PLAN FOR THE MERGER BY INCORPORATION
of IFIL INVESTMENTS S.p.A. into Società per Azioni
ISTITUTO FINANZIARIO INDUSTRIALE – IFI S.p.A.
AUDITORS' REPORT
relating to the exchange ratio of shares pursuant to Article 2501 *sexies*
of the Italian Civil Code (*)
(Translation from the original Italian text)

(*) With respect to the CONSOB Communication N. 73063 of October 5, 2000, this report, whose translation is attached, does not express an opinion on the fairness of the transaction, the value of the security, or the adequacy of consideration to shareholders and therefore the issuance of the report would not impair the independence of Reconta Ernst & Young S.p.A. under the U.S. independence requirements.

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To the Shareholders of
IFIL Investments S.p.A.

1. Objective, subject and scope of the engagement

In connection with the planned merger by incorporation of IFIL Investments S.p.A. (hereinafter "IFIL" or the "Company to be Merged") into Società per Azioni ISTITUTO FINANZIARIO INDUSTRIALE (hereinafter "IFI" or the "Surviving Company"), on September 17, 2008 we have been appointed as expert by the Turin Court, based on the request of IFIL and on its behalf, to prepare our report (the "Report") on the exchange ratio of the shares of the Surviving Company with those of the Company to be Merged (hereinafter the "Exchange Ratio"), in accordance with article 2501 *sexies* of the Italian Civil Code.

For this purpose, we have been provided by IFIL with the plan for the merger of IFIL into IFI (hereinafter the "Merger" or the "Plan for the Merger") approved by the respective Board of Directors on September 23, 2008, accompanied by the Directors' Report, which identifies, explains and justifies, pursuant to article 2501 *quinquies* of the Italian Civil Code, the Exchange Ratio, as well as the Balance Sheets as of June 30, 2008 of IFIL and IFI, approved by the respective Board of Directors on September 23, 2008, that represent the balance sheet required by article 2501 *quater* of the Italian Civil Code.

The Plan for the Merger will be subject to approval at the Extraordinary Meeting of the Shareholders of IFIL to be held on December 1, 2008, first call, and second call, if necessary, on December 2, 2008.

Similarly, the Plan for the Merger will be subject to approval at the Extraordinary Meeting of the Shareholders of IFI to be held on December 1, 2008, first call, and second call, if necessary, on December 2, 2008.

KPMG S.p.A. has been appointed by the Turin Court, based on the request of IFI, to prepare a similar report on the Exchange Ratio.

In order to provide the Shareholders with adequate information regarding the Exchange Ratio, this Report illustrates the methods adopted by the Directors in determining the Exchange Ratio and the difficulties encountered by them. In addition, this Report also indicates whether, under the circumstances, such methods are reasonable and not arbitrary, whether the Directors have considered the respective importance of such methods and whether the methods have been correctly applied.

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In our examination of the valuation methods adopted by the Directors of IFIL, also based on indications from their advisors, we have not carried out a valuation of the Companies participating to the Merger. This was done solely by the Directors and the advisors appointed by them.

The Board of Directors of IFIL has used, taking it into consideration for the purpose of its own valuations and considerations, also the work performed by its financial advisor Goldman Sachs International ("Goldman Sachs" or the "Advisor") that issued a *fairness opinion* on the Exchange Ratio on September 8, 2008, in connection with the meeting of the Board of Directors of IFIL that approved the guidelines for the Merger, and issued a letter of confirmation of the *fairness opinion* and a valuation report on September 23, 2008, in connection with the meeting of the Board of Directors of IFIL held on September 23, 2008 that approved the Plan for the Merger.

Similarly, the Board of Directors of IFI has used, taking it into consideration for the purpose of its own valuations and considerations, also the work performed by its financial advisor Leonardo & Co., a company of the Banca Leonardo Group ("Leonardo").

The procedures described in this Report have been performed by us solely for the purposes of expressing an opinion on the valuation criteria adopted by the Directors of the two Companies to determine the Exchange Ratio and accordingly:

- they are not valid for different purposes;
- they do not constitute for any reason a valuation on the opportunity of the Merger transaction, neither on the reasons for the Merger expressed in the Directors' Reports.

2. Summary of the transaction

On September 8, 2008, the Board of Directors of IFIL and IFI have examined and unanimously approved the start of the process for the simplification of the Group structure through the merger by incorporation of the subsidiary IFIL in the parent company IFI. At the completion of the Merger, the Surviving Company will be renamed EXOR S.p.A..

On September 23, 2008, the Board of Directors of IFIL and IFI pursuant to articles 2501 and following of the Italian Civil Code have prepared and approved the Plan for the Merger, that determined an Exchange Ratio of number 0.265 IFI ordinary and savings shares newly issued, par value Euro 1 per share, for each IFIL ordinary and savings share, par value Euro 1 per share and have prepared the Reports of the Board of Directors on the Plan for the Merger.

The Surviving Company will execute the Merger by:

- cancelling without any exchange those IFIL ordinary and savings shares which, at the effective date of the Merger, will be owned by IFI (in any case, not less than 726,899,919 ordinary shares and 1,866,420 savings shares);

- cancelling without any exchange those IFIL ordinary and savings shares which, at the effective date of the Merger, will be owned by IFIL (in any case, not less than 33,186,198 ordinary shares and 917,000 savings shares);

- cancelling those IFIL ordinary and savings shares outstanding at the effective date of the Merger, held by parties other than IFI and IFIL and issuing for such IFIL Shareholders (other than IFI and IFIL) a number of new ordinary and savings shares of the Surviving Company, calculated on the basis of the exchange ratios indicated above in this paragraph and using the expected share capital increase.

To service the share exchange, the Extraordinary Shareholders' Meeting of the Surviving Company, to be convened for the approval of the Merger, will resolve upon the increase in share capital for a maximum nominal value Euro 82,978,448 by issuing a maximum number of 73,809,549 ordinary shares and a maximum number of 9,168,894 savings shares, par value Euro 1 each, and having the same rights as the shares outstanding at the effective date of the Merger.

The exact number of the shares to be cancelled and the amount of the share capital increase of the Surviving Company will be determined in the Merger deed, on the basis of the number of IFIL ordinary and savings shares held by IFI and by IFIL respectively, at that date, which as set forth by the provisions of law, will be cancelled and will not be exchanged.

The share capital of the Surviving Company post-Merger, on the basis of the exchange ratio, will consist of a maximum amount of Euro 246,229,903, divided into a maximum number of 160,259,549 ordinary shares (equal to approximately 65.1% of the share capital), of 76,801,460 preference shares (equal to approximately 31.2% of the share capital) and a maximum number of 9,168,894 savings shares (equal to approximately 3.7% of the share capital).

The IFI preference shares will continue to be listed on the Electronic Share Market of the Italian stock exchange, ruled and managed by Borsa Italiana S.p.A. ("Mercato Telematico Azionario di Borsa Italiana S.p.A.").

The Mercato Telematico Azionario di Borsa Italiana S.p.A. will be asked for admission to trading of the ordinary and savings shares of the Surviving Company. The Merger is subject to the admission to trading of such shares.

Upon the aforesaid condition is met, after completion of the Merger, all shares of the Surviving Company of the three classes of shares (ordinary, preference and savings) will be listed on the Mercato Telematico Azionario di Borsa Italiana S.p.A.. Starting from the fisrt day of negotiation after the Merger, the shares of the Surviving Company will be renamed EXOR.

Starting from the effective date of the Merger, IFIL ordinary and savings shares will be delisted from the Mercato Telematico Azionario di Borsa Italiana S.p.A..

The ordinary and savings shares, which will be issued to service the share exchange, will have the same rights as the IFI shares outstanding at the effective date of the Merger. The completion of the Merger, with the admission to trading of the ordinary and savings shares of the Surviving Company, is expected to take place in early 2009.

The effective date of the Merger vis-à-vis third parties will be determined in the Merger deed, and may also occur subsequent to the date of the last of the filing provided by art. 2504 of the Italian Civil Code.

With reference to the provisions of art. 2501-*ter*, No. 6, of the Italian Civil Code, any transaction entered into by the Company to be merged will be recorded in the financial statements of the Surviving Company starting from January 1, of the year in which the Merger is effective vis-à-vis third parties. The tax aspects of the Merger will also be effective from the same date.

As a result of the Merger, the stock option plan, approved by the Shareholders' meeting of IFIL held on May 13, 2008, will continue with the Surviving Company and the ratio between the number of options and the underlying shares will be amended in accordance with the "Rules on the Stock Option Plan" in order to take into consideration the exchange ratio. Treasury shares held by IFIL, comprising those used to service the Plan, will be cancelled and will not be exchanged, as set forth by law. An Ordinary Shareholders' Meeting of IFI will be convened on the same date of the Extraordinary Shareholders' Meeting for the approval of the Plan for the Merger, to resolve on the authorization for the purchase of treasury shares.

With regards to the assessment of the possible occurrence of the withdrawal rights for the Shareholders of both Companies participating to the Merger, the Reports of the Board of Directors indicate that the Directors believe that the Shareholders of both companies will not be entitled to such withdrawal rights.

On September 27, 2008 the Special Meeting of IFI preferred stockholders met and resolved "to express its dissent with the position taken by the Company which does not deem it necessary for the proposed Merger of IFIL in IFI to be approved by the special preferred stockholders' meeting" and "to deem that prejudice regarding the preferred stockholders exists as a result of the proposed Merger especially in respect of the bylaws which state that IFI savings shares precede IFI preferred shares in both the distribution of profits and the distribution of assets in the event of a wind-up". In connection with such resolutions, the Company IFI reiterated that "the second paragraph of art. 7 of IFI's bylaws does not require the vote of a special meeting of IFI preferred stockholders in order to issue savings shares following the merger of IFIL in IFI".

3. Documentation utilized

In performing our work, we obtained directly from the Companies IFIL and IFI such documentation and information as was considered useful in the circumstances.

We analyzed such documentation received and, in particular:

a) the Plan for the Merger and the Directors' Reports of the two Companies that will be presented to the respective Extraordinary Meetings, that propose, with reference to the Balance Sheet at June 30, 2008, the following Exchange Ratio:

   - n. 0.265 IFI newly issued ordinary shares , par value Euro 1 per share, for n. 1 IFIL ordinary share, par value Euro 1 per share;
   - n. 0.265 IFI newly issued saving shares, par value Euro 1 per share, for n. 1 IFIL ordinary share, par value Euro 1 per share.

   No adjusting cash settlement is provided for.

   The Exchange Ratio has been determined by the Boards of Directors also taking into account the work performed by their respective advisors, taking into account also the fairness opinions and the advices of such advisors. The report of the Board of Directors of IFIL sets out in detail the valuation criteria adopted, the reasons for their choice, the values resulting from their application and the related comments;

b) the *fairness opinion* issued by Goldman Sachs on September 8, 2008, the letter of confirmation of the *fairness opinion* and the valuation report issued on September 23, 2008, and the related supporting documentation;

c) the fairness opinion from a financial perspective of the Exchange Ratio issued by Leonardo on September 8, 2008 and the confirmation of such opinion and the "Fairness Report on the Exchange Ratio related to the Merger by incorporation of IFIL Investments S.p.A. into IFI S.p.A." issued on September 23, 2008, and the related supporting documentation;

d) the stand alone and consolidated financial statements as of December 31, 2007 and for the year then ended of IFIL and IFI, prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS"), accompanied by the respective reports of the Boards of Directors, the Boards of Statutory Auditors and the Independent Auditor, Deloitte & Touche S.p.A.;

e) the half-year condensed consolidated financial statements as of June 30, 2008 and for the six months then ended of IFIL and IFI, prepared in accordance with IFRS applicable to interim financial reporting (IAS 34), accompanied by the respective interim management reports and review reports of the Independent Auditor Deloitte & Touche S.p.A.;

f) the Balance Sheets as of June 30, 2008 of IFIL and IFI approved by the respective Board of Directors on September 23, 2008, prepared in accordance with IFRS applicable to interim financial reporting (IAS 34), accompanied by the respective review reports of the Independent Auditor Deloitte & Touche S.p.A., that have been used as the reference balance sheets required by article 2501 *quater* of the Italian Civil Code;

g) the estimate of the consolidated net financial position as of August 31, 2008 of the IFIL Group's companies constituting the "Holdings System" of IFIL and the estimate of the net financial position of IFI, determined by the Directors applying the same accounting principles applied to determine such balances at June 30, 2008; such estimates have been developed starting from the balance sheet data of the "Holdings System" of IFIL and from the same data of IFI as of June 30, 2008, taking into consideration the financial effects connected to the significant transactions entered by the Companies in the two months period subsequent to June 30, 2008 (disposal of Intesa San Paolo S.p.A.'s shares, purchase of IFIL treasury shares);

h) information from the accounting and management systems as deemed necessary to reach the scope of the engagement, as indicated in the preceding point 1;

i) appraisals, valuations, estimates of value of tangible fixed assets and of the significant investments in companies not listed, prepared by the Companies and their consultants and used in the valuation process;

j) the by-laws of IFIL and IFI and the by-laws of the Surviving Company after the Merger attached to the Plan for the Merger;

k) historical market prices and trading volumes of the shares of IFIL, IFI and of the investments in listed companies;

l) publicly available information about companies operating in the same sector and financial research and analyses, published by specialized institutions and investment banks;

m) press releases and information on the Merger made available to the public by IFIL and IFI.

Finally, we obtained representation that, based on the best knowledge and belief of IFIL management, no significant changes occurred in the data and information used in our analysis.

4. Valuation methods adopted by the Board of Directors for the determination of the Exchange Ratio

The Directors of IFIL, also based on the information provided by the Advisor, considering the importance and complexity of the Merger operation, considered it appropriate to identify more than one valuation method, selected among the methods considered more appropriate to reflect the value of the entities involved in the Merger.

4.1. Selection of the methods and valuation criteria

In mergers between companies, the objective of the evaluation consists of determining the equity value and the exchange ratio, that is the proportion between the number of shares of the Company to be Merged and the number of shares that the Surviving Company allocates to the Shareholders of the Company to be Merged. Accordingly, the main purpose of the valuation of the companies involved in a merger is to obtain the comparable corresponding values for the purposes of the determination of the exchange ratio, rather than to determine stand alone absolute economic value. Therefore, the companies involved in the transaction need to be valued according to homogeneous criteria to obtain comparable results.

Furthermore, it is to be noted that IFI and IFIL have been valued as separate companies. The valuation analyses have been performed on a stand-alone basis without taking into account any potential synergies that might arise from the Merger (as for example: cost synergies or impacts on the market prices of the Surviving Company post-Merger).

4.2. Description of the methodologies used

In determining the Exchange Ratio, the Companies' equity values have been valued by the Directors, also on the basis of the information of the Advisor, applying the following methodologies:

- the Market Prices Method; this methodology of valuation is deemed particularly relevant for companies, subject to the valuation, whose shares are listed on regulated markets and systematically traded in significant volumes;

- the Net Asset Value ("NAV") Method; this methodology of valuation is particularly common for estimating the intrinsic value of holding companies which, as those involved in the Merger, manage a portfolio of equity investments in third parties.

4.2.1. Market Prices Method

The Market Prices Method expresses the equity value of the companies subject to a valuation analysis, on the basis of the capitalization expressed by the market prices of the securities traded on regulated equity markets, representing the company itself. This method provides with reliable valuation indicators for companies, whose equity securities are traded in highly liquid markets.

In order to apply the method, the share prices of the companies, subject to the valuation analysis, have been examined at August 22, 2008 and over periods of time of, respectively, 3-, 6- and 12-months calculated backwards starting from August 22, 2008 (this day included), to reduce fluctuations and any short-term speculative elements. The day of August 22, 2008 represents the last market trading day of the securities prior to August 25, 2008, day on which

Giovanni Agnelli e C. S.a.p.az. announced the purchase of 10 million IFI preference shares from Amber Capital and also day on which, following such purchase, valuation analyses started with respect to available hypotheses and options. The valuation indicators on the 3-, 6- and 12-month periods have been calculated as simple averages of the market prices for each day over the considered period.

Since that IFI ordinary shares are not listed, reference has been made by the Directors to the market prices of IFIL ordinary shares and IFI preference shares, assuming a 1:1 ratio between IFI ordinary shares and IFI preference shares.

4.2.2. NAV Method

The NAV Method is commonly used for the valuation of holding companies, such as IFIL and IFI. This methodology estimates the equity value of the company by calculating the value of the investment portfolio, and any other assets held by the company, and then substracting (or adding) its net financial debt (or net cash). As the resulting Surviving Company will maintain and manage an investment portfolio substantially similar to the current IFIL's one, this valuation analysis does not consider potential costs and benefits which could derive from a total or partial liquidation of such portfolio (going-concern basis).

IFIL's NAV has been estimated by the Directors, also on the basis of the indications of the Advisor, on the basis of the following valuation procedure:

- IFIL's interests in companies, whose equity securities are listed on regulated markets (Fiat S.p.A.; SGS S.A.; Intesa Sanpaolo S.p.A., Sequana S.A.; Juventus FC S.p.A.), are valued by the Directors at their market prices, over periods of time similar to those used for the Market Prices Method. Also in this case, the valuation analysis based on 6-month-averages was deemed particularly relevant;

- IFIL's investments not listed and assets were valued by the Directors on the basis of independent third-party appraisals (Cushman & Wakefield Group Inc.; Alpitour S.p.A.; real estate assets) or at their respective book value in the financial statements of IFIL (including, among the major investments and assets valued at book value, Vision Investment Management, Banijay, tax credits);

- consistently with the going-concern basis, the tax aspects relating to the appreciation of investments and the other assets have not been considered by the Directors. In addition, also in view of the typical tax profile of holding companies, deferred tax assets and prior years' tax losses carry-forward have not been considered;

- IFIL's net cash position as of August 31, 2008, which was adjusted for the book value of the liabilities relating to the Alpitour stock options granted to Alpitour S.p.A.'s management, was added by the Directors to the total value of IFIL investments and assets;

- finally, the Directors have deducted from the resulting value determined as stated above, IFIL's central holding costs, calculated as the present value of the adjusted (net of non-recurring items) average central costs of the "Holding System" over the 2005-2007 period, accrued for a 10 years period.

The total NAV of IFIL has then been allocated by the Directors to the IFIL ordinary shares and the IFIL savings shares utilizing the total number of ordinary and savings shares outstanding(net of treasury shares held by subsidiaries) assuming a discount of the IFIL's NAV per savings share over the IFIL's NAV per ordinary share equal to the discount of the market prices of the IFIL savings shares over the IFIL ordinary shares, computed over a period consistent with the period adopted for the valuation of listed investments within the NAV methodology. According to common practice in this matter, in presence of different classes of shares (in this case ordinary and savings shares) in order to determine the par value of the ordinary shares, the number of savings shares is adjusted to calculate the number of the "equivalent ordinary shares" on the basis of the aforementioned market price discount.

The number of equivalent ordinary shares was calculated as the sum of (i) the number of IFIL ordinary shares outstanding (net of treasury shares) and (ii) the number of IFIL savings shares outstanding (net of treasury shares), adjusted by a premium equal to the premium represented by the average market prices of IFIL ordinary shares over the average market prices of IFIL savings shares, calculated over a period consistent with the time period adopted for the valuation of the listed investments within the NAV methodology. The following table shows the number of equivalent shares over the time periods taken into consideration:

	Discount of savings shares market prices over ordinary share market prices	Number of equivalent ordinary shares of IFIL
Spot price of listed companies at August 22, 2008	-15.5%	1,035,418,640
3-month average market price of listed companies	-14.5%	1,035,789,651
6-month average market price of listed companies	-14.6%	1,035,758,854
12-month average market price of listed companies	-11.1%	1,037,026,003

IFI's NAV has been estimated by the Directors, also on the basis of the indications of the Advisor, on the basis of the following valuation procedure:

- IFI's NAV was estimated by the Directors on the basis of the prorata NAV-based valuation of IFIL (in proportion to IFI's interest);

- the other IFI's assets (mainly tax credits) were valued by the Directors at book value as of June 30, 2008;

- consistently with the going-concern basis, the tax aspects relating to the appreciation of investments and the other assets have not been considered by the Directors. In addition, also in view of the typical tax profile of holding companies, deferred tax assets and prior years' tax losses carry-forward have not been considered by the Directors;

- IFI's net debt position as of August 31, 2008 was deducted by the Directors from the total value of IFI's assets;

- finally, the Directors have deducted from the resulting value determined as stated above, IFI's central holding costs, calculated as the present value of the adjusted (net of non-recurring items) average central costs, over the 2005-2007 period, accrued for a 10 years period.

The total NAV of IFI has been allocated by the Directors to the IFI ordinary shares and IFI preference shares utilizing the total number of IFI ordinary and preference shares outstanding (net of treasury shares), assuming no premium of the IFI's NAV per ordinary share over the IFI's NAV per preference share, computed over a period consistent with the period adopted by the Market Prices Methodology.

5. Valuation difficulties encountered by the Directors

In order to obtain the aforementioned results, also pursuant to art. 2501 *quinquies* of the Italian Civil Code, the Directors, also on the basis of the indications of the Advisor, have been taken into due consideration the fact that the valuation analyses carried out in determining the exchange ratios have highlighted the typical difficulties of such type of analysis, as well as the particular characteristics of IFI and IFIL.

In particular:

- IFI ordinary shares are not traded on Italian financial regulated markets. As a result, it is not possible to estimate the value of IFI ordinary shares by reference to the market value of IFI preference shares, listed on the Milan stock exchange. Moreover, there are only two Italian companies (Fiat S.p.A. and Unipol Gruppo Finanziario S.p.A.) with both ordinary and preference shares listed. Even if in both cases ordinary securities trade at a premium over preference securities, the limited liquidity of such securities and traded volumes do no allow them to be statistically significant. Given the lack of a statistically meaningful market benchmark, the analyses assume a value of the IFI ordinary share equal to the value of the IFI preference share.
- IFI does not currently have savings shares traded on a regulated market. Since IFIL has one class of savings shares, it is necessary in any case to define an exchange ratio between the existing IFIL savings shares and the newly-issued IFI savings shares. For this purpose, the Directors have assumed that IFI ordinary shares may trade at a premium over IFI savings shares, equal to the premium which is observable in the market, between the IFIL ordinary shares and the IFIL savings shares, also in light of the fact that alternative hypotheses may insert excessive discretionary elements in the valuation analysis.

- Market Prices Method presents certain valuation challenges, among which the Directors indicated the following:
  - certain securities, subject to the valuation analysis, may not be sufficiently liquid. In these conditions, the market prices of such securities may not entirely represent intrisic valuations. For instance, IFIL savings shares, whose market capitalization represents approximately 3% of IFIL's total market cap as of August 22, 2008, have limited traded volumes. Such securities, traded at a discount vis-à-vis IFIL ordinary shares, are however in line with various other cases of savings shares listed on the Milan stock exchange;
  - volatility driven by events which are not strictly related to listed companies (such changes in the broader economy) may temporarily affect market prices, therefore limiting their ability to reflect intrinsic valuation. This effect may be partially addressed by taking into consideration longer time periods, which tend to have effect of smoothing out unusual price variations.
- The NAV Method has certain specific difficulties among which the Directors indicated in particular:
  - the difficulty of valuation of unlisted investments – and more generally – of non-liquid assets. Although more than 85% of IFIL's NAV is formed by listed investments, some significant investments (e.g. Cushman & Wakefield Group Inc., Alpitour S.p.A.) cannot be estimated only with reference to market prices. As a result, it was deemed it necessary to use certain independent third-party appraisals – where available – and the book values recorded in the financial statements of IFIL;
  - in relation to listed investments, their market-based valuations are affected by the same limitations which affect the Market Prices Method.

6. Results of the valuation performed by the Directors

On the basis of the valuations conducted also with the support of the financial Advisor, the fairness opinion, the letter of confirmation of the fairness opinion and the valuation report issued by such Advisor, taken into consideration the value per share determined as above, as well as the resulting exchange ratios and in view of the identified ranges, the Board of Directors of IFIL fixed the respective equity values of the Companies participating to the Merger for the purposes of determination of the exchange ratio.

6.1 Market Prices Method

Taking into consideration that IFI ordinary shares are not listed, reference has been made by the Directors to the market prices of IFIL ordinary shares and IFI preference shares, assuming a 1:1 ratio between IFI ordinary shares and IFI preference shares, resulting as follows:

	Ordinary Share IFIL (in Euro)	Preference Share IFI (In Euro)
Spot market price at August 22, 2008	4.30	13.51
3-month average market price	4.51	14.31
6-month average market price	4.82	15.73
12-month average market price	5.77	19.85

Under the application of this methodology, the Directors deemed it necessary to balance the mitigation of the short-term volatility using sufficiently representative period of time with the use of data representative of recent market conditions, which are more indicative of the current situation of the Companies subject to the valuation analysis. For these reasons, 6-month averages were considered particularly relevant.

Please note that on February 18, 2008, IFIL announced the start of a treasury shares purchase (buy back) programme, subsequently suspended on August 25, 2008. Under this programme, IFIL purchased a total number of 20,783,200 IFIL ordinary shares and 917,000 IFIL savings shares, equal to approximately 2% of the total number of IFIL shares. The purchases were carried out on Italian regulated markets and the maximum number of shares daily purchased never exceeded 25% of the daily average market trading volume, in accordance with European Commission EC Regulation No. 2273/2003. According to the Directors, the selection of the reference time period for the application of the valuation methodologies (market prices methodology and NAV methodology) used for the valuation of the Exchange Ratio, was not affected by the aforementioned purchases.

The Directors also examined the market prices of IFIL savings shares examined over different periods of time, in particular, in order to determine the discount over IFIL ordinary shares. During the last 12-month period prior to August 22, 2008, IFIL savings shares continued to show a discount over IFIL ordinary shares, equal to an approximate average of 11%.

Under the Merger, the Surviving Company will issue a new class of savings shares with the same characteristics as the existing IFIL savings shares with the privileges adjusted to take into account the effects of the exchange ratio. Moreover, there are many examples of Italian savings stock, which are traded at a significant discount over the respective ordinary stock.

In light of the aforementioned information, the Directotrs have assumed that the savings shares of the Surviving Company may report the same discount over the ordinary shares of the Surviving Company as the discount currently quantified by IFIL savings shares over IFIL ordinary shares. Accordingly, an exchange ratio applicable to both ordinary shares and savings shares of the two Companies has been fixed. It is a generally accepted principle that different allocations of the equity value between ordinary shares and savings may introduce discretional elements in the valuation not supported by objective parameters.

6.2 NAV method

The following table shows the results obtained by the Directors of IFIL applying the NAV methodology:

	IFIL NAV per Ordinary Share (in Euro)	IFI NAV per Ord./Pref. Share (in Euro)
Spot price of listed investments at August 22, 2008	6.39	27.17
3-month average market price of listed investments	6.81	29.09
6-month average market price of listed investments	7.31	31.44
12-months average market price of listed investments	8.41	36.51

6.3 Determination of the Exchange Ratio

The valuation methodologies adopted by the Directors, also based on the indications of the Advisor, result in the following exchange ratios – expressed, to simplify the presentation, as the ratio between the estimated NAV per ordinary share of the Surviving Company and the NAV per IFIL ordinary share – over the different periods of time considered both for the Market Prices Methodology and NAV Methodology:

	Market Prices Methodology (x)	NAV Methodology (x)
3-month average exchange ratio	3.17	4.27
6-month average exchange ratio	3.26	4.30
12-month average exchange ratio	3.44	4.34

Note: Reference time period for the calculation of average market prices for the Market Prices Methodology and the valuation of listed investments with the NAV Methodology.

The proposed valuation criteria have been deemed by the Directors both valid and complementary, since the Market Prices Methodology reflects the Companies' value resulting from regular trading of the securities of the Companies subject to the valuation analysis, while the NAV Methodology reflects the intrinsic value of the investments and assets, net of liabilities, held by the Companies.

Furthermore, as reported above, the 6-month average exchange ratios based on Market Prices Methodology are deemed particularly representative since they allow to lessen the short-term volatility, though they are typical of the most recent market conditions.

Accordingly, the simple average between (a) the 6-month average exchange ratio based on Market Prices Methodology and (b) the 6-month average exchange ratio based on NAV Methodology is equal to 3.78 IFIL ordinary shares per 1 IFI ordinary share, which corresponds for the Directors to the most relevant reference for the determination of the exchange ratio.

The proposed exchange ratio corresponds to 0.265 newly-issued IFI ordinary share for 1 IFIL ordinary share. Under the preceding assumptions, according to which the newly-issued IFI savings shares may be valued over IFI ordinary shares at the same discount reported by IFIL savings shares over IFIL ordinary shares, the Directors deemed that this exchange ratio could also be applicable to IFIL savings shares.

On the basis of the valuations of the aforementioned companies taking part into the Merger, the Board of Directors has approved the following exchange ratios, which determine the number of new shares to service the Merger:

- n. 0.265 IFI newly issued ordinary shares, par value Euro 1 per share, for n. 1 IFIL ordinary share, par value Euro 1 per share;
- n. 0.265 IFI newly issued savings shares, par value of Euro 1 per share, for n. 1 IFIL ordinary share, par value Euro 1 per share.

No adjusting cash settlement is provided for.

These conclusions have been compared to the conclusions of the Board of Directors of IFI, assisted by its financial advisor.

7. Work done

7.1. Work done on the "documentation utilized" as mentioned at point 3.

As previously indicated, the Balance Sheets as of June 30, 2008 of IFIL and IFI approved by the respective Board of Directors on September 23, 2008, used as the balance sheets required by article 2501 *quater* of the Italian Civil Code for the Plan for the Merger, have been reviewed by the Independent Auditor Deloitte & Touche S.p.A..

The half-year condensed consolidated financial statements as of June 30, 2008 and for the six months then ended of IFIL and IFI have been reviewed by the Independent Auditor Deloitte & Touche S.p.A..

The stand alone and consolidated financial statements as of December 31, 2007 and for the year then ended of IFIL and IFI have been audited by the Independent Auditor Deloitte & Touche S.p.A..

With regards to such financial statements and balance sheets we have performed limited procedures, that mainly consisted in discussions with the management of the Companies and meeting with representatives of the Independent Auditors Deloitte & Touche S.p.A., for the purposes of identifying the accounting principles used and the significant issues of their preparation, applying analytical review procedures of the items included in the financial statements and of the resulting ratios.

With regards to the estimate of the consolidated net financial position as of August 31, 2008 of the IFIL Group's companies constituting the "Holdings System" and the net financial position of IFI, and to the liability related to the stock option plan of Alpitour S.p.A.'s management, we have performed limited procedures, that mainly consisted in discussion with management of the Companies for the purposes of identify the accounting principles used and the main issues of their preparation, including analytical review of the amounts included therein.

With regards to the corporate costs of the "Holdings System" of IFIL and those of IFI, that are derived from the accounting records of the Companies and of the companies of the Group constituting the "Holdings System" of IFIL and those of IFI for the three year period 2005 – 2007, net of the amounts identified as non recurring, we have performed limited procedures, that mainly consisted in discussion with management of the Companies for the purposes of identify the accounting principles, the estimates and the criteria used by the Directors for its determination and the capitalization of such costs over a period of 10 years.

We have read the reports and the appraisals prepared by the experts identified by the Companies, including the appraisals internally prepared by the Companies, in connection with the valuation of the investments in the companies not listed Cushman & Wakefield Group, Inc. and Alpitour S.p.A. and of the property building, with specific reference to the parameters, methodologies and valuation criteria used.

We have gathered, through discussion with IFIL management, information about events subsequent to the date of reference of the Balance Sheet required by article 2501 *quater* of the Italian Civil Code (and subsequent to August 31, 2008, used as the reference date for the preparation of the estimate of the consolidated net financial position), that could have a significant effect on the determination of the figures examined by us, and they confirmed us that, from the Balance Sheet date to the date of issue of this report, there have been no events or circumstances that would require a modification of the Exchange Ratio.

In addition, we have discussed with KPMG S.p.A. regarding the work performed by them on the similar documentation pertaining to IFI.

The abovementioned procedures have been performed to the extent considered necessary to fulfill the objective of our engagement as indicated in paragraph 1.

7.2. Work done on the methods used to determine the Exchange Ratio

We have performed the following procedures:

- analysis of the Plan for the Merger, of the Balance Sheets as of June 30, 2008 prepared as required by article 2501 *quater* of the Italian Civil Code, and of the Directors' Reports and of the reports prepared by the advisors to verify the completeness and consistency of the processes followed by the Directors to determine the Exchange Ratio, as well as the homogeneity in the application of valuation methods;
- sensitivity analyses within the valuation methods adopted, with the aim to verify to what extent the Exchange Ratio would be affected by changes in the assumptions and parameters, considered to be significant, utilized in the reports of the advisors, also to take into consideration the recent trends in the stock markets;
- verification of the consistency of data utilized, with respect to the reference sources and with the "Documentation used", described in paragraph 3 above;
- verification of the mathematical accuracy of the calculation of the Exchange Ratio, derived from the application of the valuation methods used by the Directors also based on the advice of the Advisor;
- meetings with the Advisor of IFIL, to discuss the activities performed, the issues encountered and the solutions adopted.

We have also gathered, through discussion with IFIL management, and obtained representation that, based on the best knowledge and belief of IFIL management, no significant changes occurred in the data and information used in our analysis, and that there have been no events that would require a modification of the valuation expressed by the Directors in the determination of the Exchange Ratio.

Finally, we have discussed with KPMG S.p.A. regarding the valuation and the methodologies used by the Companies to determine the Exchange Ratio.

The abovementioned procedures have been performed to the extent considered necessary to fulfill the objective of our engagement as indicated in paragraph 1.

8. Comments on the suitability of the methods used and the validity of the estimates

With reference to this engagement, we wish to draw attention to the fact that the principal purpose of the decisional process used by the Directors was to establish an estimate of relative values of the Companies involved in the Merger, by applying homogeneous criteria, in order to obtain comparable values. In fact, the main objective of valuations for mergers is to identify comparable values in order to determine the exchange ratio, rather than to determine absolute values of the companies involved.

Accordingly, valuations for merger transactions have a meaning solely in respect of their relative profile and cannot be regarded as estimates of the absolute values of the companies involved, for transactions different from the merger for which they were carried out.

We have performed a critical analysis of the methodologies used by the Directors, also based upon the advice of their Advisor, to determine the relative value of the Companies and, as a consequence, of the Exchange Ratio, verifying the technical adequacy in the specific circumstances.

With regards to the valuation methods adopted, we note that

- they are widely used in the Italian and in the international professional practice, they are based on accepted valuation doctrine and on parameters determined through a rigorous methodology process;

- they appear adequate in the circumstances, in light of the characteristics of the Companies involved in the Merger;

- in conformity with the valuation framework required by the Merger, the methods have been developed on a stand alone basis;

- the methodology adopted by the Board of Directors ensures that the valuation methods are homogeneous and thus that the values are comparable;

- the application of more than one method broadened the valuation process and allows substantial verification of the results obtained;

- the choice to extend the analysis of the market prices up to a period of 12 months, and then to choose the prices over a period of 6 months, appears generally appropriate, particularly in a context of extreme volatility of the markets; such decision therefore permits to mitigate the effects of the short-term volatility, even though still representing a recent market value;

- the choice of the Exchange Ratio based on the mere arithmetical average of the ratios resulting from the two methodologies is inherent in the choice of the Directors to attribute same rank to the two methodologies;

- the choice, within the market prices method, of the simple average of the reference prices for each day (last price) within the period in exam, is widespread and accepted in the prevailing professional practice; the sensitivity analysis performed using also the weighted average of different periods and the use of prices different than those used by the Directors (e.g.: fix, last weighted based on exchanged volumes, weighted prices obtained from Bloomberg data-base) confirm the Exchange Ration determined by the Directors;

– the choice to use as a reference date for the market prices information the date before the announcement by the major shareholder of possible transactions on the share capital, appears to be appropriate for the purpose to eliminate twisted effects on the market prices;

– Directors identified adjustment mechanisms for the purpose of treating the differences in the patrimonial and administrative rights among shares of different categories, in line with the prevailing doctrine and professional practice.

With regards to the development of the valuation methodologies by the Directors, our considerations are the following:

– the Market Prices Method is particularly suitable in connection with companies with a high capitalization, a large and widespread float and high volumes of exchange. In this case, the adoption of averages over a sufficiently long period of time mitigates the effect of share fluctuations, connected with the general situation of the stock markets, even reflecting recent market data;

– the NAV Method is generally applied by professional practice in the valuation of complex enterprises, characterized by numerous areas of business. In this case, the utilization of the stock-market prices method for the investments in listed companies, with an observation of the market prices based on the same period of time used for the market prices of IFI and IFIL shares, allows both to reduce the effect of the short-term market volatility and to use data that reflect recent market conditions, while the valuation of the other investments not listed through internal and external appraisals or through balance sheet value, allows appropriate consideration to be given to the operational characteristics of the individual participated companies.

9. Specific limitations encountered by the auditors in carrying out the engagement

As previously indicated, in the execution of our work we utilized data, documents and information provided to us by the Companies participating to the Merger, assuming the truthfulness, correctness and completeness, without performing controls on them. Similarly, we took note of the non occurrence of the assumptions for the withdrawal right, without performing controls on it; the Directors, as indicated above, believe that the assumptions for such right do not occur for the shareholders of both Companies, and such circumstance has been assumed by us as a given assumption. In the same way, we have not performed, since they were out of the scope of our engagement, controls and/or valuations on the validity and/or effectiveness of the transactions concluded by IFI, IFIL and/or by their subsidiaries, neither on the effects of the Merger on them.

With reference to the valuation methodologies used and to the limits encountered by the Directors, as reported in paragraph 5 above, we outline the following:

- the Market Prices Method is particularly suitable in connection with companies with a high capitalization, a large and widespread float and high volumes of exchange. In this case, some of the shares subject to evaluation, for example IFIL saving shares, present a relatively limited liquidity, and, as a consequence, the prices of such shares could not fully reflect the intrinsic value, especially in the presence of a market volatility also determined by events external to the companies under valuation, that could limit the ability of the market prices to reflect the intrinsic valuations;

- the NAV Method is generally applied by professional practice in the valuation of complex enterprises, characterized by numerous areas of business. In this case, the utilization of such method has been limited by the valuation of the investments in not listed companies and, more in general, of not liquid assets, for which it has been necessary to make reference or to external independent appraisals, if available, or to financial statements value. Such financial statements value, have not been derived from a completed set of financial statements at the valuation date, but have been obtained starting from financial statements as of June 30, 2008, taking into consideration the financial effects connected to the significant transactions entered by the Companies in the subsequent 2-month period;

- the methods used are based, directly or indirectly, on the market prices of listed securities, in a market environment that recently has been characterized by high levels of uncertainty and by high turbulence; in particular, the market prices of IFI and IFIL shares in the period from August 22, 2008 to the date of this Report, show a significant reduction of the prices in absolute value, from which it is not separately quantifiable the effects connected to the announcement of the Merger transaction and those connected to the general market trend; accordingly it is not possible to exclude that the evolution of the financial crisis could result in market prices not determinable at this stage and also significantly different from those used by the Directors in their valuations.

In the application of analytic valuation methodologies, the existence of different categories of shares determine the issue of allocating the value of the company under valuation among the different categories of shares outstanding. The prevailing doctrine and the professional practice suggest, when different categories of shares are listed in the market, to directly determine the ratios as identified by the market, during periods of time considered representative, assuming that the value ratios between the various categories of securities correspond to the ratio between their market prices.

In particular, with regards to IFI preferred shares, the Directors of IFIL have outlined that IFIL preferred shares currently do not exist, thus not permitting to measure a specific premium/discount with respect to the respective ordinary shares, while, for IFI, the ordinary shares are not traded thus not permitting to measure a premium/discount. Given the lack of a statistically meaningful market benchmarks, the Directors have assumed the value of the IFI ordinary share equal to the value of the IFI preference share.

Similarly, with regards to savings shares, IFI currently does not have such category of shares traded on a regulated market. For this purpose, the Directors have assumed that IFI ordinary shares may trade at a premium over IFI savings shares, equal to the premium which is observable in the market, between the IFIL ordinary shares and the IFIL savings shares, also in light of the fact that alternative hypotheses may introduce excessive discretionary elements in the valuation analysis.

10. Conclusion

Based on the documentation we have examined and on the procedures described above, and considering the nature and extent of our work as described in this report, we believe that the valuation methods adopted by the Directors of IFIL, also based upon the advice of their Advisor, are, under the circumstances, reasonable and not arbitrary, and they have been correctly applied by them in their determination of the Exchange Ratio of shares indicated in the Plan for the Merger, as follows:

- n. 0.265 IFI newly issued ordinary shares, par value Euro 1 per share, for n. 1 IFIL ordinary share, par value Euro 1 per share;
- n. 0.265 IFI newly issued savings shares, par value Euro 1 per share, for n. 1 IFIL ordinary share, par value Euro 1 per share.

No adjusting cash settlement is provided for.

Turin, October 28, 2008

Reconta Ernst & Young S.p.A.
Signed by: Pellegrino Libroia, partner

This report has been translated into the English language solely for the convenience of international readers.