Istituto Finanziario Industriale

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

QUARTERLY REPORT AT MARCH 31, 2004

Istituto Finanziario Industriale

QUARTERLY REPORT AT MARCH 31, 2004

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This is an English translation of the Italian original “Relazione trimestrale al 31 marzo 2004” approved by the IFI Board of Directors on May 14, 2004 which 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 trimestrale al 31 marzo 2004”, also 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

Independent Auditors Deloitte & Touche S.p.A.

Expiry of term of office

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

The Independent Auditors are appointed for the three-year period 2003-2005.

Corporate Governance

The Chairman, according to the by-laws (art. 21), may represent the Company, also before a court of law, and has signature powers.

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

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

IFI GROUP PROFILE

THE INVESTMENT PORTFOLIO

IFI – Istituto Finanziario Industriale S.p.A. – 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 (62.03% of ordinary capital stock) and in Exor Group (29.3% of capital stock).

IFIL is the operating holding company of the Group commanding two distinctive areas of operations: the active management of the controlling investment in Fiat and the dynamic management of the other holdings.

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

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

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

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

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

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

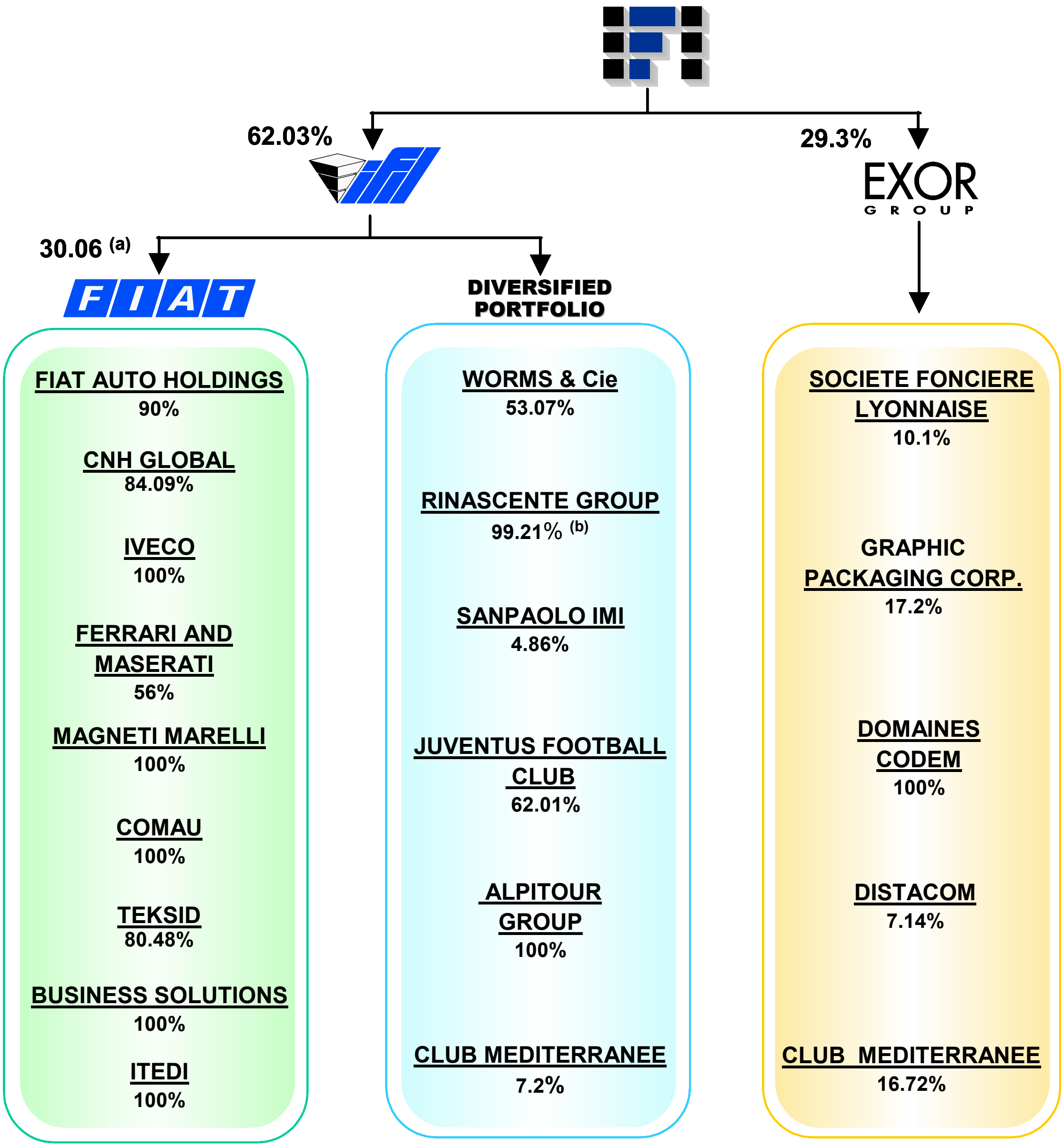
Alpitour (100% holding through NHT New Holding for Tourism) is a leading company in Italian tourism;

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

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

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 packaging sector that emerged in 2003 from the 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), the 100% holding in Domaines Codem (a French wine company) and the 7.1% stake in Distacom (a company headquartered in Hong Kong operating in the telecommunications sector).

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



(a) IFIL also holds 30.09% of preferred capital stock.
(b) Control is exercised jointly by the Auchan Group through Eurofind (50% by IFIL and 50% by Auchan).

MAJOR EVENTS

The normal course of administration of the company continued during the period January – May 2004.
It should be pointed out that, in accordance with pre-existing agreements, in February, IFI invested € 1.5 million in TLcom I Capital Partners Limited, a venture capital fund geared to companies operating in the telecommunications and information technology sector in Europe and in other markets. IFI's total investment in this fund, to date, amounts to € 8.2 million.

CRITERIA USED IN THE PREPARATION OF QUARTERLY REPORTS

The quarterly consolidated report of the IFI Group has been prepared pursuant to art. 82 of the "Rules containing the procedures for enacting Legislative Decree No. 58 dated February 24, 1998 for issuers of securities" (Consob resolution No. 11971 of May 14, 1999 as amended).

The quarterly consolidated report is unaudited and has been prepared according to principles which conform to those applied in the condensed annual and first-half financial statements; such presentation allows a uniform comparison of the quarterly data with the published data accompanying the first-half report and the annual consolidated financial statements prepared by using the line-by-line consolidation method pursuant to the law.

Certain more complex valuation procedures, particularly for the determination of eventual impairment losses of long-term assets, are generally carried out in a comprehensive manner only at the time of preparing the annual financial statements, when all the necessary information ultimately becomes available.

This quarterly consolidated report, in condensed form, has been prepared by accounting for the investments in IFIL (60.55% of capital stock outstanding) and in Exor Group (29.3% of capital stock outstanding) using the equity method.

In the consolidated quarterly report at March 31, 2003, the investments held in Fiat and in Juventus Football Club were accounted for using the equity method; the investment in Soiem was consolidated line-by-line and the investment in SANPAOLO IMI was stated at cost. Such investments were contributed to IFIL in April 2003 as part of the Reorganization of the Group.

ANALYSIS OF CONDENSED CONSOLIDATED RESULTS

The first quarter of 2004 closed with a consolidated net loss for the IFI Group of € 31.2 million (compared to € 143.5 million in the first three months of 2003). The main captions of the condensed consolidated statement of operations for the first quarter of 2004 are examined in the following paragraphs. Additional details and information are provided in the following section “Condensed consolidated financial statements”.

The **Group’s share of earnings (losses) of companies** accounted for using the equity method amounted to losses of € 26.9 million. This reflects IFI’s share of the losses reported by the IFIL Group (-€ 27.2 million) and the Exor Group (-€ 0.2 million), net of consolidation adjustments (€ 0.5 million).
The figures for the first quarter of 2003 (- € 134.5 million) included IFI’s share in the losses reported by the Fiat Group (-€ 110.8 million), the IFIL Group (- € 24.2 million), Juventus Football Club (- € 4.5 million) and the earnings posted by Exor Group (+€ 4.7 million) and consolidation adjustments (+€ 0.3 million).

Financial expenses, net, were € 3.1 million (€ 4.7 million in the first three months of 2003); the decrease of € 1.6 million was attributable to lower average indebtedness in the two quarters under comparison and, in particular, to the capital stock increase in July 2003.

General expenses, net, amounted to € 1.2 million (€ 2.2 million in the first three months of 2003); the decrease € 1 million was essentially due to the reduction of personnel and the deconsolidation of Soiem.

There were no **nonrecurring expenses** incurred in the first quarter of 2004. During the same period of 2003, other expenses, net, totaled € 2.4 million and referred to the Reorganization of the Group.

Key data relating to the condensed consolidated balance sheet are presented in the following paragraphs. Additional details and information are provided in the following section “Condensed consolidated financial statements”.

Financial fixed assets amounted to € 2,528.9 million at March 31, 2004 and showed an increase of € 15.7 million compared to December 31, 2003 (€ 2,513.2 million).

Net financial position of IFI S.p.A., at March 31, 2004, showed a net indebtedness position of € 301.9 million (€ 295.4 million at December 31, 2003). At March 31, 2003, the net indebtedness position was € 428.4 million.

Stockholders’ equity – Group, at March 31, 2004, amounted to € 2,231.3 million (€ 2,221.3 million at December 31, 2003).

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The following describes the condensed consolidated **Statement of Operations** and the condensed consolidated **Balance Sheet** and provides details of the main captions.

Condensed consolidated statement of operations

Year 2003	€ in millions	**I Quarter 2004**	I Quarter 2003	Change
(117.7)	Group's share of earnings (losses) of companies accounted for using the equity method	**(26.9)**	(134.5)	107.6
0.2	Dividends from other holdings and tax credits	**0.0**	0.0	0.0
(15.0)	Financial expenses, net	**(3.1)**	(4.7)	1.6
(6.1)	General expenses, net	**(1.2)**	(2.2)	1.0
1.0	Other expenses, net	**0.0**	(2.4)	2.4
(137.6)	**Loss before taxes**	**(31.2)**	(143.8)	112.6
7.6	Deferred taxes	**0.0**	0.3	(0.3)
(130.0)	**Net loss - Group**	**(31.2)**	(143.5)	112.3

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

Year 2003	€ in millions	**I Quarter 2004**	I Quarter 2003	Change
(27.2)	IFIL Group	**(27.2)**	(24.2)	(3.0)
5.0	Exor Group	**(0.2)**	4.7	(4.9)
(110.8) (a)	Fiat Group	**-**	(110.8)	110.8
(4.5) (a)	Juventus Football Club	**-**	(4.5)	4.5
(137.5)		**(27.4)**	(134.8)	107.4
19.8	Consolidation adjustments	**0.5**	0.3	0.2
(117.7)	**Group's share of earnings (losses) of companies accounted for using the equity method**	**(26.9)**	(134.5)	107.6

(a) Results for the first quarter of 2003.

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

Condensed consolidated balance sheet

3/31/2003		€ in millions	**3/31/2004**	12/31/2003	Change
		Financial fixed assets:			
2,191.6		- investments	**2,450.2**	2,436.0	14.2
70.5		- treasury stock	**70.5**	70.5	0.0
6.7		- other receivables	**8.2**	6.7	1.5
2,268.8			**2,528.9**	2,513.2	15.7
2.2		Cash, receivables and other financial assets	**0.2**	0.1	0.1
29.2		Other assets	**18.3**	18.6	(0.3)
2,300.2		**Total assets**	**2,547.4**	2,531.9	15.5
		Stockholders' equity			
1,841.8		- of the Group	**2,231.3**	2,221.3	10.0
10.5	(a)	- minority interest	**0.0**	0.0	0.0
1,852.3			**2,231.3**	2,221.3	10.0
		Financial payables:			
239.8		- banks, short-term	**244.4**	66.3	178.1
160.0		- banks, medium-term	**40.0**	212.7	(172.7)
25.6		- parent company, short-term	**14.2**	15.2	(1.0)
0.6		- subsidiaries, short-term	**0.0**	0.0	0.0
426.0			**298.6**	294.2	4.4
21.9		Other liabilities and reserves	**17.5**	16.4	1.1
2,300.2		**Total liabilities and stockholders' equity**	**2,547.4**	2,531.9	15.5

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

Financial fixed assets - Investments

	Number of	% holding of		Carrying value	
€ in millions	shares held	Class of stock	Capital stock	Per share (€)	Total (€ in ml)
Investments accounted for using the equity method					
IFIL - ordinary shares	643,783,399	62.03	59.88	3.527	**2,270.4**
Exor Group	3,418,242	29.30	29.30	52.344	**178.9**
Investments valued at cost					
Deutsche Morgan Grenfell Capital Italy					
- ordinary shares	1,058	1.13	0.36	513.893	**0.5**
- preferred shares	2,000	1.30	0.69	2.582	**-**
Emittenti Titoli	720,000	8.78	8.78	0.516	**0.4**
Total					**2,450.2**

Financial fixed assets – Treasury stock

Treasury stock includes 5,360,300 IFI preferred shares, equal to 6.98% of the class of stock (3.28% of capital stock), carried for a total of € 70.5 million (€ 13.148 per share). The per share value of consolidated stockholders' equity of the IFI Group at March 31, 2004 amounted € 13.67.
The market value of IFI preferred shares based on the average March 2004 prices (€ 7.341 per share) was € 39.3 million and based on the average price of the six-months October 2003 – March 2004 (€ 6.797 per share) was € 36.4 million.

Stockholders' equity - Group

€ in millions	
Stockholders' equity - Group at December 31, 2003	**2,221.3**
Share of the translation adjustments shown by IFIL (€ 39.3 million) and other net changes (€ 1.9 million)	41.2
Consolidated net loss - Group	(31.2)
Net change during the period	**10.0**
Stockholders' equity - Group at March 31, 2004	**2,231.3**

Composition of the net financial position of IFI S.p.A.

3/31/2003 (a)				**3/31/2004**			12/31/2003		
Short-term	Medium/ long-term	Total	€ in millions	**Short-term**	**Medium/ long-term**	**Total**	Short-term	Medium/ long-term	Total
2.2	0.0	2.2	**Cash and banks, financial receivables and other assets**	**0.2**	**0.0**	**0.2**	0.1	0.0	0.1
(239.8)	(160.0)	(399.8)	Borrowings from banks	**(244.4)**	**(40.0)**	**(284.4)**	(66.3)	(212.7)	(279.0)
(25.6)	0.0	(25.6)	Payables to parent company	**(14.2)**	**0.0**	**(14.2)**	(15.2)	0.0	(15.2)
(4.6)	0.0	(4.6)	Financial accrued expenses and deferred income	**(3.5)**	**0.0**	**(3.5)**	(1.3)	0.0	(1.3)
(0.6)	0.0	(0.6)	Payables to subsidiaries	**0.0**	**0.0**	**0.0**	0.0	0.0	0.0
(270.6)	(160.0)	(430.6)	**Total financial liabilities**	**(262.1)**	**(40.0)**	**(302.1)**	(82.8)	(212.7)	(295.5)
(268.4)	(160.0)	(428.4)	**Net financial position of IFI S.p.A.**	**(261.9)**	**(40.0)**	**(301.9)**	(82.7)	(212.7)	(295.4)

(a) Included Soiem's cash.

Change in the net financial position of IFI S.p.A

€ in millions	
Net financial position of IFI S.p.A. at December 31, 2003	**(295.4)**
Investment in Tlcom I	(1.5)
Financial expenses, net	(3.1)
General expenses, net	(1.2)
Purchase of receivables from the tax authorities from Group companies (- € 0.5 million) and other changes, net (- € 0.2 million)	(0.7)
Net change during the period	**(6.5)**
Net financial position of IFI S.p.A. at March 31, 2004	**(301.9)**

BUSINESS OUTLOOK

Taking into account the motions for the distribution of dividends from 2003 profits formulated by the Boards of Directors of IFIL and Exor Group, it is expected that the result for 2004 of IFI S.p.A. will be a profit.

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

Fiat Group

Driven by a recovery in North America and Southeast Asia, the international world markets are beginning to show signs of improvement. However, growth is expected to be relatively modest in Europe, especially in Italy. As a result, the environment in the automotive markets in which the Fiat Group will be operating is not expected to be markedly different from last year, except for a slight increase in demand for agricultural equipment in the United States. Under these circumstances, competition will be particularly intense.

Nevertheless, during the year, all Group Sectors will continue to implement the industrial restructuring and streamlining programs outlined in the Relaunch Plan. At the same time, they will pursue further gains in product innovation and will devote substantial resources to improving their sales networks.

In addition, the Fiat Group will continue to strengthen its management organization, bringing in top executives from outside and optimizing the competencies and professional skills available inside.

The initiatives planned for the months ahead and the results achieved in the first quarter of the year provide confirmation that the Fiat Group should be able to attain operating breakeven as planned for 2004.

Worms & Cie Group

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

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

Rinascente Group

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

NHT Group

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

Juventus Football Club

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

OPERATING PERFORMANCE OF IFIL AND EXOR GROUP HOLDINGS

IFIL – FINANZIARIA DI PARTECIPAZIONI S.p.A.
(62.03% of capital stock)

The following consolidated data of the IFIL Group at March 31, 2004 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 or proportionally and accounting for the subsidiaries and associated companies, including the operating holding companies, using the equity method.

12/31/2003	€ in millions	**3/31/2004**	3/31/2003	Change
(45.0)	Consolidated net loss - Group	**(45.0)**	(75.0)	30.0
3,953.9	Consolidated stockholders' equity - Group	**3,976.8**	2,587.5	1,389.3
(234.7)	Consolidated net financial position of the "Holdings system"	**(394.0)**	(513.0)	119.0
4,223.1	Financial fixed assets	**4,368.1**	3,110.2	1,257.9

The first quarter of 2004 closed with a consolidated net loss for the IFIL Group of € 45 million (of which € 23.6 million comes from the extraordinary amortization of the entire difference on consolidation relating to 10% of the capital stock of NHT purchased in January 2004). This is a significant improvement over the first quarter of 2003 which ended with a consolidated loss of € 75 million. Presented below are the condensed consolidated statement of operations and comments on the main captions.

Year 2003	€ in millions	**I Quarter 2004**	I Quarter 2003	Change
(49.7)	Group's share of earnings (losses) of companies accounted for using the equity method	**(6.8)**	(62.4)	55.6
33.1	Dividends from other holdings and tax credits	**0.0**	0.0	0.0
25.0	Gains, net	**0.0**	0.0	0.0
(13.7)	Amortization of differences on consolidation	**(27.3)**	(2.4)	(24.9)
(5.3)	**Investment income (expenses), net**	**(34.1)**	(64.8)	30.7
(23.6)	Financial expenses, net	**(5.2)**	(6.8)	1.6
(13.0)	General expenses, net	**(4.2)**	(3.9)	(0.3)
(6.1)	Other expenses, net	**(1.5)**	(0.4)	(1.1)
(48.0)	**Loss before taxes**	**(45.0)**	(75.9)	30.9
0.1	Current income taxes, net	**0.0**	0.0	0.0
2.9	Deferred taxes	**0.0**	0.9	(0.9)
(45.0)	**Net loss - Group**	**(45.0)**	(75.0)	30.0

The **Group's share of earnings (losses) of companies** accounted for using the equity method amounted to losses of € 6.8 million. This is marked improvement (+€ 55.6 million) over the losses of € 62.4 million reported in the first quarter of 2003. The positive change was mainly due to the share of lower losses reported by the Fiat Group (€ 53.6 million) and the Rinascente Group (€ 2.7 million). Also contributing to this change were the share of lower earnings posted by the Worms & Cie Group (-€ 3.1 million), the higher share of the losses of the NHT Group (- € 1 million), the share of the earnings of Juventus (€ 3.3 million) and, finally, other changes (+€ 0.1 million).
The change from the first quarter of the prior year includes consolidation adjustments..

Amortization of differences on consolidation amounted to € 27.3 million (€ 2.4 million in the first quarter of 2003). The amount for this quarter refers to the investments in Juventus (€ 0.9 million) and in the Rinascente Group (€ 2.8 million), in addition to the aforementioned extraordinary amortization charge for the difference on consolidation on 10% of the capital stock of NHT, equal to € 23.6 million.

Financial expenses, net, totaled € 5.2 million (€ 6.8 million in the first quarter of 2003); the decrease of € 1.6 million was attributable to lower net indebtedness in the two quarters under comparison.

General expenses, net, amounted to € 4.2 million and increased by € 0.3 million compared to the first quarter of 2003 (€ 3.9 million).

Other expenses, net, amounted to € 1.5 million (€ 0.4 million in the first quarter of 2003) and included the amortization of the expenses related to the IFIL S.p.A. capital stock increase in 2003 (€ 0.6 million) and sundry expenses (€ 0.9 million).

Stockholders' equity – IFIL Group amounted to € 3,976.8 million at March 31, 2004. The increase of € 22.9 million compared to December 31, 2003 (€ 3,953.9 million) originated from the share of the translation adjustments (+€ 64.9 million) and other net changes (+€ 3 million) shown by companies accounted for using the equity method and, lastly, the consolidated loss of the IFIL Group (- € 45 million).

Consolidated net financial position of the "Holdings System" at March 31, 2004 showed a net indebtedness position of € 394 million (€ 234.7 million at December 31, 2003). The negative change of € 159.3 million in the first quarter of 2004 was mainly due to the following flows:

€ in millions		
Consolidated net financial position of the "Holdings System" at December 31, 2003		**(234.7)**
Investments:		
- Eurofind, 9.53% of capital stock (from Mediobanca)	(116.1)	
- NHT New Holding for Tourism, 10% of capital stock (from the TUI Group)	(46.3)	
Investments		**(162.4)**
Other changes:		
- Financial expenses, net	(5.2)	
- General expenses, net	(4.2)	
- Receivables collected from the tax authorities	8.8	
- Other, net	3.7	
Other changes		**3.1**
Net change during the period		**(159.3)**
Consolidated net financial position of the "Holdings System" at March 31, 2004		**(394.0)**

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

Major transactions by the IFIL Group

In January 2004, the subsidiary Ifil Investissements purchased 9.53% of Eurofind capital stock from Mediobanca for an investment of € 116.1 million.
Eurofind's capital stock is currently held equally by the IFIL Group (50%) and the Auchan Group (50%).

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

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

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

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

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

EXOR GROUP

(29.3% of ordinary capital stock)

In the first quarter of 2004, owing to the absence of significant income from its holdings, Exor Group reported a loss of € 0.8 million. In the corresponding period of 2003, the company had reported a net income of € 17 million, principally as a result of the sale of the 75% stake in Château Margaux.

The only event of particular importance during the first quarter of 2004 refers to the offer of sale for the 10.1% stake held in SFL – Société Foncière Lyonnaise, listed on the Paris stock exchange, together with the other stockholders (AVIVA, Grosvenor and Société Générale). The SFL shares put up for sale represent a total of 56% of capital stock; the sale is being conducted by the advisors UBS and SGCIB and should be concluded by the end of June 2004.

Turin, May 14, 2004

For the Board of Directors
The Chairman
Umberto Agnelli