)

(a) Amount classified in general expenses, net, in the first half of 2002.

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

Year 2002	€ in millions	**1st Half 2003**	1st Half 2002	Change
(118.6)	IFIL Group	**(27.2)**	19.0	(46.2)
3.9	Exor Group	**4.3**	1.0	3.3
(642.2)	Fiat Group, I Quarter 2003	**(110.8)**	(91.8)	(19.0)
(22.0)	Juventus Football Club, I Quarter 2003	**(4.5)**	(19.3)	14.8
(778.9)		**(138.2)**	(91.1)	(47.1)
23.7	Consolidation adjustments	**21.4**	0.6	20.8
(755.2)	**Group's share of earnings (losses) of companies accounted for using the equity method**	**(116.8)**	(90.5)	(26.3)

Comments on the operating performance of the IFIL Group and Exor Group are presented later in the report.

Condensed consolidated balance sheet

6/30/2002	€ in millions	**6/30/2003**	12/31/2002	Change
	Financial fixed assets:			
3,154.7	- investments	**2,216.8**	2,366.9	(150.1)
127.3	- treasury stock	**70.5**	70.5	0.0
5.2	- other receivables	**6.7**	6.7	0.0
3,287.2		**2,294.0**	2,444.1	(150.1)
10.0	Cash, receivables and other financial assets	**2.6**	1.8	0.8
20.8	Other assets	**14.2**	29.7	(15.5)
3,318.0	**Total assets**	**2,310.8**	2,475.6	(164.8)
	Stockholders' equity:			
2,863.4	- of the Group	**1,848.8**	2,026.2	(177.4)
10.6 (a)	- minority interest	**0.0**	10.4 (a)	(10.4)
2,874.0		**1,848.8**	2,036.6	(187.8)
	Financial payables:			
181.6	- banks, short-term	**160.0**	211.7	(51.7)
175.0	- banks, medium-term	**277.5**	170.0	107.5
52.7	- parent company, short-term	**0.0**	39.3	(39.3)
0.0	- subsidiaries, short-term	**0.0**	0.5	(0.5)
1.8	- other	**1.5**	1.6	(0.1)
411.1		**439.0**	423.1	15.9
32.9	Other liabilities and reserves	**23.0**	15.9	7.1
3,318.0	**Total liabilities and stockholders' equity**	**2,310.8**	2,475.6	(164.8)

(a) Corresponding to the stake previously held by IFIL in Soiem (49.9%).

Financial fixed assets – Investments

€ in millions	Number of shares held	% holding of class of stock	% holding of capital stock	Carrying value Per share (€)	Carrying value Total (€in ml)
Investments accounted for using the equity method					
IFIL - ordinary shares	409,472,374	62.85	59.44 (a)	4.975	**2,037.2**
Exor Group SA	3,418,242	29.30	29.30	52.276	**178.7**
Investments valued at cost					
Emittenti Titoli S.p.A.	720,000	8.78	8.78	0.516	**0.4**
Deutsche Morgan Grenfell Capital Italy SA					
- ordinary shares	1,034	1.11	0.35	513.890	**0.5**
- preferred shares	1,976	1.28	0.68	2.582	**0.0**
Total					**2,216.8**

(a) Less the 39,950,340 savings shares to be cancelled.

The reduction of € 150.1 million compared to the end of 2002 is due to the Group's share of the earnings (losses) of companies accounted for using the equity method (-€ 116.8 million), the negative exchange effect of these same companies (-€ 57.9 million) and other net changes (+€ 24.6 million).

Stockholders' equity - Group

The stockholders' equity of the Group at June 30, 2003 amounts to € 1,848.8 million (€ 2,026.2 million at the end of 2002). The negative change of € 177.4 million is due to the following changes:

€ in millions	
Stockholders' equity - Group at December 31, 2002	**2,026.2**
Share of the translation adjustments shown by the companies accounted for using the equity method (-€ 57.9 million) and other net changes (+ € 10.5 million)	(47.4)
Consolidated net loss - Group	(130.0)
Net change during the period	**(177.4)**
Stockholders' equity - Group at June 30, 2003	**1,848.8**

ANALYSIS OF IFI GROUP FIRST-HALF CONSOLIDATED RESULTS

The summarized **consolidated Statement of Operations** and the summarized **consolidated Balance Sheet** as well as the composition and the changes in the consolidated net financial position resulting from the first-half consolidated financial statements (line-by-line consolidation) are provided below.

The Reorganization of the Group examined earlier did not result in any changes in the line-by-line consolidation of the IFI Group in that the investments contributed to IFIL have been accounted for by the same criteria previously used by IFI (line-by-line consolidation for the investments in Fiat and Soiem and valuations using the equity method and cost, respectively, for the investments in Juventus Football Club and in SANPAOLO IMI).
The first-quarter 2003 results of Fiat, Soiem and Juventus Football Club have been allocated to the IFI Group according to the percentage interests held directly by IFI S.p.A. up to March 31, 2003.

As described in the previous section, the economic effects deriving from the contribution of the investments in Fiat, Juventus Football Club, SANPAOLO IMI and Soiem (gains and losses compared to the carrying value of these investments at March 31, 2003) have been completely eliminated, being transactions with a subsidiary.

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

Year		**1st Half**	1st Half	Change	
2002	€ in millions	**2003**	2002	amount	%
63,503	Value of production	**28,666**	33,114	(4,448)	-13.4
(64,123)	Costs of production	**(28,935)**	(33,474)	4,539	-13.6
(620)	**Difference between the value and costs of production**	**(269)**	(360)	91	-25.3
(692)	Financial income (expenses), net (a)	**(401)**	(387)	(14)	3.6
(898)	Adjustments to financial assets (a)	**(45)**	(226)	181	-80.1
(2,237)	Extraordinary income (expenses), net (a)	**322**	728	(406)	-55.8
(4,447)	**Loss before taxes**	**(393)**	(245)	(148)	60.4
415	Income taxes	**(204)**	(332)	128	-38.6
(4,032)	**Net loss before minority interest**	**(597)**	(577)	(20)	3.5
3,229	Minority interest	**467**	502	(35)	-7.0
(803)	**Net loss - Group**	**(130)**	(75)	(55)	73.3

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

Summarized consolidated balance sheet (line-by-line consolidation)

6/30/2002	€ in millions	6/30/2003	12/31/2002	Change
	Fixed assets:			
6,992	- intangible fixed assets	**5,197**	6,223	(1,026)
13,894	- property, plant and equipment	**11,575**	13,264	(1,689)
21,799	- financial fixed assets	**10,013**	19,199	(9,186)
42,685		**26,785**	38,686	(11,901)
	Current assets:			
16,342	- inventories	**16,878**	15,880	998
14,556	- receivables	**13,634**	14,021	(387)
28,189	- financial assets	**17,447**	26,348	(8,901)
3,841	- cash	**2,401**	3,733	(1,332)
62,928		**50,360**	59,982	(9,622)
1,358	Other assets	**900**	1,281	(381)
106,971	**Total assets**	**78,045**	99,949	(21,904)
	Stockholders' equity:			
2,863	- Group	**1,849**	2,026	(177)
12,681	- Minority interest	**8,005**	9,231	(1,226)
15,544		**9,854**	11,257	(1,403)
25,178	Reserves for risks and charges and employee severance indemnities	**8,979**	25,879	(16,900)
35,200	Financial payables	**29,171**	31,878	(2,707)
31,049	Other liabilities	**30,041**	30,935	(894)
106,971	**Total liabilities and stockholders' equity**	**78,045**	99,949	(21,904)

Consolidated net financial position (line-by-line consolidation)
The consolidated net financial position of the IFI Group at June 30, 2003 showed a debt position of € 6,846 million (€ 5,783 million at December 31, 2002).

The consolidated net financial position (line-by-line consolidation) was composed as follows:

6/30/2002	€ in millions	6/30/2003	12/31/2002	Change
3,841	Cash	**2,401**	3,733	(1,332)
1,718	Marketable securities and other short-term investments	**725**	1,828	(1,103)
23,789	Financial receivables, other financial fixed assets and leased assets	**20,044**	21,801	(1,757)
727	Financial accrued income and prepaid expenses	**377**	662	(285)
30,075	**Total financial assets**	**23,547**	28,024	(4,477)
(14,131)	Financial payables due within one year	**(10,537)**	(10,480)	(57)
(21,069)	Financial payables due beyond one year	**(18,634)**	(21,398)	2,764
(2,503)	Financial accrued expenses and deferred income	**(1,222)**	(1,929)	707
(37,703)	**Total financial payables**	**(30,393)**	(33,807)	3,414
(7,628)	**Consolidated net financial position (line-by-line consolidation)**	**(6,846)**	(5,783)	(1,063)

The contribution of the consolidated companies to the consolidated net financial position (line-by-line consolidation) was as follows:

6/30/2002	€ in millions	**6/30/2003**	12/31/2002	Change
(401) (a)	IFI S.p.A.	**(436)**	(421) (a)	(15)
(436)	IFIL "Holdings System"	**(419)**	(484)	65
15	Adjustment to eliminate the net financial position of the holdings consolidated proportionally (b)	**(18)**	(52)	34
(5,788)	Fiat Group	**(4,812)**	(3,780)	(1,032)
(916)	Worms & Cie Group	**(1,024)**	(999)	(25)
(102)	NHT Group	**(137)**	(47)	(90)
(7,628)	**Consolidated net financial position (line-by-line consolidation)**	**(6,846)**	(5,783)	(1,063)

(a) This figure included the line-by-line consolidation of Soiem.
(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").

ANALYSIS OF IFI S.p.A. FIRST-HALF STATUTORY RESULTS

The financial statements for the six months ending June 30, 2003 of IFI S.p.A. for the first time reflect the balance sheet and statement of operations effects of the Reorganization of the Group (please refer to the previous section "Major events in the first half of 2003).

Net income for the period and summarized statement of operations of IFI S.p.A.
The net income of IFI S.p.A. for the first half of 2003 was € 13.8 million, a reduction compared to the first half of 2002 (€ 72.5 million).

Summarized statement of operations of IFI S.p.A.

Year 2002	€ in millions	**1st Half 2003**	1st Half 2002	Change
79.9	Dividends	**4.5**	79.0	(74.5)
36.2	Dividend tax credits	**0.1**	36.3	(36.2)
(304.8)	Writedowns	**0.0**	0.0	0.0
1.0	Gains	**22.6**	1.2	21.4
(187.7)	**Income/(expenses), net, from investments and other financial fixed assets**	**27.2**	116.5	(89.3)
(17.6)	Financial expenses, net	**(8.4)**	(8.2)	(0.2)
(9.4)	General expenses, net	**(3.4)**	(4.6)	1.2
(4.5)	Other expenses, net	**(1.6)**	(2.6) (a)	1.0
(219.2)	**Income (loss) before taxes**	**13.8**	101.1	(87.3)
(7.7)	Income taxes	**0.0**	(28.6)	28.6
(226.9)	**Net income (loss)**	**13.8**	72.5	(58.7)

(a) Amounts classified in general expenses, net, in the first half of 2002.

Dividends
Dividends in the first half of 2003 were only received from Exor Group (€ 4.4 million) and Emittenti Titoli (€ 0.1 million). Fiat and IFIL did not pay out dividends whereas the SANPAOLO IMI shares were contributed to IFIL before payment of the dividend coupons.
The figure for the first six months of 2002 (€ 79 million) included the dividends received from Fiat for € 30.3 million, from IFIL for € 24.9 million, from Exor Group for € 14.4 million, from SANPAOLO IMI for € 9.3 million and from Emittenti Titoli for € 0.1 million.

Gains totaling € 22.6 million were realized on the contribution of the SANPAOLO IMI ordinary shares (€ 19 million) and warrants 2007 on Fiat ordinary shares (€ 3.6 million) to IFIL.

General expenses, net, amounted to € 3.4 million and decreased by € 1.2 million compared to the first half of 2002 (€ 4.6 million) mainly due to a headcount reduction and consequent lower related costs.

Other expenses, net (€ 1.6 million), primarily included the costs incurred for the Reorganization of the Group.

No **income taxes** were charged in the first half of 2003 as the taxable base for the period was a loss (taking into account the writedowns of financial fixed assets made at the end of 2002 which became deductible). Neither were deferred taxes set aside since their future recoverability is not reasonably certain.

Summarized balance sheet of IFI S.p.A.

6/30/2002	€ in millions	**6/30/2003**	12/31/2002	Change
1,826.1	Financial fixed assets	**1,551.7**	1,524.7	27.0
17.2	Other assets	**16.9**	18.1	(1.2)
1,843.3	**Total assets**	**1,568.6**	1,542.8	25.8
1,394.3	Stockholders' equity	**1,108.7**	1,094.9	13.8
	Financial payables:			
181.6	- banks, short-term	**160.0**	211.7	(51.7)
175.0	- banks, medium-term	**277.5**	170.0	107.5
3.2	- subsidiaries	**0.4**	4.7	(4.3)
52.7	- parent company	**0.0**	39.3	(39.3)
412.5		**437.9**	425.7	12.2
36.5	Other liabilities and reserves	**22.0**	22.2	(0.2)
1,843.3	**Total liabilities and stockholders' equity**	**1,568.6**	1,542.8	25.8

Financial fixed assets

Details are as follows:

6/30/2002	€ in millions	**6/30/2003**		12/31/2002	Change
	Investments				
645.6	IFIL S.p.A.	**1,371.1**	(a)	572.2	798.9
102.5	Exor Group S.A.	**102.5**		102.5	0.0
0.4	Emittenti Titoli S.p.A.	**0.4**		0.4	0.0
0.5	Deutsche Morgan Grenfell Capital Italy S.A.	**0.5**		0.5	0.0
834.5	Fiat S.p.A.	**0.0**		662.1	(662.1)
12.0	Juventus Football Club S.p.A.	**0.0**		11.7	(11.7)
88.6	SANPAOLO IMI S.p.A.	**0.0**		88.6	(88.6)
9.5	Soiem S.p.A.	**0.0**		9.5	(9.5)
1,693.6		**1,474.5**		1,447.5	27.0
127.3	**Treasury stock -** IFI S.p.A. preferred shares	**70.5**	(b)	70.5	0.0
5.2	**Receivables -** TL com I	**6.7**		6.7	0.0
1,826.1	**Total financial fixed assets**	**1,551.7**		**1,524.7**	**27.0**

(a) Net of writedowns of € 73.5 million made in 2002.
(b) Net of writedowns of € 58.9 million made in 2002.

The increase of € 27 million compared to the end of 2002 (€ 1,524.7 million) was the result of the following movements:

€ in millions	
Financial fixed assets at December 31, 2002	**1,524.7**
Contribution to IFIL 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	0.0
- 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)	(88.6)
- Juventus Football Club, 74,992,103 shares (62.01% of capital stock)	(11.7)
- Soiem, 18,286,500 shares (50.1% of capital stock)	(9.5)
	(771.9)
IFIL capital stock increase reserved for IFI in exchange for contribution:	
- 167,450,949 ordinary shares (€ 3.122 per share)	522.7
- 119,635,991 savings shares (€ 2.272 per share) (a)	271.8
	794.5
Purchases:	
- IFIL, 1,807,150 ordinary shares (€ 2.316 per share)	4.2
- IFIL, 114,009 savings shares (€ 1.773 per share) (a)	0.2
	4.4
Net change during the period	**27.0**
Financial fixed assets at June 30, 2003	**1,551.7**

(a) Converted in May 2003 to 101,787,500 IFIL ordinary shares (in a ratio of 17 ordinary shares for every 20 savings shares) without payment of any cash differential.

The following table presents a comparison of the carrying values of financial fixed assets with the corresponding values shown in the condensed consolidated financial statements, and, for listed securities, with the average market prices in the first six months of 2003.

	Number of shares	% holding of class of stock	Carrying value in IFI S.p.A.		Carrying value in cons. fin. statements		Average market prices 1st Half 2003	
			Unit (€)	Total (€ ml)	Unit (€)	Total (€ ml)	Unit (€)	Total (€ ml)
Investments:								
IFIL S.p.A - ordinary sh.	409,472,374	62.85	3.348	**1,371.1**	4.975	2,037.2	2.652	1,085.9
Exor Group SA - ord. sh.	3,418,242	29.30	30.000	**102.5**	52.276	178.7	unlisted	102.5
Emittenti Titoli S.p.A.	720,000	8.78	0.516	**0.4**	0.516	0.4	unlisted	0.4
Deutsche Morgan Grenfell Capital Italy SA								
- ordinary shares	1,034	1.11	513.890	**0.5**	513.89	0.5	unlisted	0.5
- preferred shares	1,976	1.28	2.582	**0.0**	2.582	0.0	unlisted	0.0
				1,474.5		2,216.8		1,189.3
IFI S.p.A.- preferred shares	5,360,300	17.36	13.148	**70.5**	13.148	70.5	8.368	44.8
Receivables - TLcom I				**6.7**		6.7		6.7
Total				**1,551.7**		2,294.0		1,240.8

Page 19 also presents the comparison between the carrying value of the financial fixed assets held by IFI S.p.A. at the end of August 2003 (after the end of the IFIL and IFI capital stock increases) with current market prices.

Stockholders’ equity of IFI S.p.A.
Stockholders’ equity at June 30, 2003 was € 1,108.7 million (€ 1,094.9 million at December 31, 2002). The increase of € 13.8 million was solely due to the result for the first six months of 2003. The balance can be compared to the consolidated stockholders’ equity of the Group totaling € 1,848.8 million.

Net financial position of IFI S.p.A.
The net financial position of IFI S.p.A. at June 30, 2003 showed a net debt position of € 436.4 million (€ 426.5 million at the end of 2002), which is composed as follows:

6/30/2002	€ in millions	**6/30/2003**	12/31/2002	Change
(356.6)	Borrowings from banks	**(437.5)**	(381.7)	(55.8)
(55.4)	Payables to parent company and subsidiaries	**0.0**	(43.4)	43.4
(1.7)	Financial accrued expenses	**(1.5)**	(1.6)	0.1
8.0	Receivables from subsidiaries	**2.4**	0.0	2.4
0.3	Cash	**0.2**	0.2	0.0
(405.4)	**Net financial position**	**(436.4)**	(426.5)	(9.9)

The negative change of € 9.9 million in the first half of 2003 resulted from the following cash flows:

€ in millions	
Net financial position at December 31, 2002	**(426.5)**
Dividends received from the Exor Group (€ 4.4 million) and from Emittenti Titoli (€ 0.1 million)	4.5
Purchase of 1,807,150 ordinary shares and 114,009 savings shares of IFIL	(4.4)
Financial expenses, net	(8.4)
General expenses, net	(3.4)
Sale of receivables from the tax authorities to Group companies (+€ 2.4 million) and other net changes (-€ 0.6 million)	1.8
Net change during the period	**(9.9)**
Net financial position at June 30, 2003	**(436.4)**

The financial statements of IFI S.p.A. for the six months ending June 30, 2003 are attached to this report.

OTHER INFORMATION

Transactions among Group companies and with related parties

Transactions among IFI S.p.A., the parent company, 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:

- suretyships granted in the past in favor of Federazione Italiana Giuoco Calcio – Lega Nazionale Professionisti (F.I.G.C.- L.N.P.) on behalf of Juventus Football Club S.p.A. for € 53.5 million, expiring annually at various dates between 2004 and 2005.
- sale of receivables from the tax authorities to Group companies (€ 2.4 million);
- transfer of staff to the subsidiary IFIL and from the subsidiary Soiem;
- loans secured at variable monthly market rates from the parent company Giovanni Agnelli e C. S.a.p.Az. and from the subsidiaries Juventus Football Club S.p.A. and Soiem S.p.A. (completely repaid in June 2003);
- services rendered to and costs recovered from subsidiaries and associated companies.

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

	6/30/2003			1st Half 2003	
€ in thousands	Accounts receivable	Accounts payable	Suretyships and commitments	Income	Expenses
Antalis S.p.A.	516				1
ArjoWiggins S.r.l.	210				
Conson Italia S.p.A.	630				
Consorzio Orione		23			161
Exor Group S.A.	96			96	
Expo Europa S.p.A.	516				
Fiat Auto S.p.A.	8	8			12
Fiat S.p.A.				19	
Fiat Sava S.p.A.	310	2		310	1
Fiat Sepin S.p.A.					11
Giovanni Agnelli e C. S.a.p.Az.					480
Human Resource Services S.p.A.					3
IFIL S.p.A.	82			82	
Juventus Football Club S.p.A.	136	2	53,495	136	21
Publikompass S.p.A.		2			5
SANPAOLO IMI S.p.A.	9	40,881		88	15
Savarent S.p.A.		18			74
Soiem S.p.A.	521	304		5	584
Worknet S.p.A.		11			21
Commitments to beneficiaries of stock purchase plans and rights on IFIL shares			424		
Total	**3,034**	**41,251**	**-**	**736**	**1,389**

The IFI 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, 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 substantially equivalent to the investments made, without payment of interest.

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

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 the first half of 2003" and in the "Notes to the consolidated financial statements" contained in this report.

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

SIGNIFICANT SUBSEQUENT EVENTS

IFI 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 April 22, 2003, the Board of Directors of IFI S.p.A. voted to increase the capital stock against payment, and divisible, for a maximum amount of par value € 101,501,460, through the issue of:

- 55,575,000 IFI ordinary shares of par value € 1 each, with normal dividend rights, with the option rights offered to the sole stockholder of IFI ordinary shares – Giovanni Agnelli e C. S.a.p.Az. – at the price of € 4.5 each, in a ratio of 9 new ordinary shares for every 5 ordinary shares held;
- maximum 45,926,460 IFI preferred shares of par value € 1 each, with normal dividend rights, with the option rights offered to the preferred stockholders at the price of € 4.5 each, in a ratio of 9 new preferred shares for every 5 preferred shares held.

At the end of the rights offering period, 45,412,722 new preferred shares were subscribed to, equal to 98.88% of the preferred shares offered. Moreover, Giovanni Agnelli e C. S.a.p.Az., the sole stockholder owner of the IFI ordinary shares, subscribed to the 55,575,000 IFI ordinary shares in the rights offering.

Following the subsequent offering of the 285,410 unexercised rights on the market (which generated proceeds of € 0.7 million for the Company), the remaining 513,738 new IFI preferred shares were subscribed to in August.

The capital increase was therefore concluded with the subscription of the entire issue of 55,575,000 ordinary shares and the 45,926,460 preferred shares offered for total proceeds of € 457.4 million.

On September 12, 2003, IFI S.p.A.'s capital stock is entirely subscribed to and paid-in and amounts to € 163,251,460 and is composed of 86,450,000 ordinary shares and 76,801,460 preferred shares, all with a par value of € 1 each.

On September 12, 2003, IFI S.p.A. holds 5,360,300 preferred treasury stock (unchanged from the end of 2002), equal to 6.98% of the class of stock and 3.28% of capital stock.

Subscription to IFIL 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 divisible, 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 the 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.

In July, after purchasing 810,126 rights, IFI subscribed to 233,861,025 new IFIL ordinary shares for a total outlay of € 304.2 million.

In August, IFI also purchased on the market 450,000 IFIL ordinary shares for € 0.9 million.

Following these transactions, IFI holds 643,783,399 IFIL ordinary shares, equal to 62.03% of IFIL ordinary capital stock (62.75% of ordinary capital stock outstanding).

The following table presents a comparison of the carrying value of the financial fixed assets held by IFI S.p.A. at the end of August 2003 (after the end of the IFIL and IFI capital stock increases) with current market prices.

	Number of shares	% holding of class of stock	Carrying value in IFI S.p.A. Per share (€)	Carrying value in IFI S.p.A. Total (€ ml)	Market price on September 8, 2003 Per share (€)	Market price on September 8, 2003 Total (€ ml)
Investments						
IFIL S.p.A - ordinary shares	643,783,399	62.03	2.604	**1,676.2**	2.445	1,574.0
Exor Group SA - ord. shares	3,418,242	29.30	30.000	**102.5**	not listed	102.5
Emittenti Titoli S.p.A.	720,000	8.78	0.516	**0.4**	not listed	0.4
Deutsche Morgan Grenfell Capital Italy SA						
- ordinary shares	1,034	1.11	513.890	**0.5**	not listed	0.5
- preferred shares	1,976	1.28	2.582	**0.0**	not listed	0.0
				1,779.6		1,677.4
IFI S.p.A.- preferred shares	5,360,300	17.36	13.148	**70.5**	6.798	36.4
Receivables - TLcom I				**6.7**		6.7
Total				**1,856.8**		1,720.5

Net financial position of IFI S.p.A. at the end of August 2003

At the end of August 2003, the net debt position amounted to € 287.2 million. The positive change of € 149.2 million compared to the balance at June 30, 2003 was due to the following flows:

€ in millions		
Net financial position at June 30, 2003	**(436.4)**	
IFI S.p.A. capital stock increase	457.4	(a)
Subscription to IFIL S.p.A. capital stock increase	(304.2)	(b)
Purchase of 450,000 IFIL ordinary shares	(0.9)	
Financial expenses, general expenses and other changes, net	(3.1)	
Net change during the period	**149.2**	
Net financial position at the end of August 2003	**(287.2)**	

(a) Of which € 0.7 million for the sale of unexercised rights.
(b) Of which € 0.2 million for the purchase of rights.

FUTURE OUTLOOK

The unrelenting negative international economic situation will continue to influence the consolidated result for the current year.

The economic results of the subsidiaries will have a significant impact on IFI S.p.A.'s cash flow which, in 2003, could be negative.

Nevertheless, the efforts in progress to relaunch Fiat and the new organization of the companies IFI and IFIL, which clearly attribute a role of control to the first and a role of operating holding company to the second, constitute the premises for a turnaround of the Group.

OPERATING PERFORMANCE OF IFIL AND EXOR GROUP HOLDINGS

IFIL – Finanziaria di Partecipazioni
(62.03% of ordinary capital stock)

The following consolidated data of the IFIL Group at June 30, 2003 has been taken from the condensed consolidated balance sheet and condensed consolidated statement of operations. Such data has been prepared by consolidating the financial holding companies and Soiem (which make up the so-called "Holdings System") line-by-line and proportionally and accounting for the subsidiaries and associated companies, including the operating holding companies, using the equity method.

€ in millions	**6/30/2003**	12/31/2002	6/30/2002
Consolidated net income (loss) - Group	**(45.0)**	(367.0)	59.0
Consolidated stockholders' equity - Group	**3,636.0**	2,708.1	3,225.2
Consolidated net financial position of the "Holdings System"	**(419.1)**	(484.4)	(436.1)
Financial fixed assets	**4,305.9**	3,207.2	3,650.7

The first half of 2003 ended with a consolidated loss for the IFIL Group of € 45 million compared to a consolidated net income of € 59 million in the corresponding period of 2002. The negative change of € 104 million is due to the reduction in the consolidated net income of the Worms & Cie Group (- € 75.9 million, equal to IFIL's share), which in the first half of the prior year had reported significant gains on the divestiture of investments, higher consolidated losses of the Fiat Group (- € 19.9 million, equal to IFIL's share) and other net changes (- € 8.2 million).

The Group's share of earnings (losses) of companies accounted for using the equity method amounted to losses of € 51.2 million (earnings of € 40.5 million in the first half of 2002) following IFIL's share of the losses reported by the Fiat Group (- € 81.3 million), the NHT Group (- € 22.6 million) and the Rinascente Group (- € 1.2 million) and the earnings posted by the Worms & Cie Group (€ 32.8 million), Juventus Football Club (€ 8.4 million) and Sifalberghi (€ 0.2 million) and consolidation adjustments (€ 12.5 million). The dividends received from the other holdings amounted to € 21.2 million (of which € 21.1 million was received from SANPAOLO IMI).

The stockholders' equity of the IFIL Group amounts to € 3,636 million. The increase of € 927.9 million from the balance at the end of 2002 originated from the transaction for the contribution of the investments by IFI (+€ 1,052 million), the loss for the period (-€ 45 million), the share of the translation adjustments of the companies accounted for using the equity method (-€ 95.7 million) and other net changes (+€ 16.6 million).

The consolidated net debt position of the "Holdings System" went from € 484.4 million at the end of 2002 to € 419.1 million due to the following changes:

€ in millions	
Investments in La Rinascente (1.51% of capital stock)	(26.7)
Investments in Worms & Cie (1.37% of capital stock)	(23.7)
Sale of 0.85% of the capital stock of Eurofind to Mediobanca	15.2
Sales of 0.33% of the capital stock of Juventus	0.9
Dividends received from holdings	124.0
Financial expenses, net, and general expenses, net	(21.4)
Other changes, net	(3.0)
Total	**65.3**

The net income of IFIL S.p.A. for the first half of 2003 was € 60.8 million (€ 48.7 million in the first half of 2002).

The most important events in 2003 are described in the following paragraphs.

In January, Eurofind, the subsidiary jointly controlled by the IFIL and the Auchan Groups, 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.
The transaction involved a total payment of € 60.9 million and the delisting of all classes of La Rinascente stock from the stock exchange.
In accordance with what was previously agreed, Ifil Investissements and the Auchan Group sold, respectively, to Mediobanca and Société Générale, 0.85% of the capital stock of Eurofind and, currently Ifil Investissements and the Auchan Group each hold 40.47% stakes (50% of the voting rights) in Eurofind's capital stock.

In the following months, Eurofind purchased a further 7,223,269 ordinary shares, 42,215 preferred shares and 281,209 savings shares of La Rinascente for a total outlay of € 33.7 million.
After these transactions, Eurofind holds 99.16% of ordinary capital stock, 88.83% of preferred capital stock and 99.04% of savings capital stock of La Rinascente (99.04% of capital stock).

In the first six months, Ifil Investissements raised its investment in Worms & Cie to 53.07% of capital stock, purchasing 1,438,059 Worms & Cie shares (1.37% of capital stock) for € 23.7 million.

In August, IFIL successfully concluded the capital stock increase voted by the Board of Directors on June 27, 2003, without the intervention of the Underwriting Syndicate, with the subscription of the entire issue of 386,321,490 ordinary shares offered for total proceeds of € 504 million (of which € 1.8 million came from the sale of unexercised rights).

In July, after having purchased 18,791,725 rights for € 5 million, IFIL subscribed to 108,921,627 Fiat ordinary shares for an investment of € 544.6 million. IFIL thus holds 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).

In August, IFIL sold 25% of the capital stock of Sifalberghi to the Accor Group for the price of € 32 million, realizing a gain of € 23 million (€ 25.1 million on consolidation).

At the end of August 2003, the consolidated net financial position of the “Holdings System” was a net debt position of € 459.5 million. The negative change of € 40.4 million compared to the balance at the end of June 2003 was the result of the following flows:

€ in millions	
Consolidated net financial position of the "Holdings System" at June 30, 2003	**(419.1)**
IFIL S.p.A. capital stock increase (and sale of unexercised rights for € 1.8 million)	504.0
Subscription to Fiat S.p.A. capital stock increase (and purchase of rights for € 5 million)	(549.6)
Sale of 25% of Sifalberghi S.r.l. capital stock	32.0
Investments in La Rinascente (0.63% of capital stock)	(11.6)
IFIL S.p.A. capital stock increase expenses	(11.9)
Financial expenses, net	(3.5)
General expenses, net	(1.3)
Other expenses, net	1.5
Net change during the period	**(40.4)**
Consolidated net financial position of the "Holdings System" at the end of August 2003	**(459.5)**

The unrelenting negative international economic situation will continue to influence the consolidated result for the current year of the IFIL Group. Nevertheless, the efforts in progress to re-launch Fiat and IFIL’s balanced investment portfolio – about one-third of which is concentrated in the automotive sector and about two-thirds in diversified businesses – constitute genuine premises for a recovery of the Group’s growth.

As for the year 2003, the Group holding company, IFIL S.p.A., based on the data available to date, is expected to report a profit.

Exor Group
(29.3% of ordinary capital stock)

Exor Group reported a consolidated net income in the first half of 2003 of € 14.8 million (an increase compared to the net income of € 3.9 million registered in the first six months of 2002), mainly on account of the sale of the investment in Château Margaux and a stake in SFL – Société Foncière Lyonnaise (7.6% of capital stock, out of an original investment of 17.7%). These transactions gave rise to a total net gain of € 50.6 million.

This gain was partly offset by the provision of € 30 million to the Reserve for investment fluctuations (which at June 30, 2003 thus amounted to € 200 million) set aside to take into account the reduction in the market prices of listed investments registered during the period and, with reference to the United States companies, the appreciation of the euro against the U.S. dollar.

Dividends totaled € 7.4 million, whereas general expenses and other operating expenses, net, amounted to a total of € 4.4 million.

During the period March-May 2003, Exor Group bought back treasury stock for 14.6% of capital stock and proceeded to cancel 2 million ordinary shares. After this transaction, IFI and the parent company Giovanni Agnelli e C. S.a.p.Az. hold almost all the capital stock of Exor Group.

During the period July-August 2003, Exor Group proceeded to sell the entire investment in Espirito Santo Financial Group.

In August, the merger was concluded between the United States associated company Riverwood (in which Exor Group held a 29.7% stake) and Graphic Packaging, a company engaged in the packaging of consumer products. Exor Group currently holds 17.2% of the company that emerged from the merger, which took the name of Graphic Packaging Corporation and which is listed on the New York Stock Exchange.

At August 31, 2003, the net cash of Exor Group amounts to approx. € 250 million.

Group

6/30/2002	CONSOLIDATED BALANCE SHEET (€ in millions)		6/30/2003	12/31/2002	Change
	ASSETS				
3	**AMOUNTS DUE FROM STOCKHOLDERS FOR SHARES SUBSCRIBED BUT NOT CALLED**		**0**	1	(1)
	FIXED ASSETS				
6,992	Intangible fixed assets	(note 1)	**5,197**	6,223	(1,026)
13,894	Property, plant and equipment	(note 2)	**11,575**	13,264	(1,689)
21,799	Financial fixed assets	(note 3)	**10,013**	19,199	(9,186)
42,685	**TOTAL FIXED ASSETS**		**26,785**	38,686	(11,901)
	CURRENT ASSETS				
16,342	Inventories	(note 4)	**16,878**	15,880	998
14,556	Receivables	(note 5)	**13,634**	14,021	(387)
28,189	Financial assets not held as fixed assets	(note 6)	**17,447**	26,348	(8,901)
3,841	Cash		**2,401**	3,733	(1,332)
62,928	**TOTAL CURRENT ASSETS**		**50,360**	59,982	(9,622)
1,355	**ACCRUED INCOME AND PREPAID EXPENSES**	(note 7)	**900**	1,280	(380)
106,971	**TOTAL ASSETS**		**78,045**	99,949	(21,904)
	LIABILITIES AND STOCKHOLDERS' EQUITY				
	STOCKHOLDERS' EQUITY	(note 8)			
62	Capital stock		**62**	62	0
66	Additional paid-in capital		**30**	66	(36)
15	Legal reserve		**15**	15	0
127	Treasury stock valuation reserve		**70**	70	0
2,668	Retained earnings and other reserves		**1,802**	2,616	(814)
(75)	Net income (loss) for the period		**(130)**	(803)	673
2,863	**TOTAL STOCKHOLDERS' EQUITY OF THE GROUP**		**1,849**	2,026	(177)
12,681	**MINORITY INTEREST**		**8,005**	9,231	(1,226)
15,544	**TOTAL STOCKHOLDERS' EQUITY**		**9,854**	11,257	(1,403)
23,387	**RESERVES FOR RISKS AND CHARGES**	(note 9)	**7,379**	24,252	(16,873)
1,791	**RESERVE FOR EMPLOYEE SEVERANCE INDEMNITIES**		**1,600**	1,627	(27)
62,217	**PAYABLES**	(note 10)	**56,390**	59,327	(2,937)
4,032	**ACCRUED EXPENSES AND DEFERRED INCOME**	(note 11)	**2,822**	3,486	(664)
106,971	**TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY**		**78,045**	99,949	(21,904)

6/30/2002	CONSOLIDATED BALANCE SHEET (€ in millions)		6/30/2003	12/31/2002	Change
	MEMORANDUM ACCOUNTS	(note 12)			
	GUARANTEES GRANTED				
	Unsecured guarantees				
	Suretyships				
112	on behalf of subsidiaries		**54**	98	(44)
30	on behalf of associated companies		**72**	21	51
1,782	on behalf of others		**3,343**	1,678	1,665
1,924	Total suretyships		**3,469**	1,797	1,672
250	Guarantees of notes on behalf of others		**284**	316	(32)
	Other unsecured guarantees:				
0	on behalf of subsidiaries		**40**	0	40
523	on behalf of associated companies		**197**	351	(154)
3,121	on behalf of others		**3,117**	3,050	67
3,644	Total other unsecured guarantees		**3,354**	3,401	(47)
5,818	**Total unsecured guarantees**		**7,107**	5,514	1,593
593	**Secured guarantees - on behalf of others**		**238**	501	(263)
6,411	**TOTAL GUARANTEES GRANTED**		**7,345**	6,015	1,330
	COMMITMENTS				
48,203	Commitments related to derivative financial instruments		**26,508**	39,926	(13,418)
894	Commitments to purchase property, plant and equipment		**509**	499	10
202	Commitments for contracts in progress		**2**	73	(71)
9,887	Other commitments		**10,663**	10,079	584
59,186	**TOTAL COMMITMENTS**		**37,682**	50,577	(12,895)
1,447	**THIRD-PARTY ASSETS HELD BY THE GROUP**		**2,596**	2,071	525
20,684	**GROUP ASSETS HELD BY THIRD PARTIES**		**3,978**	20,846	(16,868)
84	**OTHER MEMORANDUM ACCOUNTS**		**213**	267	(54)

Year 2002	CONSOLIDATED STATEMENT OF OPERATIONS (€ in millions)		1st Half 2003	1st Half 2002	Change
	VALUE OF PRODUCTION	(note 13)			
60,793	Revenues from sales and services		**26,830**	30,892	(4,062)
(809)	Change in work in progress, semi-finished and finished products inventories		**206**	257	(51)
222	Change in contract work in progress		**381**	423	(42)
1,107	Additions to internally produced fixed assets		**386**	591	(205)
2,190	Other income and revenues		**863**	951	(88)
63,503	**TOTAL VALUE OF PRODUCTION**		**28,666**	33,114	(4,448)
	COSTS OF PRODUCTION	(note 14)			
(32,965)	Raw materials, supplies and merchandise		**(15,461)**	(17,024)	1,563
(11,339)	Services		**(5,450)**	(6,384)	934
(531)	Leases and rentals		**(218)**	(230)	12
(8,321)	Personnel costs		**(3,978)**	(4,441)	463
(3,216)	Amortization, depreciation and writedowns		**(1,416)**	(1,634)	218
(12)	Change in raw materials, supplies and merchandise inventories		**200**	(36)	236
(1,138)	Provisions for risks		**(411)**	(523)	112
(37)	Other provisions		**0**	(5)	5
(1,404)	Other operating costs		**(477)**	(622)	145
(1,115)	Expenses of financial services companies		**(367)**	(509)	142
(4,045)	Insurance claims and other costs		**(1,357)**	(2,066)	709
(64,123)	**TOTAL COSTS OF PRODUCTION**		**(28,935)**	(33,474)	4,539
(620)	**DIFFERENCE BETWEEN THE VALUE AND COSTS OF PRODUCTION**		**(269)**	(360)	91
	FINANCIAL INCOME AND EXPENSES	(note 15)			
190	Investment income (a)		**54**	131	(77)
2,297	Other financial income		**751**	1,138	(387)
(3,179)	Interest and other financial expenses		**(1,206)**	(1,656)	450
(692)	**TOTAL FINANCIAL INCOME AND EXPENSES**		**(401)**	(387)	(14)
	ADJUSTMENTS TO FINANCIAL ASSETS	(note 16)			
118	Revaluations (a)		**102**	94	8
(1,016)	Writedowns (a)		**(147)**	(320)	173
(898)	**TOTAL ADJUSTMENTS TO FINANCIAL ASSETS**		**(45)**	(226)	181
	EXTRAORDINARY INCOME AND EXPENSES	(note 17)			
1,544	Extraordinary income (a)		**682**	1,001	(319)
(3,781)	Extraordinary expenses (a)		**(360)**	(273)	(87)
(2,237)	**TOTAL EXTRAORDINARY INCOME AND EXPENSES**		**322**	728	(406)
(4,447)	**INCOME (LOSS) BEFORE TAXES**		**(393)**	(245)	(148)
415	**INCOME TAXES**	(note 18)	**(204)**	(332)	128
(4,032)	**NET INCOME (LOSS) FOR THE PERIOD BEFORE MINORITY INTEREST**		**(597)**	(577)	(20)
3,229	**MINORITY INTEREST**		**467**	502	(35)
(803)	**NET INCOME (LOSS) FOR THE PERIOD**		**(130)**	(75)	(55)

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

FORM AND CONTENT

The report for the first half of 2003 and the consolidated financial statements for the six months ended June 30, 2003 of the IFI Group have been drawn up according to the Consob regulation contained in resolution No. 11971 dated May 14, 1999, as amended.
The six-month consolidated financial statements are expressed in millions of euros.
Significant events subsequent to the end of the first half have been disclosed in the "Comments on operations", to which reference should be made.

ACCOUNTING PRINCIPLES

The principles of consolidation and the accounting principles applied in these financial statements are the same as those adopted in the preparation of the annual consolidated financial statements at December 31, 2002 of the IFI Group and supplemented by the national and international accounting principles issued in respect of interim financial reporting. However, it is noted that certain valuation procedures, and in particular more complex procedures such as the determination of possible impairment losses on fixed assets, are generally completed only at the time of preparation of the annual consolidated financial statements, when all the necessary information is available.

As described earlier in the section "Analysis of IFI Group condensed first-half consolidated results", the economic effects deriving from the contribution of the investments in Fiat, Juventus Football Club, SANPAOLO IMI and Soiem (gains and losses compared to the carrying value of these investments at March 31, 2003), have been completely eliminated, being transactions with a subsidiary.

The first-quarter 2003 results of the investments in Fiat, Soiem and Juventus Football Club have been allocated to the IFI Group on the basis of the percentage of interest held directly by IFI S.p.A. up to March 31, 2003.

SCOPE OF CONSOLIDATION

Directly and indirectly controlled subsidiaries have been consolidated line-by-line using the accounting data for the six months to June 30, 2003 or intermediate accounting data as at the same date (in cases in which the year-end closing date for the six-month period is different from that of the consolidated financial statements), except as indicated below.
The NHT Group has been consolidated on a line-by-line basis using the consolidated accounting data for the six-month period ending April 30, 2003, owing to the impossibility of obtaining, on a timely basis without disproportionate expense, consolidated accounting data as of the date of the IFIL's consolidated financial statements at June 30, 2003. This treatment, allowed by IAS 27, does not affect the assertion that the consolidated financial statements are a true and correct representation of the financial position and results of operations of the Group.
The Eurofind Group, subject to joint control, has been accounted for using the equity method.
Investments in associated companies in which the Group exercises a significant influence have been accounted for using the equity method.

CHANGES IN THE SCOPE OF CONSOLIDATION

The Reorganization of the Group examined in the section "Comments on Operations" did not result in any changes in the line-by-line consolidation of the IFI Group in that the investments contributed to IFIL have been accounted for by the same criteria previously used by IFI (line-by-line consolidation for the investments in Fiat and Soiem and valuations using the equity method and cost, respectively, for the investments in Juventus Football Club and in SANPAOLO IMI).

Significant changes in the scope of consolidation occurred during the first six months of 2003 as part of the current divestiture program. The most important changes to take place during the first half of 2003 with respect to the annual consolidated financial statements at December 31, 2002 are as follows:

- sale of activities of Fraikin, which were deconsolidated as of the beginning of the year;
- sale of 56% of IPI S.p.A., which was deconsolidated as of the beginning of the year;
- sale of Fiat Auto Holdings' retail financing activities in Brazil, which were deconsolidated from the end of March;
- sale of the Toro Assicurazioni Group, which was deconsolidated from the beginning of May. The sales agreement was made on May 2, 2003; subsequently, the conditions precedent for grant of authorization by the competent authorities as envisaged in the sales agreement were satisfied. The effects of the transaction are thus retroactive to the date the agreement itself was made, and the activities of the insurance sector were accordingly deconsolidated as of that date (May 2, 2003);
- sale of 51% of Fidis Retail Italia and the first part of the European activities of Fiat Auto Holdings in the consumer credit sector, which were deconsolidated as of the end of May; this sale will be concluded in the second half of 2003 upon transfer to Fidis Retail Italia of the remaining equity investments in finance companies covered by the agreement and for which the relative requests for authorization are pending.

For additional details on the scope of consolidation, reference should be made to the list of major IFI Group companies at June 30, 2003.

COMPOSITION AND PRINCIPAL CHANGES

The following notes disclose the changes in the principal assets and liabilities as well as the items in the consolidated statement of operations.

CONSOLIDATED BALANCE SHEET

1) Intangible fixed assets

Details of the movements during the first half, by Group, are presented below:

€ in millions	Net of amortization 12/31/2002	Additions	Amortization	Change in scope of consolidation	Foreign exchange effects	Disposals and other changes	**Net of amortization 6/30/2003**
Fiat Group	5,200	268	(263)	(737)	(250)	(20)	**4,198**
Worms & Cie Group	963	6	(37)	0	(2)	2	**932**
NHT Group	58	1	(5)	9	(1)	2	**64**
IFI, IFIL, other companies and intragroup eliminations	2	5	0	0	0	(4)	**3**
Total intangible fixed assets	6,223	280	(305)	(728)	(253)	(20)	**5,197**

The major changes are presented, by Group, in the following paragraphs.

Fiat Group

At June 30, 2003, intangible fixed assets amount to € 4,198 million (€ 5,200 million at December 31, 2002), including goodwill and consolidation differences totaling € 2,794 million (€ 3,600 million at December 31, 2002).

The negative change of € 1,002 million from the figure at December 31, 2002 is mainly due to the negative change in the scope of consolidation for € 737 million, of which € 611 million for the sale of the Toro Assicurazioni Group, € 110 million for the sale of the Fraikin Group, and € 16 million for other minor items, as well as a negative foreign exchange effect of € 250 million due to the appreciation of the euro against major currencies (Note 19) and amortization of € 263 million charged during the period. The increases during the period (€ 268 million) stem mainly from the expenses for capitalization of acquisition of licenses for the development of technologies and products by FiatAvio S.p.A., capital increases and software.

Goodwill and consolidation differences included in this item total € 2,794 million (€ 3,600 million at December 31, 2002). The decrease of € 806 million from the figure at December 31, 2002 is due to the change in the scope of consolidation following the sale of the Toro Assicurazioni Group (€ 458 million), the Fraikin Group (€ 88 million), and other minor items (€ 12 million), amortization charged during the period (€ 105 million), the negative foreign exchange effect (€ 207 million), and other positive changes (€ 64 million).

Worms & Cie Group
The balance of € 932 million at June 30, 2003 largely includes the unamortized goodwill on the purchase of the ex-AWA Group (€ 894 million).

NHT Group
The change in the scope of consolidation for € 9 million refers to the 60% purchase of the capital stock of Altamarea V&H Compagnia Alberghiera S.r.l. and the line-by-line consolidation of Viaggidea S.p.A., of which total control was acquired on October 31, 2002.

2) Property, plant and equipment

€ in millions	Net of depreciation 12/31/2002	Additions	Depreciation	Change in scope of consolidation	Foreign exchange effects	Disposals and other changes	**Net of depreciation 6/30/2003**	**Acc. deprec. and writedowns 6/30/2003**
Fiat Group	12,106	771	(922)	(1,188)	(83)	(277)	**10,407**	**17,956**
Worms & Cie Group	1,071	43	(52)	0	(28)	(10)	**1,024**	**1,581**
NHT Group	138	6	(4)	4	(5)	0	**139**	**39**
IFI, IFIL, other companies and intragroup eliminations	(51)	0	(1)	55	0	2	**5**	**4**
Total property, plant and equipment	13,264	820	(979)	(1,129)	(116)	(285)	**11,575**	**19,580**

Fiat Group
Net of accumulated depreciation, property, plant and equipment decreased by € 1,699 million from December 31, 2002. The change during the first six months of 2003 is due to additions of € 771 million, mostly capital expenditures by the Automotive Sectors, depreciation of € 922 million, change in scope of consolidation of a negative € 1,188 million stemming from deconsolidation of the Toro Assicurazioni Group (€ 579 million), the Fraikin Group (€ 560 million), and other minor items (€ 49 million), a negative foreign exchange effect of € 83 million, and disposals and other negative changes of € 277 million.

Property, plant and equipment include vehicles on operating leases for € 1,031 million (€ 1,585 million at the end of 2002).

Accumulated depreciation and writedowns total € 17,956 million (€ 18,223 million at December 31, 2002).

NHT Group
The change in the scope of consolidation is due to the first time line-by-line consolidation of the subsidiary Altamarea V&H Compagnia Alberghiera S.r.l., a company which operates tourist hotel structures.
Some buildings belonging to the NHT Group (mainly resorts) are covered by mortgages carried by banks for € 6 million.
The net book value of property, plant and equipment includes financial charges specifically incurred for the loan to finance the remodeling of the “Abi d’Oru” hotel complex in Sardinia.

3) Financial fixed assets

Financial fixed assets include:

€ in millions	6/30/2003	12/31/2002	Change
Investments	**6,269**	6,221	48
Financial receivables	**183**	209	(26)
Other securities	**92**	2,463	(2,371)
Treasury stock	**70**	70	0
Leased assets	**3,060**	2,947	113
Other financial fixed assets	**339**	359	(20)
Investments where the investment risk is borne by policyholders and those related to pension plan management	**0** (a)	6,930	(6,930)
Total financial fixed assets	**10,013**	19,199	(9,186)

(a) The balance is nil as a result of the sale of the Toro Assicurazioni Group.

Additional details are provided below for each item of financial fixed assets.

Investments

€ in millions	Net book value at 12/31/2002	Revaluations	Writedowns	Change in scope of consolidation	Other changes	Net book value at 6/30/2003
Companies held directly and/or indirectly by IFI and IFIL S.p.A.	1,564	8	(6)	0	(45)	**1,521**
Companies held through the Fiat Group	3,962	57	(64)	37	61	**4,053**
Companies held through the Worms & Cie Group	681	20	0	0	(11)	**690**
Companies held through the NHT Group	14	0	(1)	0	(8)	**5**
Total investments	6,221	85	(71)	37	(3)	**6,269**

Revaluations and writedowns include the Group's share of the income or the loss of companies accounted for using the equity method. With regard to the companies accounted for at cost, writedowns include the loss in value recorded in the year.

The main changes during the six months relating to investments held by the Fiat Group are described in the following paragraphs.

The change in the scope of consolidation of € 37 million is due to the sale of equity investments held by the Toro Assicurazioni Group (€ 491 million), posting of the residual equity investment of 49% in Fidis Retail Italia S.p.A. for € 376 million (at December 31, 2002, the activities controlled by this company were consolidated on a line-by-line basis), Naveco Ltd. for € 125 million (at December 31, 2002, the company was consolidated on a proportional basis), and other companies for € 27 million.

The other changes of € 61 million derive from the capital increase carried out at Atlanet S.p.A. (€ 71 million), a negative foreign exchange effect of € 37 million, and other changes for € 27 million.

With reference to the investment in Italenergia Bis S.p.A. in the second half of 2002, pursuant to an agreement by the stockholders of Italenergia Bis S.p.A. the Fiat Group sold a 14% holding to other stockholders of the company (BancaIntesa, IMI Investimenti and Capitalia) and acquired an option to sell to EDF its residual stake of 24.6% in Italenergia Bis S.p.A. (the so-called EDF Put). For a complete description of the mechanisms and effects of this transaction and option rights envisaged therein, please refer to Note 3 of the consolidated financial statements at December 31, 2002.

Details of investments, by Group, are as follows:

€ in millions	**6/30/2003 Carrying value**	12/31/2002 Carrying value	Change
Held by IFI and IFIL S.p.A.			
Eurofind Group (a)	**631**	676	(45)
SANPAOLO IMI S.p.A.	**601**	601	0
Exor Group S.A.	**179**	180	(1)
Juventus Football Club S.p.A.	**62**	58	4
Club Méditerranée S.A. (b)	**35**	35	0
Sifalberghi S.r.l.	**7**	7	0
Other investments	**6**	7	(1)
	1,521	1,564	(43)
Held through the Fiat Group			
Fiat - GM Powertrain B.V. (c)	**1,241**	1,189	52
Italenergia Bis S.p.A.	**516**	481	35
Fidis Retail Italia S.p.A. (d)	**375**	-	375
Buc - Banca Unione di Credito	**338**	361	(23)
Tofas Turk Otomobil Frabrikasi A.S.	**157**	136	21
Sevel S.p.A. (c)	**122**	125	(3)
Naveco Ltd (e)	**113**	-	113
Kobelco Construction Machinery & Co. Ltd	**109**	107	2
Leasys S.p.A. (c)	**100**	112	(12)
Mediobanca S.p.A.	**93**	93	0
Rizzoli Corriere della Sera MediaGroup S.p.A. (ex-H.D.P. S.p.A.)	**92**	98	(6)
Edison S.p.A.	**65**	65	0
Other investments	**732**	1,195	(463)
	4,053	3,962	91
Held through the Worms & Cie Group			
SGS Société Générale de Surveillance S.A.	**554**	512	42
Groupe Danone S.A.	**50**	87	(37)
Pechel Industries S.A.	**41**	38	3
Accor S.A.	**23**	21	2
Other investments	**22**	23	(1)
	690	681	9
Held through the NHT Group	**5**	14	(9)
Total investments	**6,269**	6,221	48

(a) Controlled jointly with the Auchan Group.
(b) Net of writedowns of € 86 million made in previous years.
(c) Subject to joint control.
(d) Consolidated line-by-line at December 31, 2002.
(e) Consolidated proportionally at December 31, 2002.

At June 30, 2003, the carrying value of the investments in the Eurofind Group includes the unamortized goodwill of € 157 million generated by purchases of La Rinascente shares, which is being amortized over a period of 20 years.

The carrying value of the investment in SGS Société Générale de Surveillance S.A. includes unamortized goodwill of € 403 million which is being amortized over 20 years (€ 376 million at December 31, 2002). The increase is due to share purchases made in 2003.

Financial receivables

€ in millions	**6/30/2003**	12/31/2002	Change
Fiat Group	**21**	47	(26)
Worms & Cie Group	**140**	133	7
NHT Group	**15**	21	(6)
IFI and IFIL S.p.A.	**7**	8	(1)
Total financial receivables	**183**	209	(26)

There are no receivables due beyond five years by the Fiat Group at June 30, 2003. At December 31, 2002, receivables due beyond five years totaled € 2 million.

Financial receivables of the Worms & Cie Group include the loan made by ArjoWiggins to the buyers of Appleton Papers Inc. for the remaining period of seven years, repayable at the expiry date. The nominal value of the receivable totals U.S. $321 million. The amount recorded (€ 135 million) represents the present value of the loan calculated at an implicit rate of interest of 12%.

Other securities

Details of other securities, by Group, are as follows:

€ in millions	**6/30/2003**	12/31/2002	Change
Fiat Group	**70**	2,445	(2,375)
Worms & Cie Group	**18**	1	17
NHT Group	**0**	0	0
IFIL and foreign subholding companies	**4**	17	(13)
Total other securities	**92**	2,463	(2,371)

The negative change of the Fiat Group derives almost entirely from the sale of the Toro Assicurazioni Group.

Treasury stock
Treasury stock at June 30, 2003 (unchanged from December 31, 2002) consists of 5,360,300 IFI preferred shares, equal to 17.36% of the class of stock, for a total of € 70 million and a per share price of € 13.148.

A comparison of the carrying value of IFI preferred treasury stock with market prices is presented in the "Comments on operations" in the section "Analysis of IFI S.p.A. first-half results".

Assets leased

€ in millions	Net of depreciation 12/31/2002	Additions	Depreciation	Disposals and other changes	**Net of depreciation 6/30//2003**
Leased assets	2,947	386	(369)	96	**3,060**

Assets leased consist of vehicles sold by the Automotive Sectors of the Fiat Group under financial leases. This item does not include vehicles on operating leases, which are included under Property, plant and equipment.

Other financial fixed assets
Other financial fixed assets total € 339 million (€ 359 million at December 31, 2002) and refer to the Worms & Cie Group. They comprise:

- the deposit of € 123 million lodged with a leading banking institution which in part earns interest. The deposit was made by the Worms & Cie Group within the framework of the loans given to the buyers of Appleton Papers Inc. in order to guarantee the disbursing banks against the risk of an eventual acceleration of the indemnities connected with the dispute over the environmental risks to the Fox River;
- the deposit of € 92 million made for the fine levied on Arjo Wiggins Appleton by the European Commission for alleged violations of fair trade practices;
- the deposit of € 112 million made by Arjo Wiggins Appleton to guarantee the commitments assumed under financial lease transactions;
- other receivables of € 12 million.

Additional information on collateral deposits by the Worms & Cie Group is provided in the section "Pending litigation".

4) Current assets – Inventories

€ in millions	**6/30/2003**	12/31/2002	Change
Total inventories	**16,878**	15,880	998
Advance payments on contract work in progress	**(8,893)**	(8,227)	(666)
Net inventories	**7,985**	7,653	332

Inventories, mainly referring to the Fiat Group, amount to € 16,878 million at June 30, 2003 (€ 15,880 million at December 31, 2002) and increased by € 998 million. Advances of € 8,893 million (€ 8,227 million at December 31, 2002) were received for contract work in progress and related advances paid and posted under payables (Note 10). Net of these advances, inventories totaled € 7,985 million (€ 7,653 million at December 31, 2002), for an increase of € 332 million. The amounts for advances received in connection with the T.A.V. (High-Speed Railway) project, of which Fiat is General Contractor, which are included in the item "Other payables" (Note 10), were directly subtracted from inventories to determine net inventories.

5) Current assets – Receivables

€ in millions	6/30/2003 Trade	Other	Total	12/31/2002 Trade	Other	Total
Total receivables	**6,860**	**6,774**	**13,634**	6,773	7,248	14,021
of which:						
Receivables included in working capital	**6,860**	**3,660**	**10,520**	6,773	3,679	10,452
Deferred income taxes	**-**	**3,114**	**3,114**	-	3,569	3,569

Receivables, which have been broken down into trade receivables and other receivables, are net of the respective allowances for doubtful accounts. Other receivables include amounts due from the tax authorities, deferred tax assets, security deposits and miscellaneous receivables.

Receivables for deferred tax assets include € 3,063 million referring to the Fiat Group, € 38 million to the Worms & Cie Group and € 13 million to the NHT Group.

Receivables due beyond five years, referring entirely to the Fiat Group, amount to € 9 million at June 30, 2003 (€ 12 million at December 31, 2002).

6) Financial assets not held as fixed assets

€ in millions	6/30/2003	12/31/2002	Change
Investments in other companies	**33**	810	(777)
Other securities and other short-term investments	**807**	7,112	(6,305)
Financial receivables	**16,607**	18,426	(1,819)
Total financial assets not held as fixed assets	**17,447**	26,348	(8,901)

Investments in other companies, held by the Fiat Group, consist mainly of securities held by a minor insurance company that is not a part of the Toro Assicurazioni Group to fund insurance policy liabilities and accruals. The negative change stemmed principally from the effect of the sale of the Toro Assicurazioni Group for € 755 million, sale of the investment in Fondiaria-SAI S.p.A. for € 21 million, and other minor negative changes for € 1 million.

Other securities at June 30, 2003 include securities held by the same company to fund insurance policy liabilities and accruals as well. The decrease of € 6,305 million compared to December 31, 2002 was largely due to deconsolidation of the Toro Assicurazioni Group.

Financial receivables at June 30, 2003 total € 16,607 million, including € 16,597 million of the Fiat Group which consist of: loans granted to customers and dealers by the financial services companies for € 11,129 million (€ 15,615 million at December 2002), the financial receivable of 2,378 million connected with the sale of the Toro Assicurazioni Group (which was collected on July 30, 2003), and other financial receivables of € 3,090 million (€ 2,796 million at December 31, 2002) referring mainly to receivables from joint ventures and from companies engaged in the real estate sector and in the spare parts distribution sector. The decrease of € 4,486 million since December 31, 2002 in loans granted by the financial services companies consists of € 3,733 million from deconsolidation of the retail financing activity in Brazil and the activities of Fidis Retail Italia S.p.A., € 231 million for the performance of currencies, and € 522 million from lower volumes of activity. The € 294 million increase in the other financial receivables refers mainly to the higher levels of disbursed financing.

Receivables due beyond five years, referring entirely to the Fiat Group, amount to € 252 million at June 30, 2003 (€ 935 million at December 31, 2002). The decrease of € 683 million is largely accounted for by the deconsolidation of Fidis Retail Italia S.p.A.

7) Accrued income and prepaid expenses

€ in millions	**6/30/2003**	12/31/2002	Change
Commercial accrued income and prepaid expenses	**515**	609	(94)
Financial accrued income and prepaid expenses	**385**	671	(286)
Total accrued income and prepaid expenses	**900**	1,280	(380)

Financial accrued income and prepaid expenses mainly include day-to-day interest earned on securities and swap contracts. The decrease with respect to December 31, 2002 is mainly due to the deconsolidation of the Toro Assicurazioni Group and Fidis Retail Italia S.p.A. (€ 188 million).

8) Stockholders' equity

The changes in the Group's consolidated stockholders' equity during the first six months of 2003 can be summarized as follows:

€ in millions	Capital stock	Additional paid-in-capital	Legal reserve	Cumulative translation adjustments	Retained earnings and other reserves	Net income (loss)	Stockholders' equity - Group
Balances at December 31, 2002	62	66	15	(288)	2,974	(803)	2,026
Movements among equity accounts		(36)			(767)	803	0
Other changes, net				111	(158)		(47)
Net loss - Group						(130)	(130)
Balances at June 30, 2003	**62**	**30**	**15**	**(177)**	**2,049**	**(130)**	**1,849**

Capital stock

At June 30, 2003, the capital stock, fully subscribed to and paid-in, amounts to € 61,750,000 and is composed of 30,875,000 ordinary shares and 30,875,000 preferred shares of par value € 1 each.

In accordance with art. 10 of the by-laws, preferred shares have voting rights only for the resolutions set forth in art. 2365 of the Italian Civil Code.

Additional details and updates on the capital stock of IFI S.p.A. are provided in the "Comments on operations" and specifically in the section "Significant subsequent events".

Reconciliation between the stockholders' equity and the net income (loss) of IFI S.p.A. and the corresponding consolidated figures of the Group

(€ in millions)	6/30/2003 Net income (loss)	6/30/2003 Stockholders' equity	12/31/2002 Net income (loss)	12/31/2002 Stockholders' equity
IFI S.p.A. statutory financial statements	**14**	**1,109**	(227)	1,095
Difference between consolidated stockholders' equity and the stockholders' equity of the Group holding company at the beginning of the period		**931**		1,808
Net balance of changes during the period in stockholders' equity of consolidated companies and companies accounted for using the equity method (excluding the results for the period) and translation adjustments		**(47)**		(305)
Share of earnings (losses) of consolidated companies and companies accounted for using the equity method	**(138)**	**(138)**	(780)	(780)
Elimination of writedowns relating to consolidated companies and companies accounted for using the equity method			269	269
Elimination of dividends received from consolidated companies and accounted for using the equity method	**(4)**	**(4)**	(71)	(71)
Increase in the consolidation reserve				4
Elimination of results of intragroup transactions and other consolidation adjustments	**(2)**	**(2)**	6	6
Consolidated financial statements of the Group	**(130)**	**1,849**	(803)	2,026

Minority interest

Details are as follows:

€ in millions	6/30/2003 %	6/30/2003 Capital and reserves	6/30/2003 Net income (loss)	6/30/2003 Total	12/31/2002 %	12/31/2002 Total
IFIL Group	**39.52**	**8,472**	**(467)**	**8,005**	**67.67**	2,996
Fiat Group	**-**	**-**	**-**	**-**	**80.21**	6,235
Total		**8,472**	**(467)**	**8,005**		9,231

9) Reserves for risks and charges

€ in millions	6/30/2003	12/31/2002	Change
Income tax reserves:			
Current income tax reserve	**128**	220	(92)
Deferred income tax reserve	**1,110**	1,367	(257)
Total Income tax reserves	**1,238**	1,587	(349)
Warranty reserve	**828**	842	(14)
Various liabilities and risk reserves and Reserve for pensions	**5,219**	5,218	1
Insurance policy liabilities and accruals	**94**	9,605	(9,511)
Insurance policy liabilities and accruals, where the investment risk is borne by policyholders and those related to pension	**0**	7,000	(7,000)
Total reserves for risks and charges	**7,379**	24,252	(16,873)

The decrease in the insurance policy liabilities and accruals of € 16,511 million is due to the sale of the Toro Assicurazioni Group.

Various liabilities and risk reserves and reserve for pensions include:
- provisions made in 2001 by the Worms & Cie Group for the environmental risk concerning the Fox River and the fine levied by the European Commission for alleged violations of fair trade practices;
- the provision to the consolidation reserve for risks and future expenses of € 273 million, net of € 4 million utilized to cover the share of the second-quarter 2003 loss of the Fiat Group.

Additional information is provided in the section "Pending litigation".

The deferred income tax reserve at June 30, 2003 includes deferred tax liabilities, net of deferred tax assets, that have been offset where possible by the individual companies. The net balance of the deferred income tax reserve and deferred tax assets posted under other receivables is broken down as follows:

€ in millions	**6/30/2003**	12/31/2002	Change
Deferred income tax reserve	**1,110**	1,367	(257)
Deferred tax assets	**(3,114)**	(3,569)	455
Total	**(2,004)**	(2,202)	198

The net change with respect to December 31, 2002 shows net assets that are lower by € 198 million.
This change mainly derives from use of previously allocated deferred tax assets and new provisions for € 81 million, the foreign exchange effect for € 42 million, negative change in the scope of consolidation for € 26 million, € 84 million from application of deferred tax assets posted on the basis of tax losses through a carry back of taxes paid in previous fiscal years and other changes for € 17 million.

10) Payables

	6/30/2003				12/31/2002			
€ in millions	**Trade**	**Financial**	**Other**	**Total**	**Trade**	**Financial**	**Other**	**Total**
Fiat Group	**12,741**	**26,275**	**13,323**	**52,339**	13,267	28,923	12,998	55,188
Worms & Cie Group	**704**	**1,621**	**310**	**2,635**	740	1,624	275	2,639
NHT Group	**105**	**213**	**22**	**340**	124	186	33	343
IFIL S.p.A.	**5**	**626**	**7**	**638**	2	724	7	733
IFI S.p.A.	**1**	**436**	**1**	**438**	1	421	2	424
Total payables	**13,556**	**29,171**	**13,663**	**56,390**	14,134	31,878	13,315	59,327

The decrease in payables from the amount at December 31, 2002 is primarily due to the decrease in financial payables for € 2,707 million, of which € 2,341 million resulting from deconsolidation of the Brazilian financing companies of the Fiat Group, Fidis Retail Italia, and the Toro Assicurazioni Group.

Financial payables of the Fiat Group include:

- the equivalent amount of U.S. $2,229 million (€ 1,951 million) in five-year convertible bonds ("Exchangeable bonds") issued at the start of 2002 that are convertible into the same number of General Motors shares as once held by the Fiat Group (32,053,422 shares). The rate of interest is 3.25%. The option exercise price implicit in the bonds coincides with the pre-sale unit carrying value of U.S. $69.54 per share of the General Motors shares in the consolidated financial statements of Fiat. Accordingly, at the time the bond was issued the risk of an increase in the General Motors share price above U.S. $69.54 per share was covered by the shares held by Fiat. At the time of the sale of the General Motors shares by Fiat in December 2002, Fiat, in order to hedge the above-mentioned risk implicit to the Exchangeable bonds, contemporaneously stipulated with the bank acquiring the shares a "Total Return Equity Swap" derivative contract (hereinafter "Equity Swap"), relating to the same number of General Motors shares.

In accordance with accounting principles, the above-mentioned Equity Swap, despite being stipulated for the purpose of hedging, cannot be treated in hedge accounting and accordingly is defined as a trading derivative financial instrument.
It follows that, in accordance with the principle of prudence, if during the period of the contract General Motors shares perform positively, the positive fair value of the instrument is not recorded in the statement of operations; if, instead, the performance is negative, the negative fair value of the instrument is recorded immediately as a cost under financial expenses. At June 30, 2003 the Equity Swap had a negative fair value of € 3 million, which was recorded under financial expenses (at December 31, 2002, the Equity Swap had a positive fair value of € 23 million, which was not recorded).
For additional details on this transaction refer to Note 3 of the consolidated financial statements at December 31, 2002.

- Financial payables also include the € 3 billion Mandatory Convertible facility stipulated in execution of the Framework Agreement, dated May 27, 2002, with the Lending Banks (Capitalia, BancaIntesa, SanPaolo IMI and later Unicredito Italiano) for the purpose of providing the Fiat Group with the financial support it needs to implement its strategic and industrial plans. The facility, which has a term of three years, was secured on September 24, 2002 from a syndicate of banks in which BNL, Monte dei Paschi di Siena, ABN Amro, BNP Paribas, Banco di Sicilia and Banca Toscana also participated, mainly in substitution of the already existing short-term credit lines. The main features of the Mandatory Convertible facility are described in detail at Note 12 of the consolidated financial statements at December 31, 2002.

- Also included in financial payables is approximately € 1,150 million of financing secured from Citigroup and a small group of banks that is guaranteed by the EDF put option (please refer to the EDF Put described in Note 3) held by the Fiat Group on its residual investment (24.6%) in Italenergia Bis.

Financial payables of IFIL S.p.A. include:

- three-year bonds of € 200 million (€ 145 million in 2002), placed with institutional investors and listed on the Luxembourg Stock Exchange;
- loans due on October 27, 2005 for € 150 million, bearing semiannual interest at variable rates indexed against the Euribor plus a spread of one in line with the best market terms through interest rate swaps guaranteeing a fixed rate for entire period of the loans (5.59% on € 90 million and 5.6% on € 60 million);
- other short-term loans for € 276 million.

The financial payables of IFI S.p.A. include € 277 million of loans bearing interest at variable rates indexed against the Euribor plus a spread in line with the best market conditions.
Interest rate swaps and zero cost collars guarantee a fixed rate for the entire period of the loan on an amount of € 170 million at June 30, 2003. Other short-term loans are also included for € 160 million.

Payables include advances received totaling € 9,864 million at June 30, 2003 (€ 9,310 million at December 31, 2002), of which € 8,893 million as advance payments on contract work in progress (€ 8,227 million at December 31, 2002) that consist of the payments received for work progress by the companies managing multi-year contract work.

Payables due beyond five years amount to € 3,576 million at June 30, 2003 (€ 3,719 million at December 31, 2002). At June 30, 2003, payables amounting to € 1,271 million (€ 1,631 million in 2002) were secured by mortgages and other guarantees on property, plant and equipment and financial fixed assets and relate to the Fiat Group for € 1,265 million and the NHT Group for € 6 million.

Additional details are provided in the section "Memorandum accounts".

11) Accrued expenses and deferred income

Details are as follows:

€ in millions	6/30/2003	12/31/2002	Change
Commercial accrued expenses and deferred income	**1,596**	1,554	42
Financial accrued expenses and deferred income	**1,226**	1,932	(706)
Total accrued expenses and deferred income	**2,822**	3,486	(664)

Financial accrued expenses and deferred income include interest expenses on financial payables for the part attributable to the first six months of 2003, and deferred interest income on the receivables portfolio of the financial services companies. The € 706 million decrease with respect to December 31, 2002 includes € 521 million stemming from deconsolidation of the Brazilian financing companies from the Fiat Group and Fidis Retail Italia S.p.A.

12) Memorandum accounts

Guarantees granted

€ in millions	6/30/2003	12/31/2002	Change
Fiat Group	**7,175**	5,642	1,533
Worms & Cie Group	**39**	203	(164)
NHT Group	**77**	72	5
IFI S.p.A.	**54**	98	(44)
Total guarantees granted	**7,345**	6,015	1,330

The composition and changes during the period can be summarized as follows:

Fiat Group

At June 30, 2003, the Fiat Group has provided guarantees totaling € 7,175 million (€ 5,642 million at December 31, 2002), most of which are to guarantee the successful completion of contracts and projects in progress.

Suretyships total € 3,342 million at June 30, 2003 (€ 1,638 million at December 31, 2002). The € 1,704 million increase stems mainly from deconsolidation of the activities of Fidis Retail Italia and consequently the inclusion in the consolidated financial statements of the suretyships (€ 1,252 million) securing the Sava Notes granted in favor of Fiat Sava, which were previously eliminated as intercompany transactions.

Other unsecured guarantees include commitments for receivables and bills discounted with recourse totaling € 2,311 million (€ 2,518 million at December 31, 2002), which refer to trade receivables and other receivables for € 2,295 million (€ 2,505 million at December 31, 2002) and financial receivables discounted with recourse for € 16 million (€ 13 million at December 31, 2002). The volume of receivables and bills discounted with recourse during the first half of 2003 was € 8,544 million (€ 20,743 million in fiscal 2002).

Although not included in the memorandum accounts, the Group discounted receivables and bills without recourse having due dates beyond June 30, 2003 amounting to € 9,879 million (€ 13,794 million at December 31, 2002, with due dates beyond that date), and refer to trade receivables and other receivables for € 4,081 million (€ 4,537 million at December 31, 2002) and financial receivables discounted without recourse for € 5,798 million (€ 9,257 million at December 31, 2002). The discounting of financial receivables principally refers to securitization transactions involving accounts receivable from the end (retail) customers of the financial services companies. The volume of receivables and bills discounted without recourse during the first six months of 2003 was € 15,873 million (€ 30,502 million in fiscal 2002).

Worms & Cie Group

Guarantees granted by the Worms & Cie Group amount to € 39 million (€ 203 million at December 31, 2002) and mainly include sureties issued to third parties.

NHT Group

Guarantees granted by the NHT Group amount to € 77 million (€ 72 million at December 31, 2002) and include sureties issued on behalf of tourist agencies, financial offices and public agencies for € 35 million, mortgages on properties owned by the Group to guarantee loans recorded in the financial statements for € 36 million and other guarantees granted for € 6 million.

IFI S.p.A.

At June 30, 2003, sureties granted to F.I.G.C. on behalf of Juventus total € 54 million, expiring at various dates between 2004 and 2005.

Commitments

Commitments total € 37,682 million (€ 50,577 million at December 31, 2002) and include commitments for derivative financial instruments of € 26,508 million, analyzed as follows:

€ in millions	Fiat Group	Worms & Cie Group	NHT Group	IFIL S.p.A.	IFI S.p.A.	Total
Contracts to hedge foreign exchange risks	4,460	0	19	0	0	4,479
Contracts to hedge interest rate risks	18,361	881	0	295	170	19,707
Contracts to hedge combined foreign exchange and interest rate risks	1,109	200	0	0	0	1,309
Equity swaps relating to the General Motors deal	1,013	0	0	0		1,013
Total at 6/30/2003	**24,943**	**1,081**	**19**	**295**	**170**	**26,508**
Total at 12/31/2002	38,535	650	81	460	200	39,926

Fiat Group

Equity swaps agreements of € 1,013 million (U.S. $1,157 million) were entered into in conjunction with the disposal of the General Motors shares for the purpose of managing the risk implicit in the Exchangeable bonds, described above, of an increase in the General Motors share price above the conversion price. For additional details on this derivative financial instrument refer to Note 3 of the consolidated financial statements at December 31, 2002.

The decrease of € 13,592 million in transactions involving derivative financial instruments with respect to the figure at December 31, 2002 is mainly due to the extraordinary transactions during the period that led to deconsolidation of open positions, early reimbursement of certain loans, and closure of associated hedging positions.

Worms & Cie Group

Commitments regarding derivative financial instruments of the Worms & Cie Group mainly include agreements to hedge exchange and interest rate risks expiring between 2003 and 2005.

NHT Group

Commitments regarding derivative financial instruments of the NHT Group include contracts stipulated by Alpitour and Francorosso International to hedge exchange rate risks on future purchases of services in U.S. dollars.

IFIL S.p.A.

Commitments by IFIL include interest rate swaps stipulated on loans of € 150 million maturing October 27, 2005 and hedging contracts on bonds for € 145 million maturing December 20, 2005. The instruments guarantee the Company a fixed interest rate for the entire period of the loan contracts.

IFI S.p.A.
Commitments include € 170 million regarding derivative financial instruments stipulated with leading banking institutions to hedge interest rate fluctuations on bank debt due in 2005 and 2007.

Other commitments
Other commitments total € 10,663 million (€ 10,079 million at December 31, 2002); such commitments are described below for each single Company/Group.

IFI S.p.A.
IFI, as part of the introduction of stock option plans for the Managers of the Group, has commitments to sell 47,500 IFIL ordinary shares (€ 0.4 million).

Other commitments of IFI S.p.A. include the residual commitment for the subscription of Emittenti Titoli's capital stock increase (€ 0.1 million), commitments for the remaining payments (€ 3 million) under the commitments with Tlcom Capital Partners and the commitment for the subscription to additional capital increases by Deutsche Morgan Grenfell (€ 0.01 million).

IFIL Group
Mediobanca has a sales option (put) with IFIL on 9.53% of the Eurofind capital stock held (without voting rights), exercisable from June 2004 to December 31, 2004, except for accelerating events established by the agreements, in line with market practice. At June 30, 2003, the estimated value of the commitment was € 169 million, including the interest accrued and net of dividends paid by Eurofind.

IFIL and TUI exchanged purchase and sale options, exercisable beginning June 2004, on 10% of New Holding for Tourism capital stock currently held by the TUI Group at a price that will not be subject to change whether the options are exercised by either IFIL or by TUI.
At June 30, 2003, the price of the eventual exercise of such options can be estimated in € 45 million.

Ifil Investissements, which already holds 14.3% of the capital stock of Euromedia Luxembourg One, is committed to the subscription of additional shares of this company for an equivalent amount of U.S. $3.75 million.

Fiat Group
Other commitments amounting to € 10,291 million (€ 9,811 million at December 31, 2002) include a commitment of € 7,887 million (€ 7,718 million at December 31, 2002) under the contract between Fiat S.p.A. and Treno Alta Velocità T.A.V. S.p.A. for the design and construction of high-speed railway lines between Bologna-Florence and Turin-Milan; similar commitments have been made by the subcontractors in favor of Fiat S.p.A.

Worms & Cie Group
Commitments include those by third parties for the purchase of investments held by the Worms & Cie Group for € 112 million.

NHT Group
The subsidiary Alpitour uses stock option plans in order to reinforce relations with directors, managers and cadres and to encourage loyalty and bolster motivation.
To this end, on December 15, 2000, the Extraordinary Stockholders' Meeting of Alpitour S.p.A. voted to vest the Board of Directors with the power to proceed to increase capital stock by a maximum amount of € 767,500 to service a stock option plan on behalf of the directors, managers and cadres of Alpitour and of the companies of the Group.

Pending litigation

IFIL S.p.A.
The following comments are taken from the report of the IFIL Group for the six months ending June 30, 2003.

"By summons notified on May 8, 2003, assuming 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. In the hearing held on July 16, the judge scheduled the hearing for the personal appearance of the parties (ex art. 183, c.p.c) for October 29.

Both of the aforementioned complaints (request to cancel the stockholders' resolution and compensation for non-quantified damages) appear to be inadmissible and groundless and therefore at this time the Company is not expected to incur any contingent liabilities or losses as a result of the complaints."

Fiat Group
The following comment is taken from the report of the Fiat Group for the six months ending June 30, 2003.

"The Parent Company and certain of its subsidiaries are involved in various legal actions and disputes. However, the settlement of such actions and disputes should not give rise to significant losses or liabilities which have not already been set aside in specific risk reserves."

Worms & Cie Group
The following comments are taken from the report of the Worms & Cie Group for the six months ending June 30, 2003.

"Fox River
The United States Fish and Wildlife department, in 1997, brought suit against Appleton Papers Inc., NCR Corporation and five other paper manufacturers for the alleged contamination of the Fox River.
This event took place during the 1970s when the company was owned by the NCR Corporation. At the time of the acquisition of Appleton Papers Inc. by Arjo Wiggins Appleton, in 1978, an agreement was signed with NCR Corporation for purposes of sharing the costs of the indemnities that could be charged to Appleton Papers Inc.

Since 1997, studies are being conducted to establish the feasibility of decontaminating the Fox River and to determine the share of responsibility. During the first half of 2001, Appleton Papers Inc. and NCR Corporation reached an agreement with the pertinent American authorities concerning the contamination of the Fox River. This agreement consists of the commitment to pay a sum of U.S. $40 million over four years to finance the research project for its decontamination. This payment will be charged against the indemnities that are due.

In October 2001, the "Department of Natural Resources" of Wisconsin (the state in which the pollution occurred) and the federal government published an action plan for the complete reclamation of the river at an estimated cost of U.S. $308 million. The final decision about implementing the plan should be taken during the second half of 2003.

In view of the way the dispute is evolving, Arjo Wiggins Appleton Ltd., based on an evaluation by experts, accrued a sum of U.S. $125 million. The provision has been calculated on the basis of the best possible current estimate for decontamination expenses to be borne by the Group."

European Commission
The European Commission opened an inquiry into Arjo Wiggins Appleton and another seventeen carbonless paper manufacturers for infringements of the provisions of art. 81 of the Rome Treaty (violations of fair trade practices).

The inquiry by the Commission ended with notification of a fine in July 2000, on which Arjo Wiggins Appleton submitted its comments on the subject. On December 20, 2001, the Commission levied a fine of € 184 million on Arjo Wiggins Appleton which, in keeping with the principle of prudence, the company entirely accrued in the 2001 financial statements.

During the first half of 2002, the Company decided to oppose this ruling, which it maintains is out of proportion to the facts of the case. Since the appeal does not suspend the obligation to pay the fine, the Company, in compliance with existing regulations, has decided to fulfill this obligation partly through a deposit of € 92 million and partly by providing a bank guarantee of the same amount.

The proceedings before the Court of the European Community in the first instance are still pending."

Juventus Football Club
The following comments are taken from the quarterly report of Juventus Football Club S.p.A. at June 30, 2003.

"With regard to the investigation opened by the Legal Authorities against the Managing Director and the physician of the Company concerning the improper use of drugs by Juventus players, a number of inquiry hearings were held during the period April 2003 - July 2003 which will continue during the next few months."

Group assets held by third parties

Group assets held by third parties at June 30, 2003 total € 3,978 million (€ 20,846 million at December 31, 2002) basically in reference to the Fiat Group for € 3,850 million (€ 20,757 million December 31, 2002), with a decrease of € 16,907 million compared to December 31, 2002, due almost entirely to deconsolidation of the Toro Assicurazioni Group. This item also includes tangible fixed assets, products and goods of some Automotive Sectors held by outside suppliers for processing, which totaled € 2,980 million (€ 3,199 million at December 31, 2002).

CONSOLIDATED STATEMENT OF OPERATIONS

13) Value of production – Revenues from sales and services and the change in contract work in progress

Revenues from sales and services and the change in contract work in progress total € 27,211 million in the first half of 2003 compared to € 31,315 million in the first half of 2002, with a decrease of 13.1%. This item includes € 26,830 million for revenues from sales and services (€ 30,892 million in the first half of 2002) and € 381 million for the change in contract work in progress (€ 423 million in the first half of 2002).

The distribution of revenues from sales and services and the change in contract work in progress by business sector is as follows:

			Change	
€ in millions	**1st Half 2003**	1st Half 2002	Amount	%
Net revenues by Sector				
Fiat Group				
- Automobiles	**10,052**	11,664	(1,612)	-14%
- Agricultural and Construction Equipment	**4,794**	5,690	(896)	-16%
- Commercial Vehicles	**4,068**	4,255	(187)	-4%
- Ferrari	**621**	580	41	7%
- Components	**1,035**	1,082	(47)	-4%
- Production Systems	**829**	658	171	26%
- Metallurgical Products	**381**	848	(467)	-55%
- Aviation	**625**	784	(159)	-20%
- Insurance	**1,626**	2,405	(779)	-32%
- Services	**479**	378	101	27%
- Publishing and Communications	**183**	173	10	6%
- Other companies	**81**	238	(157)	-66%
Total Fiat Group	**24,774**	28,755	(3,981)	-14%
Worms & Cie Group				
- Industry	**886**	975	(89)	-9%
- Services	**1,249**	1,309	(60)	-5%
Total Worms & Cie Group	**2,135**	2,284	(149)	-7%
NHT Group - Tourism	**299**	272	27	10%
IFI, IFIL, other companies and intragroup eliminations	**3**	4	(1)	n.s.
Total net revenues of the Group	**27,211**	31,315	(4,104)	-13%

The distribution of revenues from sales and services and the change in contract work in progress by geographical area of destination is as follows:

€ in millions	**1st Half 2003**		1st Half 2002	Change
Net revenues by destination - Fiat Group				
Italy	**36%**	**9,060**	10,137	(1,077)
Europe (excluding Italy)	**39%**	**9,699**	10,633	(934)
North America	**13%**	**3,134**	4,053	(919)
Mercosur	**5%**	**1,175**	1,965	(790)
Other areas	**7%**	**1,706**	1,967	(261)
Total Fiat Group	**100%**	**24,774**	28,755	(3,981)
Net revenues by destination - Worms & Cie Group				
Europe (excluding Italy)	**63%**	**1,344**	1,363	(19)
North America	**9%**	**202**	301	(99)
Italy	**7%**	**151**	147	4
Other areas	**21%**	**438**	473	(35)
Total Worms & Cie Group	**100%**	**2,135**	2,284	(149)
Net revenues by destination - NHT				
Europe (excluding Italy)	**4%**	**12**	3	9
North America	**1%**	**2**	0	2
Italy	**91%**	**272**	265	7
Other areas	**4%**	**13**	4	9
Total NHT Group	**100%**	**299**	272	27
IFI, IFIL, other companies and intragroup eliminations		**3**	4	(1)
Total net revenues of the Group		**27,211**	31,315	(4,104)

14) Costs of production

The costs of production total € 28,935 million (€ 33,474 million in the first half of 2002) and include the Fiat Group, which accounts for 91.7% of the total for € 26,519 million (€ 30,955 million in the first half of 2002).
The main changes with respect to the Fiat Group are as follows:

- the costs of production show a decrease of 14.3% compared to the first half of 2002;
- raw materials, supplies and merchandise in the first half of 2003 total € 14,177 million (€ 15,618 million in the first half of 2002). This total is equivalent to 57.2% of revenues (54.3% in the first six months of 2002);
- services total € 4,891 million in the first half of 2003 (€ 5,819 million in the first six months of 2002). This total is equivalent to 19.7% of revenues (20.2% in the first six months of 2002). Service costs include advertising expenses, outsourced I.T. and telecommunication service costs, outsourced maintenance service costs, and transportation costs;
- personnel costs total € 3,587 million in the first half of 2003 (€ 4,055 million in the first half of 2002) and decreased by 11.5% with respect to the corresponding period in 2002. Personnel costs represent 14.5% as a percentage of revenues (14.1% in the first six months of 2002). The decrease was mainly due to the lower average number of employees, for a total of 178,102 persons in the first half of 2003, against 201,788 employees in the first half of 2002 due to changes in the scope of consolidation;
- insurance claims and other costs - insurance companies total € 1,357 million in the first half of 2003 (€ 2,066 million in the corresponding period last year). The decrease of 34.3% compared with the first half of 2002 reflects the sale of the Toro Assicurazioni Group.

15) Financial income and expenses

€ in millions	1st Half 2003	1st Half 2002	Change
Investment income	**54**	131	(77)

Investment income includes € 3 million of gains on the disposal of short-term investments, € 34 million of dividends (€ 99 million in the first six months of 2002) and € 17 million of tax credits on dividends (€ 32 million in the first six months of 2002).

Other financial income

The following analyses of Other financial income and Interest and other financial expenses present the amounts shown in the related items on the statement of operations and also the amounts of income and expenses of the Group's financial companies included in the caption Revenues from sales and services and Interest and other expenses of financial services companies, respectively. The bottom portion of the tables shows Other financial income and Interest and other financial expenses as shown on the statement of operations.

€ in millions	1st Half 2003	1st Half 2002	Change
Other financial income (included in financial income and expenses)			
- Interest earned and other income	**270**	482	(212)
- Income from derivative financial instruments	**424**	656	(232)
- Foreign exchange gains, net	**57**	0	57
Total other financial income (included in financial income and expenses)	**751**	1,138	(387)
Interest from customers and lease payments (included in revenues from sales and services)	**771**	1,088	(317)
Total	**1,522**	2,226	(704)

Interest and other financial expenses

€ in millions	1st Half 2003	1st Half 2002	Change
Interest and other financial expenses			
- bond interest	**332**	323	9
- bank interest	**236**	314	(78)
- interest paid and other expenses	**289**	319	(30)
- expenses from derivative financial expenses	**349**	599	(250)
Foreign exchange losses, net	**0**	101	(101)
Total interest and other financial expenses (included in financial income and expenses)	**1,206**	1,656	(450)
Interest and expenses of financial service companies:			
- bond interest	**16**	22	(6)
- bank interest	**174**	281	(107)
- interest paid and other expenses	**177**	206	(29)
Total interest and expenses of financial service companies (included in costs of production)	**367**	509	(142)
Total	**1,573**	2,165	(592)

Interest and other financial expenses include receivables discounting and securitization expenses of the Fiat Group for € 148 million in the first half of 2003 (€ 190 million in the first six months of 2002).

16) Adjustments to financial assets

€ in millions	**1st Half 2003**	1st Half 2002	Change
Revaluations of:			
- equity investments	**88**	71	17
- financial fixed assets other than equity investments	**0**	1	(1)
- securities held as current assets other than equity investments	**14**	22	(8)
Total revaluations	**102**	94	8
Writedowns of:			
- equity investments	**(136)**	(274)	138
- securities held as current assets other than equity investments	**(10)**	(44)	34
- financial receivables	**(1)**	(2)	1
Total writedowns	**(147)**	(320)	173
Total adjustments to financial assets	**(45)**	(226)	181

The revaluations and writedowns of equity investments include the Group's interest in net income and losses of the companies accounted for using the equity method.

The revaluations of equity investments refer to the following companies: BUC-Banca Unione di Credito € 8 million, other companies in the Automobile Sector € 14 million, other companies of CNH Global N.V. € 6 million, investments in insurance companies € 3 million, Juventus Football Club € 4 million, Pechel Industries € 4 million, Société Générale de Surveillance € 16 million, Exor Group € 4 million and other companies € 29 million.

Writedowns of equity investments refer to the following companies: Italenergia Bis S.p.A. € 16 million, other companies in the Automobile Sector € 22 million, other companies of CNH Global N.V. € 1 million, Atlanet S.p.A. € 12 million, Eurofind € 1 million, other companies of NHT € 1 million, mark-to-market of the equity investments of the Toro Assicurazioni Group € 54 million, writedowns of other equity investments € 14 million and amortization of goodwill for € 15 million.

17) Extraordinary income and expenses

€ in millions	**1st Half 2003**	1st Half 2002	Change
Extraordinary income			
Gains on disposal of investments and other fixed assets	**643**	972	(329)
Prior period income and other income	**39**	29	10
Total extraordinary income	**682**	1,001	(319)
Extraordinary expenses			
Losses on disposal of investments and other fixed assets	**(36)**	(36)	0
Other expenses:			
- extraordinary provisions to reserves	**(73)**	(46)	(27)
- prior period expenses and other expenses	**(251)**	(191)	(60)
Total other expenses	**(324)**	(237)	(87)
Total extraordinary expenses	**(360)**	(273)	(87)
Total extraordinary income and expenses	**322**	728	(406)

Gains on disposals of investments and other fixed assets total € 643 million. They include the gains on the following sales: sale of the Toro Assicurazioni Group € 460 million (€ 423 million net of costs and provisions to reserves connected with the sale that were posted as other extraordinary expenses), disposal of the Retail Financing Activities in Brazil of the Automobile Sector € 108 million (€ 107 million net of € 1 million of the costs connected with the transaction), disposal of the 55.95% equity investment in IPI S.p.A. € 15 million, disposal of 50.1% of IN ACTION S.r.l. € 8 million, disposal of 0.52% of Groupe Danone € 49 million and other minor items € 3 million.

Prior period income and other income of € 39 million (€ 29 million in the first half of 2002) refer to nonrecurring income of the individual companies of the Fiat Group mainly for the release of reserves, extraordinary in nature, that proved in excess of requirements.

Losses on disposal of investments and other fixed assets in the first half of 2003 amount to € 36 million. They include losses on the sale of Fraikin Group € 25 million and other minor companies € 11 million.

Other extraordinary expenses of € 324 million in the first half of 2003 (€ 237 million in the first half of 2002) refer mainly to: provisions for risks in relation to corporate restructuring transactions (Fiat Group and Worms & Cie Group) € 103 million, flood damage at the Termoli plant € 49 million, bank commissions for extension of the stock market placement of 34% of Ferrari S.p.A. € 16 million, costs and other provisions connected with the sale of the Toro Assicurazioni Group € 37 million, other prior period expenses and various other extraordinary operating costs € 119 million.

18) Income taxes

Income taxes on the consolidated statement of operations in the first half of 2003 consist of the following:

€ in millions	**1st Half 2003**	1st Half 2002	Change
Current income taxes	**115**	452	(337)
Deferred taxes	**89**	(120)	209
Total income taxes	**204**	332	(128)

Due to the negative result for the first half of 2003, the comparison between the actual tax rate applicable to the Group and the theoretical rate has no significance.
It should be noted that income taxes include the IRAP tax which has a different taxable base than income before taxes.

19) Other information

During the first half of 2003, the Group had an average number of 196,218 employees, compared to 220,930 during the first six months of 2002).

A list of the principal exchange rates used to convert the amounts reported by companies outside the euro-zone into the euro currency is provided below:

	1st half 2003		1st half 2002	
	Average	**6/30/2003**	Average	6/30/2002
U.S. dollar	**1.105**	**1.143**	0.897	0.998
British pound	**0.686**	**0.693**	0.621	0.650
Swiss franc	**1.492**	**1.554**	1.469	1.472
Polish zloty	**4.269**	**4.457**	3.666	4.009
Brazilian real	**3.578**	**3.281**	2.189	2.837
Argentine peso	**3.331**	**3.200**	2.373	3.840

Turin, September 12, 2003

For the Board of Directors
The Chairman
Umberto Agnelli

S.p.A.

BALANCE SHEET - ASSETS	6/30/2003	12/31/2002	Change	6/30/2002
€ in thousands				
FIXED ASSETS				
Intangible fixed assets	**0**	0	0	3
Property, plant and equipment	**24**	36	(12)	7
Financial fixed assets				
Investments in				
subsidiaries	**1,371,053**	1,255,425	115,628	1,501,585
associated companies	**102,559**	102,559	0	102,559
other companies	**911**	89,528	(88,617)	89,454
Total investments	**1,474,523**	1,447,512	27,011	1,693,598
Receivables - from others	**6,678**	6,678	0	5,178
Treasury stock	**70,477**	70,477	0	127,320
Total financial fixed assets	**1,551,678**	1,524,667	27,011	1,826,096
TOTAL FIXED ASSETS	**1,551,702**	1,524,703	26,999	1,826,106
CURRENT ASSETS				
Receivables from				
subsidiaries	**2,930**	979	1,951	8,568
associated companies	**96**	107	(11)	167
others	**13,616**	16,679	(3,063)	7,974
Total receivables	**16,642**	17,765	(1,123)	16,709
Cash	**182**	230	(48)	351
TOTAL CURRENT ASSETS	**16,824**	17,995	(1,171)	17,060
ACCRUED INCOME AND PREPAID EXPENSES	**104**	82	22	108
TOTAL ASSETS	**1,568,630**	1,542,780	25,850	1,843,274

BALANCE SHEET - LIABILITIES AND STOCKHOLDERS' EQUITY	6/30/2003	12/31/2002	Change	6/30/2002
€ in thousands				
STOCKHOLDERS' EQUITY				
Capital stock	**61,750**	61,750	0	61,750
Additional paid-in capital	**30,408**	65,614	(35,206)	65,614
Revaluation reserve				
Law 74 of February 11, 1952	**157**	157	0	157
Law 576 of December 2, 1975	**16,940**	16,940	0	16,940
Law 72 of March 19, 1983	**64,265**	64,265	0	64,265
Total revaluation reserves	**81,362**	81,362	0	81,362
Legal reserve	**14,789**	14,789	0	14,789
Treasury stock valuation reserve	**70,477**	70,477	0	127,320
Other reserves				
Extraordinary reserve	**736,064**	638,156	97,908	579,204
Reserve for purchase of treasury stock	**100,000**	197,908	(97,908)	200,000
Reserve under D.P.R. No. 597, art. 55 of September 29, 1973	**0**	91	(91)	91
Merger surplus reserve	**0**	191,628	(191,628)	191,628
Retained earnings	**0**	11	(11)	11
Total other reserves	**836,064**	1,027,794	(191,730)	970,934
Net income (loss) for the period	**13,786**	(226,936)	240,722	72,468
TOTAL STOCKHOLDERS' EQUITY	**1,108,636**	1,094,850	13,786	1,394,237
RESERVES FOR RISKS AND CHARGES	**15,641**	15,735	(94)	24,364
RESERVE FOR EMPLOYEE SEVERANCE INDEMNITIES	**1,960**	2,311	(351)	2,700
PAYABLES				
Borrowings from banks:				
due within one year	**159,960**	211,675	(51,715)	181,598
due beyond one year	**277,500**	170,000	107,500	175,000
Trade payables	**1,215**	727	488	3,246
Payables to subsidiaries	**370**	4,738	(4,368)	3,251
Payables to parent company	**0**	39,274	(39,274)	52,683
Taxes payables	**137**	279	(142)	3,367
Social security payable	**98**	180	(82)	178
Other payables due within one year	**1,610**	891	719	773
Other payables due beyond one year	**0**	500	(500)	0
TOTAL PAYABLES	**440,890**	428,264	12,626	420,096
ACCRUED EXPENSES AND DEFERRED INCOME	**1,503**	1,620	(117)	1,877
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**1,568,630**	1,542,780	25,850	1,843,274

BALANCE SHEET - MEMORANDUM ACCOUNTS	6/30/2003	12/31/2002	Change	6/30/2002
€ in thousands				
GUARANTEES GRANTED				
Sureties issued on behalf of subsidiary	**53,495**	97,681	(44,186)	86,940
GUARANTEES RECEIVED - from third parties	**726**	726	0	1,347
COMMITMENTS	**173,530**	203,530	(30,000)	205,294
OTHER MEMORANDUM ACCOUNTS				
Securities held in deposit by third parties	**34,190**	34,189	1	34,189
Third-party assets held by the company	**0**	567	(567)	1,418
TOTAL OTHER MEMORANDUM ACCOUNTS	**34,190**	34,756	(566)	35,607

STATEMENT OF OPERATIONS	1st Half 2003	1st Half 2002	Change	Year 2002
€ in thousands				
FINANCIAL INCOME AND EXPENSES				
Investment income				
Dividends and tax credits relating to:				
subsidiaries	**0**	86,172	(86,172)	86,932
associated companies	**4,444**	14,459	(10,015)	14,459
other companies	**202**	14,731	(14,529)	14,731
	4,646	115,362	(110,716)	116,122
Gain on sales of investments in subsidiaries	**3,578**	1,181	2,397	1,048
Gain on sales of investments in other companies	**19,045**	0	19,045	0
	22,623	1,181	21,442	1,048
Total investment income	**27,269**	116,543	(89,274)	117,170
Other financial income	**5**	8	(3)	10
Interest and other financial expenses from:				
subsidiaries	**66**	151	(85)	787
parent company	**480**	143	337	813
other companies	**7,867**	7,900	(33)	16,503
Total interest and other financial expenses	**8,413**	8,194	219	18,103
ADJUSTMENTS TO FINANCIAL ASSETS				
Writedowns of financial fixed assets	**0**	0	0	(304,772)
TOTAL FINANCIAL INCOME AND EXPENSES	**18,861**	108,357	(89,496)	(205,695)
OTHER OPERATING INCOME	**798**	1,508	(710)	2,552
OTHER OPERATING EXPENSES				
Raw materials, supplies and merchandise	**14**	14	0	53
Services	**2,937**	5,123	(2,186)	9,389
Leases and rentals	**415**	437	(22)	889
Personnel costs	**1,517**	2,349	(832)	4,167
Amortization and depreciation	**13**	5	8	21
Other operating costs	**929**	785	144	1,497
TOTAL OTHER OPERATING EXPENSES	**5,825**	8,713	(2,888)	16,016
INCOME (LOSS) BEFORE EXTRAORDINARY ITEMS AND TAXES	**13,834**	101,152	(87,318)	(219,159)
EXTRAORDINARY INCOME AND EXPENSES	**(48)**	3	(51)	(17)
INCOME (LOSS) BEFORE TAXES	**13,786**	101,155	(87,369)	(219,176)
INCOME TAXES	**0**	(28,687)	28,687	(7,760)
NET INCOME (LOSS) FOR THE PERIOD	**13,786**	72,468	(58,682)	(226,936)

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REPORT OF THE INDEPENDENT AUDITORS ON THE REVIEW

OF THE SIX-MONTH REPORT AS OF JUNE 30, 2003

(Translation from the Original Issued in Italian)

To the Shareholders of
IFI - Istituto Finanziario Industriale S.p.A.:

1. We have performed a review of the interim consolidated financial statements and related notes included in the Six-month Report as of June 30, 2003 of IFI - Istituto Finanziario Industriale S.p.A. and subsidiaries (the "IFI Group"). We have also read the other parts of the Six-month Report containing information on the results of operations with the sole purpose of verifying the consistency thereof with the interim consolidated financial statements and related notes.

2. Our review was made in accordance with the criteria for such reviews recommended by the Italian Regulatory Commission for Companies and the Stock Exchange ("CONSOB") in Resolution no. 10867 of July 31, 1997. The review of the six-month data of certain subsidiaries or affiliates which represent approximately 12.5% of total assets and approximately 11.6% of consolidated revenues has been performed by other auditing firms, whose reports thereon have been furnished to us. Our review consisted principally of obtaining information regarding the items reported in the interim financial statements and the consistency of the valuation criteria applied through discussion with company management and the performance of analytical procedures on the data contained in the financial statements. Our review did not include certain audit procedures such as compliance tests and substantive tests of assets and liabilities and was significantly less in scope than an audit conducted in accordance with generally accepted auditing standards. As a consequence, unlike the auditors' report accompanying the annual consolidated financial statements, we do not express an audit opinion on the consolidated financial statements included in the Six-month Report.

3. With regard to the comparative information related to the corresponding prior year six-month report and to the consolidated financial statements as of December 31, 2002, presented for comparative purposes in the current year six-month report, reference should be made to the related reports of independent auditors dated September 19, 2002 and April 3, 2003, respectively.

4. Based on our review, we are not aware of any material modifications or additions that should be made to the interim consolidated financial statements and related notes identified in paragraph 1. of this report, for them to be in conformity with the reporting standards set out in the CONSOB regulation related to six-month reports as approved by Resolution no. 11971 of May 14, 1999 and subsequent amendments.

DELOITTE & TOUCHE S.p.A.
s/Colin Johnston
Partner

Turin, Italy
September 16, 2003

The six-month report has been translated into English from the original version in Italian. It has been prepared in accordance with the CONSOB regulation related to interim reports, interpreted and integrated by the accounting principles established or adopted by the Italian Accounting Profession. Certain accounting practices applied by the Company that conform with generally accepted accounting principles in Italy, may not conform with generally accepted accounting principles in other countries.

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